

Shurley on Cotton: Sept. Crop Numbers Should Help Prices, But...

September 14, 2020

By Don Shurley, University of Georgia Cotton Economist



Adjustments were made today that should be favorable for prices. USDA has now moved closer to what the “boots on the ground” have said along. This should help provide support for the market.

The crop is now projected at 17.06 million bales compared to 18.08 million bales last month—a decline of just over a million bales or 5.6%. This smaller crop reflects a 28 lb/acre reduction in the US expected average yield and a 240,000 acre reduction in acres expected to be harvested—including a 70,000 acre reduction in acres planted.

Compared to the August estimates, the Texas crop was trimmed 264,000 bales. The Mid-South crop was cut 285,000 bales. The Georgia crop was trimmed 240,000 bales.

Texas planting was increased 221,000 acres from the June estimate but acres expected to be harvested increased only 19,000 acres—thus reflecting a net 202,000 acre increase in abandoned/failed acres. Georgia acres planted were revised down 30,000 acres from the June estimate and expected yield cut to 932 lbs/acre compared to 1,003 last month.

Compared to the August estimates, although the 2020 crop was cut roughly 1 million bales, US mill use for the 2020 crop year was cut 200,000 bales and exports were cut 400,000 bales. Lower exports may reflect the lower crop (lesser supply), but also World Use was lowered 360,000 bales from the August estimate.

This is a worrisome trend but worth noting that Use was not trimmed further in the most important US markets like China, Vietnam, Mexico, Turkey, Pakistan, and Indonesia. But, while projected US exports were cut, exports were raised for competitors Australia, Brazil, and India.

The China crop was raised 1.25 million bales but projected imports remained unchanged at 9 million bales. Imports were also raised for Turkey and Pakistan but reduced for Vietnam.

Today's export report for the 7-day period ending September 3rd showed total sales of 148,400 bales of which 83,000 bales where to China. Sales to China were the highest weekly amount thus far in the marketing year. Both total sales and shipments were down, however, from the prior week. Shipments were the lowest so far.

So, the US crop is smaller than it seemed a month ago and it could get even smaller. Given the very active hurricane season we are in (and Tropical Storm Sally may hit near New Orleans as a Category 2 Tuesday morning), prices should now be even more sensitive to an even smaller US crop.

But the crop is only one piece of the price puzzle. The trend in weakening World demand and continued uncertainty in exports

and US-China relations is problematic. Today's 17 million bale number should be supportive—provided that exports can remain “good-ish”. An even smaller US crop may be needed to take us where growers want to be price-wise.