



FEBRUARY 24, 2023

MAY FUTURES RELATIVELY UNCHANGED FOR THE WEEK

- Outside Markets Wavered from Economic News
- Export Sales Report Showed Marketing Year High
- USDA Agricultural Outlook Forum Initial Forecast Showed 10.90 million Planted Acres

Outside of wide, inconsistent trading ranges, May futures settled relatively unchanged each day. Recession fears weighed on cotton prices, keeping them down going into the weekend. Markets were closed on Monday because of the President's Day holiday, but buyers came back in full force to start Tuesday. Prices eventually tapered and the process seemed to repeat on Wednesday. Thursday, once again, saw triple digit trading

ranges before eventually settling in the low 80s trading range that was the norm for the week. May futures settled at 82.16 cents per pound, up just 16 points compared to the week prior. Total open interest decreased 9,512 contracts to 185,136, hitting the lowest level of contracts since July 2022.

Outside Markets

Outside markets recorded a mixed week, wavering from interest rate talks and the release of economic data. During the week, the major indexes had the worst day of 2023 so far, being weighed down from uncertainty concerning interest rates. Stocks were in their usual volatile fashion and kept choppy throughout the week. The minutes of the last Federal Open Market Committee meeting were released, signaling rate hikes will continue. There was little mention that the hikes will be paused anytime soon. Gross Domestic Product (GDP) rose at an annual rate of 2.7% for the fourth quarter, increasing at a slower rate compared to the growth recorded in the third quarter. Consumer spending also rose slower than expected, increasing 1.4% for the fourth quarter. Jobless claims fell to 192,000 this week, still showing a tight labor market. The dollar also had a volatile week before rallying upon the news that the Fed will likely keep interest rates higher for longer. Crude pared some of the improvements made last week but made notable gains to finish the week strong.

Export Sales

A marketing year high for export sales was reported for the week ending February 16. A net total of 425,300 Upland bales were sold for the 2022/23 crop year and 11,900 bales for the 2023/24 year. The Export Sales Report showed 16 countries bought cotton for the week, indicating a solid spread in demand. The

biggest buyer for the week was Vietnam, booking 131,200 bales, followed by Pakistan 95,600 bales, Turkey 79,600 bales, China 46,200 bales, and Indonesia 19,200 bales. Shipments were up slightly from the week prior, with 193,600 bales exported. This is still behind the pace needed to reach USDA's export goal of 12.0 million bales. Pima sales and shipments were down from the previous week, with sales totaling 1,400 bales and shipments of 3,900 bales reported.

Weather and New Crop Outlook

USDA hosted the Agricultural Outlook Forum this week and released their initial forecast for the agricultural economy, which includes acreage and production figures. For the 2023/24 crop year, USDA estimated that 10.90 million acres of cotton will be planted, down 20.8% from 2022/23, which results in production of 15.80 million bales. Acreage decreases are expected across the Cotton Belt due to competing crops or weather limitations. Increased demand expectations and an improved global economy resulted in a projected increase of U.S. exports to 13.8 million bales. On the global side of the balance sheet, consumption is projected to increase 4.4% to 115.5 million bales, rebounding from the decrease seen in 2022/23. Global ending stocks are set to decrease slightly to 88.6 million bales. The release of these estimates did not have much of an impact on the market at the time of release, but these figures are a good baseline estimate on what is expected for acreage in the upcoming year.

High winds continued in West Texas this past week, not helping the current drought conditions. Drought across the U.S. has decreased since December, but parts of Texas, Oklahoma, and Kansas are still plagued by dry conditions. The week ahead is expected to bring spotty weather throughout the areas, with

storms, high winds, and mostly mild temperatures predicted. Long-term, the forecast has not changed. A mild start to the growing season is anticipated and La Nina is fading, but no significant precipitation is forecast until late spring.

The Week Ahead

The week ahead should be relatively calm, with the usual Export Sales Report and outside markets continuing to be monitored. Next year's cotton acreage will still be debated but the USDA forecast did give a good initial base case for next year. The Commitments of Traders report is set to resume this week, allowing us to start to see how traders were positioned over the past few weeks when the report was not getting published.

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