

# Shurley on Cotton: Trade, Exports Fragile Amid Production Uncertainties

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The 2020 US crop is projected at 17.06 million bales—the September estimate being revised down 1 million bales from the August estimate. That 17.06 million potential crop has, since the September numbers were determined, been impacted (for the good or bad is yet to be determined) by Hurricane Sally and Tropical Storm Beta. It is also still in question whether the September number fully captured the net effect of Hurricanes Marco and Laura.

So, the US crop is still a big question mark and according to weather experts, as we move into October it's possible the storms are not done yet. USDA's monthly production and supply/demand

estimates for October will come out on October 9th. Will the crop get smaller?

As of last weekend (September 20), the crop was 27% poor to very poor and 45% good to excellent—both ratings unchanged from the prior week. The Texas crop was 41% poor to very poor and 30% good to excellent—essentially unchanged from the prior week.

Prices (Dec futures) are still stuck below 66 cents and thus far, unchanged for the week—down about 100 points or 1-cent from the most recent peak back on September 14 when Dec pushed to near 67cents. Chart-wise, it looks like Dec should have decent “support” as 64-65 cents. The market seems comfortable in this mostly 65 to 66 cents area

To push higher, the US crop may have to get a bit smaller and exports certainly need to be at a good pace. Should the US crop get bigger and/or if export sales are weak, that will probably test the support at 64.

It cannot be stressed enough the fragile nature of the trade and export scene. Today’s export report for the week ending September 17 showed sales of 169,000 bales with over half of that going to sales destinations in Vietnam and China. This is down considerably from the prior week—but the prior week was a very huge number over ½ million bales.

Shipments for the week were 303,600 bales—a nice rebound from the downtrend of recent weeks. Of this amount, 121,200 bales were shipped to China.

This week the House passed 2 pieces of legislation aimed at the use of “forced labor”. The Uyghur Forced Labor Prevention Act would “prevent certain imports (into the US) from Xinjiang and impose sanctions on those responsible for human rights violations from the region.”

The other piece of legislation—The Uyghur Forced Labor Disclosure Act of 2020, “would require companies that are publicly traded in the US and do business with the region (Xinjiang) to disclose information on their supply chains, including whether their products could be made by forced labor.” Details on each bill are not known.

What products are included and the possible implications for textiles is yet unknown.

It seems the trade situation and tensions between the US and China continue to percolate. China numbers in the weekly exports reports have generally been good. Yet, beneath the surface, there is an uncertainty hanging over the market. It is hard to imagine prices being able to break above the 66 to 68 cent area unless the market’s confidence is restored.