ROSE ON COTTON – COTTON MARKET SUFFERS YET ANOTHER WEEKLY LOSS, NO SURPRISE IN USDA ACREAGE REPORT

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LOUIS W. ROSE IV AND BARRY B. BEAN

The ICE May cotton contract has suffered six consecutive weekly setbacks, most recently for a 243-point loss to finish at 77.95 as the May – July switch weakened to (132). The May contract gave up 795 points for the month of Mar. The Dec contract also finished lower on the week at 77.91, although it did manage to trade above 80.00 following the release of the Planting Intentions report. Last weekend, our proprietary model (timely results provided in our complete weekly report) predicted a finish that would be near unchanged to lower Vs the previous Friday's settlement, which proved to be correct. However, we did not recommend trading this bias over the holiday-shortened week due to the USDA's annual acreage projections.

The cotton market continues to move lower on strengthening US currency, potential for significant to large 2021 domestic and international production, the potential for Pakistan to again buy cotton from India and weakening US export data. Strength in grains from bullish figures in the Planting Intentions report seemed to help the cotton market on Wednesday, but Thursday proved to be a bloodbath.

In the annual Planting Intentions report, the USDA projected 2021 planted area at just north of 12M acres (~11.85M of upland), very close to most pre-report expectations. West Texas is expected to see little to no rainfall over the coming week. The Mid-south and the southeastern states are expected to see some showers, but with far less accumulation that over the past two weeks. Our partner Scott reports that very little corn has been planted within the mid-Delta, which suggests potential for higher cotton acreage, even as cottonseed orders are being cancelled across northern Arkansas the Missouri Bootheel. We expect planted area in Tennessee to be very strong, as the state has far less irrigation capability than other Mid-southern states.

Our Missouri partners are crying foul at the USDA's estimate showing Missouri planting 130%+ of last year's acres. Our own survey of producers and ginners suggests that acres should be within 5% of 2020 plantings, and could drop another 5% if Dec doesn't move into the mid-80s by May.

USDA will release its April WASDE report on Friday, April 9 at the usual time. Pre-report estimates of USDA adjustments have yet to be published and while we continue to work on ours, we do not currently expect major changes Vs the Mar report. The first official release of the 2020/21 balance sheets will occur in the May report.

Net export sales were notably lower Vs the previous assay period while shipments were a bit higher at approximately 83K and 339K RBs, respectively. New crop sales were around 41K RBs; running total is now 1.52M RBs. The US is 101% committed and 66% shipped Vs the USDA's 15.5M bale export projection. Both sales and shipments were ahead of the average weekly pace required to realize the USDA's target. Sales and shipments are also ahead of the long-term average pace for this point in the season.

Cancellations were large at around 161K RBs and were mostly attributable to Indonesia.

Internationally, rumors abound regarding large business being conducted during the market's recent plunge to near 77.00; if such rumors have merit, we should see evidence within the export report for the week ending April 1. The USDA's attaché in Mexico has projected 2021 production 19% higher Vs 2020 at 1.25M bales. Elsewhere, Pakistan has lifted a two-year ban on Indian cotton and sugar which is not bullish for ICE cotton. India continues to wait to examine the fine print of the recent lifting of duties even as a central government cabinet member has, at lest temporarily, halted any would-be sales.

For the week ending Mar 30, the trade modestly decreased its futures only net short position against all active contracts to around 13.7M bales; large speculators slightly reduced their aggregate net long position to approximately 5.47M bales. The spec position remains stacked in a bullish manner, which could lead to further liquidation.

For an in-depth analysis of CFCT data see our weekly CFTC analysis and commentary.

For this week, the standard weekly technical analysis for and money flow into the May contract remain bearish, with the market now moving into oversold territory. The April WASDE release, the weekly US export report, and index fund rolling all hold potential to move market next week.

Producers who have heeded our advice to date and are 40-60% priced can afford to spend most of the next week focused on fieldwork and planting. Should the Dec contract move to the low-mid 80s prior to planting, producers on the lower end of that range should consider pricing an additional 10-20%. We still believe the increased volatility and droughty conditions in Texas could move Dec into the high

80s or low 90s, but such assumes relative stability in trade relations, pandemic recovery, and the dollar.

Have a great weekend!

Report Courtesy: Rose Commodity Group

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