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## **ROSE ON COTTON – COTTON MARKET SETTLES EFFECTIVELY UNCHANGED ON WEEK; SEPTEMBER WASDE RELEASE ON FRIDAY**

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### **LOUIS W. ROSE IV AND BARRY B. BEAN**

The ICE Dec cotton contract gave up 9 points for the week ending Sept 4, finishing at 64.99. The Dec – Mar switch weakened (98) but remains well below full carry. 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.

ICE cotton finished near unchanged on the week, on fair to decent US export data, a modest strengthening in US currency and a late week retracement in the Dow Jones Index.

For the week ending Aug 30, the US crop was rated in 44% good or better condition, off one percentage point Vs the previous week's report. The crop in Louisiana was rated notably lower at 47% good, or better condition, Vs 82% in these combined categories on Aug 23. Still, it is important to note that these ratings are subjective and not based on empirical data. Most of The Belt from western Texas to the east coast are expected to see light to heavy rainfall over the coming week. While producers in Texas, Oklahoma and

Kansas may benefit from late rainfall, growers in the Mid-south and the southeastern states are ready to see clear skies. Fortunately for producers in our area, the Mid-south is expected to see only light showers this week.

The USDA will release its Sept WASDE report on Friday, Sept 11 at noon, eastern time. We currently expect projections of domestic and world production to be lower Vs Aug prognostications, but we do not expect to see any measurable increase in consumption.

Net export sales and shipments were lower Vs the previous assay period at approximately 153K and 293K RBs, respectively. The US is 49% committed and 9% shipped Vs the USDA's 15M bale projection. Sales were just off the pace required to realize the USDA's target while shipment were slightly ahead of the pace requirement. Cancellations were significant at 32K RBs.

Internationally, China's CNCRC has increased its low tariff import quota for cotton for 2020 1.85M bales to a total of almost 6M bales. Human rights groups from across the world are pressuring nations to stop importing cotton value added items from Xinjiang, China because of the central government's alleged abuse of the nation's Muslim population.

Elsewhere, portions of India's crop are reportedly being lost at the hands (mouths) of pests, particularly whitefly; other areas have lost production potential because of excess rains. The Cotton Association of India (CAI) has publicly called the USDA out for being overly bearish on its projection of India cotton stocks, the former claiming the latter is hurting India producers by keeping potential buyers on the sidelines. USDA takes most of its cues on the Indian crop and S&D from its resident attaché and has relied on such in a greater capacity over the most recent decade after the Indian government stated that it did not attempt to estimate cotton circulating in the nation's alternate (cash) economy. Finally, some cotton

economists are forecasting that world cotton demand will not completely recover its pre-pandemic level for two years or longer.

For the week ending Sept 1, the trade increased its futures only net short position against all active contracts to more than 11.65M bales, which is bearish, while large speculators increased their net long to almost 5.25M bales.

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

Our advice to producers remains consistent. While we are not as bullish as some, we are entering a period of seasonal volatility, and 3-5 cent moves to the upside are not out of the question. We encourage pricing 25-30% of estimated yields on moves to or through 6800, and harvest for quality.

For this week, the standard weekly technical analysis for the Dec contract remains supportive to bullish, with money flow turning negative. The Sept WASDE report (and forerunning thereof by traders) will likely dominate price action this week.

*Have a great week!*

**Report Courtesy: Rose Commodity Group**

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