



FEBRUARY 17, 2023

COTTON MARKET HAD A CHOPPY WEEK

- Outside Markets Pressured from Economic News
- Export Sales Report Showed Solid Sales
- NCC Survey Reported Producers Intend to Plant 11.4 Million Acres

The cotton market had a choppy week, trading within a tight range before falling to the lower end of prices that have been present the past few months. Although wide trading ranges were present day-to-day, cotton futures settled relatively unchanged until Wednesday. Futures fell apart after hawkish macroeconomic news was reported and the Dollar rallied. The downfall continued into Thursday, and March futures settled at 81.25 cents per pound, down 425 points for the week ending

February 16. First notice day is next week, meaning focus will officially shift to the May contract. May futures settled 82.00 cents, down 394 points from the week prior and falling to a six-week low. Total open interest followed futures and declined 13,195 contracts to finish the week at 194,648.

Outside Markets

After recording losses across the board going into the weekend, major indexes spent much of the week mixed from economic news. Stocks started the week off strong, anticipating what would be reported with the Consumer Price Index (CPI), Retail Sales, and Producer Price Index (PPI). On Tuesday, CPI increased 6.4% compared to this time last year. While down 0.1% compared to the month prior, this number was higher than expected and outside markets wavered because of it. After two months of reported decreases, U.S. Retail Sales rose by 3% in January, showing resilience in the consumer. Producer Price Index also came in hotter than expected, rising 0.7% month-over-month and 6.0% year-over-year. In addition, initial jobless claims fell to 194,000, showing a persistently strong labor market. The Dollar also rallied to highs not seen in over a month, adding pressure to commodity markets. While the economic news received throughout the week was mixed, it created an overall hawkish tone in the market. The economic data released this past week has dampened hopes that the Fed will become less aggressive and will continue to stick to the path of higher interest rates for longer.

Export Sales

Solid export sales were reported for the week ending February 9. Net sales of 216,900 Upland bales were reported for the 2022/23 crop year and 23,900 bales for the 2023/24 year. The largest

buyers included Vietnam (67,700 bales), China (61,600 bales), Pakistan (23,200 bales), Bangladesh (17,000 bales), and South Korea (15,500 bales). The 186,400 bales exported for the week were disappointing compared to the recent shipment numbers that have been reported, keeping shipments below the pace needed to reach USDA's export goal of 12 million bales. A net of 2,000 Pima bales were booked and 6,900 bales exported, showing that both sales and shipments of Pima have improved from the week prior.

Weather and New Crop Outlook

The National Cotton Council (NCC) met over the past weekend and presented their economic outlook for U.S. cotton for 2023/2024. NCC survey indicated that 11.4 million acres are projected to be planted, a 17.0% decrease for 2022/23, which results in 15.7 million bales in production. The Southwest is projected to plant 6.984 million acres, with Texas planting 6.185 million acres, Oklahoma planting 631,000 acres, and Kansas planting 168,000 acres. The United States is expected to export 12.5 million bales and have ending stocks of 5.3 million bales. With recent events and cotton's performance against other crops, it is hard to forecast where acreage will fall. Next week, USDA will host the Agricultural Outlook Forum, which is their initial forecast for the agricultural economy and will be another good indicator of what will happen with cotton acreage in the upcoming marketing year.

Where parts of Texas have been lacking rain recently, the wind and dust storms have more than taken the moisture's place. Dust storms across West Texas did little to help the current drought conditions. The storm systems that have moved throughout parts of Texas, Oklahoma, and Kansas have brought along spotty moisture, but not providing anything significant

enough to change the near-term outlook. The eastern part of the Cotton Belt has received adequate precipitation recently, allowing most areas to be pulled out of drought. Long-term, a milder start is expected to start to the 2023 growing season. Although long-range models are not forecasting significant moisture in the spring, anything can happen from now until the final planting dates.

The Week Ahead

Next week will be relatively calm compared to the past couple that we have had, helped by the market being closed for the President's Day holiday. The always changing interpretation of what the Fed will do with interest rates continue to keep outside markets mixed, which overflows into the cotton market. The events in Turkey last week and currency issues in Pakistan will continue to weigh on the market and will be monitored in the weeks to come. Finally, the Export Sales Report will continue to be key to gauge where demand for cotton lies.

- Thursday at 2:30 p.m. Central – Cotton On-Call
- Friday at 7:30 a.m. Central – Export Sales Report