

Shurley on Cotton: Neutral Market Continues

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USDA's Acreage report, the first estimate of actual acres planted, will be out next week on Tuesday, June 30th. USDA's Prospective Plantings report back at the end of March said that farmers intended to plant 13.7 million acres of cotton this year—down less than 1% from last season and higher than expected by most industry observers and analysts.

It is well worth noting that March planting intentions in Texas were 250,000 acres more than last year and a major reason why 2020 intentions were close to 2019 actual and higher than expected. So, especially when you consider the weather challenges already so far this year, actual plantings, crop conditions, and potential abandonment in Texas are even more important than they always are.

Prices (new crop Dec futures) continue in a neutral sideways pattern. Since knocking on the door at 61 cents about 3 weeks

ago, prices have since settled down again to the less than 60 cents area. The near term expected price range is mostly 57 to 61 cents.

Cotton prices will move on export news, US weather and crop conditions, the June 30 acreage number, foreign crops situation (in China and India, for example), and World use/demand as shown in USDA's monthly projections.

As of June 18, 2019 crop year export sales now total 18 million bales. Actual shipments total 13.1 million bales. Shipments will need to average roughly 316,000 bales per week over approximately 6 weeks remaining in the 2019 crop marketing year to meet USDA's current projection of 15 million bales.

Shipments for the most recent week reporting ending June 18 were a strong 335,500 bales. Shipments over the past 4 weeks have averaged 316,450 bales. If the current strong level of shipments continues, shipments can meet USDA's projection.

In recent weeks, China destinations have been the highest source of sales although sales have been down in the past 2 weekly reports. Shipments have increased to China, Vietnam, and Turkey. For the week ended June 18th, sales to China were 88% of the total and shipments to China were 40% of the total.

While sales to China have been "good", sales are still below the average for the past month. Shipments have trended up. Sales of upland cotton to China total 3.67 million bales—1.82 million bales have been shipped, 1.75 million bales remain. Shipments to China would need to average almost 300,000 bales per week to ship all by end of the 2019 crop marketing year.

That won't likely happen but continued strong sales to China are necessary to meet USDA's 15 million bales total export projection.

In Case You Were Wondering

The seed cotton PLC payment rate for the 2018 crop was 2.17 cents per lb. The payment rate for the 2019 crop (to be paid in October 2020) is currently projected to be 6.38 cents.

The way too early projection for the PLC rate for the 2020 crop (to be paid in October 2021) is 8.41 cents. The PLC payment rate is received on the farms seed cotton PLC payment yield times 85% of the farms seed cotton base acres.