



SEPTEMBER 10, 2021

DECEMBER CONTRACT CLOSES WEEK AT 93.22 CENTS PER POUND

- **Unemployment Claims of 310,000 as of September 4**
- **Total Export Commitments Still Lag Recent Year's Pace**
- **Texas Production Big Shocker on September Crop Production Report**
- **61% of Crop Rated Good or Excellent**

December futures had positive gains each trading day of the week through Wednesday, but on Thursday the market turned negative. The market was pushed back 86 points on what was believed to be general "risk off" trades being played throughout several of the markets. The December contract lost 7 points for

the week closing at 93.22 cents per pound. The total number of open contracts increased 6,023 contracts to 273,891 for the week.

OUTSIDE MARKETS

The S&P 500 Index is trying to stay above the 4,500 mark as it was one of the markets, along with cotton trading, lower on the week. The Labor Department reported first time unemployment claims of 310,000 as of September 4, compared to expectations of 335,000. This is the lowest level since March 14, 2020 and is one indicator that the labor market is getting healthier.

EXPORT SALES

Demand shook off its recent slump with this week's report. For the week ending September 2, U.S. exporters booked net new sales of 453,000 Upland bales and 12,100 bales of Pima. Although China's orders made up the bulk of the sales (261,500 of the total), sales to the rest of the world were still healthy at 191,500 bales. Shipments continued to reflect the low shippable inventory and late harvest with just 167,300 bales leaving the U.S. last week. The surge in demand from China made this week's export sales one of the best for this week of the marketing year, but total export commitments still lag recent years' pace. More strong sales reports are needed to put U.S. commitments back on par with recent years.

WASDE

On Friday at 11:00 a.m. Central, the USDA released updates to both the Crop Production and World Agricultural Supply and Demand Estimates for September. As the more closely watched of the two reports we'll begin with the WASDE report, which showed an overall tightening of World Cotton stocks. In summary, World beginning stocks for the 2021-2022 marketing year were revised down 480,000 bales to 91.3 million. The

production forecast was increased 745,000 bales with larger crops expected in Australia, and the U.S. (more on that below), partially offset by lower production in India and West Africa. The consumption forecast was moved higher by 810,000 bales with consumption increasing most in Pakistan and other large importers. The net effect was a 542,000 decrease in world ending stocks to 86.68 million bales, as the world continues to work off the surplus created by the pandemic.

By contrast, the U.S. balance sheet loosened while the world's balance sheet tightened. There were many changes made by NASS on September's Crop Production report. Planted acreage was revised to reflect the certified acres figures from the FSA. Yields were updated according to NASS's in-house production survey, which showed increases in most states with the minor exceptions of Georgia and Kansas. While lowered acreage cancelled out higher yields in other territories, Texas production was the big shocker in this month's report. Although NASS's harvested acres estimate moved 250,000 acres lower to 5.25 million, the estimated yield jumped 166 pounds per harvested acre to 786. The net increase in Texas' production forecast was 1.5 million bales for a total of 8.6 million statistical bales. Texas' increase more than covered decreases in the rest of the country, and forecasted U.S. production grew 1.245 million bales to 18.51 million. With a minor downward revision to the beginning stocks and after increasing the expected exports 500,000 bales to 15.5 million, the U.S. forecasted ending stock grew by 700,000 bales to 3.7 million.

CROP PROGRESS AND WEATHER

The Crop Progress and Condition report ending September 5 showed the U.S. crop condition sliding back some as 61% of the crop was rated "Good" or "Excellent" compared to 70% last week. The Southwest region was mixed with the Texas crop rated slightly lower compared to last week, but Kansas and

Oklahoma crop remained the same to slightly better. Qualities from the Corpus Christi Classing Office showed over 260,000 bales classed as of September 8. Quality is very good with predominant color of 31, base micronaire, and approximately 37 staple length average. Rain chances are increasing for the southern part of Texas over the next 10 days as harvest continues.

The Week Ahead

Tuesday's crop condition and progress may give a glimpse into whether crop conditions in Ida's path were hurt. Traders will also be watching daily classing reports as the short supply from last season leaves merchants eager for early arrivals. Export sales will also get a lot of attention as the market gauges whether this week's dip was enough to rekindle demand after this week's lighter sales figures. Last but not least, traders will be watching next Friday's WASDE and Crop Production reports. Weekly USDA reports will be delayed by a day in observance of Labor Day.

In the Week Ahead:

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress and Condition
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton-On-Call