



FEBRUARY 21, 2020

COTTON FUTURES MANAGE SLIGHT GAINS

- Coronavirus Continues to Make Headlines
- Strength of Dollar Weighs on Exports
- Spot Cotton Sales Steady But Prices Dip
- NCC Survey Shows Fewer Cotton Acres This Year

Cotton Futures at the Intercontinental Exchange (ICE) posted small gains this week. March cotton settled at 68.75 cents per pound Thursday, up 100 points for the week. December cotton settled at 70.04 cents Thursday, up 70 points for the week.

Outside Markets

Markets continue to struggle with deciphering the impact of Covid-19 as the spread of the novel coronavirus continues to grab headlines. While confirmation of new cases has slowed down, there have also been negative stories as well. At the same time, economic news has been mixed in both the U.S. and the European Union which has only added to the uncertainty. Stocks remain near recent highs, but the Dow Jones was down for the week. With coronavirus still hanging over the market and the speed of recovery in question, investors continued to move toward the U.S. Dollar and U.S. Treasuries where yields are at their lowest levels since early September. The relative strength of the U.S. Dollar versus major competing currencies remains a headwind for U.S. exports.

Export Sales

Traders continue to see healthy demand for U.S. cotton even though Chinese purchasing has been absent as the country continues to deal with the outbreak of the coronavirus. For the week ended February 13, USDA reported net sales of 235,300 bales for the 2019-20 marketing year, down 33 percent from the previous week and 30 percent from the prior 4-week average. Vietnam was the featured buyer at 57,300 bales followed closely by Pakistan at 57,200 bales.

Turkey followed at 46,600 bales, South Korea at 24,400 bales and Indonesia at 13,200 bales. Cancellations were reported for Malaysia (12,500 bales), Japan (4,900 bales), China (1,100 bales), and Honduras (400 bales). For the 2020-21 marketing year, net sales of 141,200 bales were reported, primarily for Indonesia (90,400 bales), Pakistan (29,900 bales) and Malaysia (11,000 bales). Export shipments for the

week totaled 375,700 bales, down 6 percent from the previous week but up 5 percent from the prior 4-week average. Exports were primarily to Pakistan (97,100 bales), Vietnam (85,200 bales), China (46,400 bales), Turkey (31,400 bales), and Indonesia (21,100 bales).

The Seam

As of late Thursday afternoon, The Seam's G2B platform traded approximately 24,000 bales total during the past five trading days. Volume for the week was similar to the previous week's total. The average price received by producers was 60.50 cents per pound, down 32 points from the previous week's average. The average premium over the CCC loan was 9.90 cents per pound, up 6 points from the previous week's average. G2B offers late Thursday stood at 250,000 bales.

NCC Planting Intentions

The National Cotton Council last weekend released the results of its annual survey of farmers' planting intentions for the 2020 crop year. All U.S. cotton acreage is projected to fall 5.5 percent this year compared to 2019 acreage. Texas farmers are expected to plant 4.2 percent fewer acres; however, acreage is expected to increase 3.3 percent in Oklahoma and 5.1 percent in Kansas.

In The Week Ahead

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