

Shurley on Cotton: Production Increase Surprises Market

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Tuesday's USDA crop production and supply/demand estimates were not what was expected. The market moved down for the day but, frankly, we can take relief that price did not decline even more than it did. We'll have to wait and see what "follow through" action takes place Wednesday.

December futures closed today at 69.85 cents—down slightly from Monday's close at 70 cents. December has now traded between 71 and 68 cents for almost 2 weeks (9 straight trading days). The range of 68 to 71 seems to validate the opinion by many that 68 is support for now.

Most industry observers, due to more adverse weather, were expecting the crop to be lowered from the October estimate. Instead, the US crop was increased 47,000 bales. The expected US average yield was increased slightly from 909 to 911 lbs per

acre. Yield was unchanged in several states including Texas, Georgia, Mississippi, Virginia, and Arkansas. Yield reductions included Alabama, Florida, Missouri, and North Carolina. Yield was upped in several states including Louisiana, South Carolina, and Tennessee. There were no changes in planted and harvested acres from the October report.

Elsewhere in today's reports, US exports were unchanged and World Use/demand was lowered slightly (due primarily to a 200,000 bale reduction in Pakistan. China production was raised but imports and use remained unchanged. Use was also unchanged for Vietnam and Bangladesh.

Overall, today's numbers don't change the World situation and outlook a great deal. But again, no reduction in the US crop is seen as a big surprise. Most observers continued to feel that the US crop is overestimated. In addition, the Southeast is now dealing with Eta. Whether all this translates into stronger support for prices is yet to be seen—the market seemed to take all in stride today and closed down only slightly.

It is worth considering, however, that if indeed this crop ends up at 17 million bales—that will place even more emphasis on the weekly export numbers and on World Use. We do not want to see these USDA monthly World Use projections start to trend down.

It is unknown what impact the US Presidential election will ultimately have on US agriculture and cotton specifically. We know that commodities can be impacted by US and foreign stock markets as these are indicators of economic performance and, in some respects, consumer demand. We also do not know what impacts there may be on US-China relations and trade.

It is also worth noting that in today's supply/demand report, the projected US average price received for 2020 cotton (upland) was increased from 61 to 64 cents. That's certainly a good sign.