



While forwarding of this article is permitted, as is quoting material herein with proper citation, reproduction or redistribution of this report, either in part or in whole, without prior written consent from Rose Commodity Group, LLC is expressly prohibited.

ROSE ON COTTON – COTTON MARKET OFF MODESTLY ON ABBREVIATED WASDE WEEK; TRADE ACKNOWLEDGES END OF AN ERA WITH PASSING OF INDUSTRY ICON

September 13, 2021

LOUIS W. ROSE IV AND BARRY B. BEAN

The ICE Dec cotton contract gave up 52 points on the abbreviated week to finish at 93.50, with the Dec – Mar spread inversion effectively unchanged at 77. Last weekend our models predicted a finish on the week that was to be near unchanged to higher Vs the previous Friday's settlement, which proved to be incorrect. However, we did not recommend trading any bias due to the WASDE's release on Friday. The Dec contract has begun the new week lower.

The cotton market traded on less than supportive updates to the USDA's official domestic balance sheet and impending harvest pressure - especially across the US. Strong US export sales data and bullish aggregate world consumption figures from USDA likely kept the market from slipping too far.

In the Sept WASDE report, the USDA projected a 2021/22 domestic carryout 700K bales higher than Aug at 3.7M bales. The adjustment came despite a lowering of planted

area from 11.7M to 11.2M acres, via a notably higher projected yield of 895lbs/acre. The results were higher than most published pre-report estimates. We maintain our estimate of 17.75M bales. While this season's crop has made tremendous gains from its late start, we are not convinced that aggregate yield will be as high as USDA expects. USDA continues to officially hold 2020/21 exports at 16.35M bales, despite USDA-FAS only reporting 16.03M bales shipped for the previous marketing year.

Aggregate world carryout for 2021/22 was projected 555K bales lower Vs Aug at 86.68M bales. The adjustment came via lower estimated beginning stocks and a more than 800K bale enhancement to the official consumption projection.

We continue to disagree with the USDA on consumption and, at this point, are beginning to see the USDA's thoughts on consumption as foolhardy.

Most of The Belt is expected to see excellent weather over the coming week for the crop's final development stage, despite the imminent landfall of tropical storm Nicholas across the Texas Gulf Coast, which is expected to bring some rainfall across the Mississippi River Delta.

Net export sales and shipments were higher Vs the previous assay period (sales notably so) at approximately 465K and 167K RBs, respectively. The US continues to experience severe issues with moving cotton offshore.

Internationally, we continue to receive reports of strong demand for textiles from Central Asia while also hearing from mills across Southeast Asia that they continue to be hampered by COVID restrictions.

For the week ending Sept 7, the trade increased its futures only net short position against all active contracts to approximately 17.85M bales; large speculators increased

their aggregate net long position to almost 9.3M bales. The spec position remains stacked in an extremely bullish manner, which could lead to quick market liquidation at the first sign of significant bearish news, or evidence of harvest pressure.

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

For next week, the standard weekly technical analysis for and money flow into the Dec contract remain bullish, with the market no longer overbought. Impending harvest pressure and economic concerns could cause problems for the Dec contract over the near- to medium-term. With respect to inflation, reports from noted US food retailers relay an expectation for inflation to increase significantly before the end of 2021.

Producers should expect to see continued volatility, and we continue to recommend pricing up to 75% of estimated yield against a market in the mid-high 90s.

We learned this weekend of the passing of Billy Dunavant, and offer our condolences to his family. It is impossible to overestimate his importance to the cotton trade over the past 50 years, and his marketing success offers lessons in both strategy and chutzpah that up-and-coming traders would do well to study. He was one of the last of the Front Street giants, building his empire during a time when most of the industry was a close-knit fraternity in Memphis, extending its influence worldwide. We'll raise a drink in his memory, and note the end of an era.

Have a great week!

Report Courtesy: Rose Commodity Group

With well over 60 years combined experience in the commodity trade, the partners of the Rose Commodity Group offer a wealth of knowledge and perspective to their clients. With expertise and direct experience in agronomy, crop production, futures and options, spot trading, hedging, shipping, and insurance, the Rose Commodity Group approaches marketing and risk management from a comprehensive perspective. Rose Commodity Group is not directly affiliated with any other commodity firm; we are not commission futures brokers. Our strategies and advice are based entirely on our client's specific needs and goals.

To learn more about Rose Commodity Group please

visit: <https://www.rosecommoditygroup.com/about/>

Disclaimer: *This publication is presented for informational purposes only. While the information contained herein is believed to be accurate and factual, the possibility of error exists. Commodity trading is an inherently risky proposition and there is no guarantee that trades based on the information herein will result in profitable outcomes.*