

Shurley on Cotton: Again Pushing 66 Cents

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Once again, cotton is pushing 66 cents. Prices (Dec futures) have not been able to successfully break (close above) 66 cents although trying a few times recently. Dec gained 58 points last week and thus far is up another 148 points this week (thru Tuesday, September 1)—closing at 66.34 cents today.

Prices have made a steady but choppy trend up since early April. August was a good month—Dec futures gaining 335 points during the month.

Yesterday's crop progress and condition report shows the crop condition slipping a bit compared to the previous week. Overall, as of August 30, the crop was 28% poor to very poor and 44% good to excellent. This compares to 25% and 46% respectively for a week earlier. Texas is 42% poor to very poor compared to

37% a week earlier. The crop in the Mid-South took a hit from Laura with declining ratings noted for Louisiana and Mississippi.

Crop conditions in the Southeast continue to look very good overall with North Carolina being the main exception.

As mentioned, as of August 30, the crop is 28% poor to very poor. Obviously this is driven largely by Texas but it is worth noting that 4 other states have rating of more than 10% poor to very poor. Georgia, the second largest producing state, is rated 72% good to excellent.

Last week's export report was relatively strong. Sales were 174,300 bales including 80,500 bales to Vietnam and a net 49,100 bales to China (232,100 bales in new sales but offset by 183,000 bales in cancellations). Shipments were 296,300 bales including 160,500 bales to China. Sales to China for the 2020 marketing year now already total 2.59 million bales—36% of the 7.27 million bales in sales thus far.

The market has strengthened based on continued uncertainty about the eventual size of the US crop, good export reports, and increased optimism for US-China trade relations. Each week that passes, the crop is more open and more vulnerable to weather. The crop is currently estimated at 18 million bales. USDA's September projection will be out next week on the 11th.

Among other things, the market will certainly be looking at the US crop estimate and World Use/demand—will we see an increase in Use related to trade optimism?

Finally breaking 66 cents today potentially (I said potentially—it could all fall apart as well) sets the market on track for 68. All this could be verified in the next 2 weeks. It all depends on the US crop and whether or not good export numbers and trade optimism can be maintained.