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## **ROSE ON COTTON – ICE COTTON POSTS MODEST WEEKLY GAINS, NCC AND USDA DIFFER ON PLANTED ACREAGE PROJECTIONS**

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ICE cotton finished higher for the week ending Feb 21, with May and Dec each picking up 59 points to finish at 69.00 and 69.84, respectively. The May – July spread was near unchanged at (84), which is far less than full carry. Our proprietary model (timely prediction available in our complete weekly report) predicted a settlement for Mar that was to be near unchanged to higher Vs the previous Friday's finish, which proved to be correct.

ICE cotton moved modestly higher on strong US export data and rumors of significant inquiry and deals for US cotton. The USDA's bearish domestic balance sheet for 2020/21 and strengthening US currency, which very recently approached par, likely held upward movement in check.

At its annual Ag Outlook Forum, USDA announced at its annual Ag Outlook Forum that it is projecting 2020 US planted area at 12.5M acres, with production and carryout expected at 19.5M and 5.3M bales, respectively, which is not bullish. At the world aggregate level, 2020/21 production, consumption and ending

stocks are projected at 118.5M, 121.2M and 79.44M bales, respectively. The most supportive projection is the 121.2M bale consumption figure, which we think is viable, even as USDA has tended to overestimate consumption for recent marketing years in its early prognostications.

On the production side, most of The Belt is expected to see more rain and showers this week, although with less precipitation accumulation Vs the past week. It's early, but the 2020 planting pre-season is not shaping up well.

US net export sales against 2019/20 were off significantly, but remained strong, for the week ending Feb 13 Vs the previous sales period while shipments were only off slightly at around 345K and 386K running bales (RBs), respectively. The US is 86% committed and 40% shipped Vs the USDA's export projection. Sales were again well ahead of the average weekly pace required to meet the USDA's 16.5M bale export target while shipments were approximately 96% of the pace requirement. Sales against 2020/21 were notably higher at more than 141K RBs; total sales (gross) against both 2019/20 and 2020/21 were nearly a half million bales, which is impressive. Sales cancellations were significant at almost 63K RBs.

Internationally, the coronavirus spread in China slowed significantly over the past week, but this epidemic is not over yet. Elsewhere, Pakistan has officially pegged 2019 production at the equivalent of around 6.715M 480lb bales, off 20% Vs 2018 and well below initial expectations and targets. Lower production in Pakistan seems likely to lend support to US export business.

For the week ending Feb 18, the trade reduced its aggregate futures only net short position against all active contracts to around 8.8M bales while large speculators trimmed their aggregate net long position to approximately 3.26M bales.

The latest data suggest that business for US cotton continues to be conducted.

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

Our recommendations to producers remain consistent. We expect volatility related to coronavirus to overshadow supply and demand in the upcoming week(s) but do hold out hope that next Friday's market update from the Farm and Gin Show will offer new grist for the rumor mill. As always, it is important to remember that some of the most notable speakers at such events do occasionally have a self-serving bias in their presentations, but we look forward to talking production, consumption in lieu of the latest viral rumor.

For this week, the standard weekly technical analysis for and money flow into the Mar contract remain supportive to bullish. Overall, we think ICE futures are likely to continue to find strong support below the current market. The annual Mid-South Farm and Gin Show will be held this Friday and Saturday in Memphis, TN. We hope to see many of you there, especially at the after party where you might want to buy your favorite market commentators a treat at the cash bar.

*Have a great week!*

**Report Courtesy: Rose Commodity Group**

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