

Shurley on Cotton: A Different Tone Controls the Market

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By Don Shurley, University of Georgia Cotton Economist



Last week was the best week news-wise for cotton in quite a while. USDA's monthly production estimates finally showed the lower US crop that many have long said was out there. Supply/demand projections also showed a rebound in World Use/demand.

The nice build-up in prices, especially over the past 6 weeks, has been due to increased optimism in demand side factors. Now, we also finally have validation of a smaller than previously expected US crop and improved demand estimates to boot.

Last week's USDA numbers (in combination with a good export report) finally gives the market more confidence that those

expectations might be reality. In other words, the stage now seems set for a new more optimistic tone to the market.

March futures closed above 74 cents for the first time last week. The 73 to 74 cents area has been seen as an important hurdle (target). Prices (March futures) gained 2 ½ cents for the week—aided by a 107 point gain on Wednesday prior to the reports followed by a 121 point gain on Thursday.

In summary, Thursday's monthly USDA 2020 crop year estimates for December included:

- The US crop trimmed by 1.14 million bales from 17.09 to 15.95 million bales. The reduction was actually more than what had been anticipated. Notable reductions included 15% for Texas, 12½% for Louisiana, and roughly 10% for Georgia, Mississippi, Florida, and Alabama.
- Smaller crops now also projected for India and Pakistan. China unchanged from the November estimate.
- Projected US exports increased from 14.6 to 15.0 million bales.
- US projected ending stocks lowered 1.5 million bales.
- World Use increased 1.58 million bales from the November estimate—revised higher for India, China, and Pakistan.

Last week's export report (for the week ending Dec 3rd), showed strong sales and shipments (both the 2nd highest of the marketing year thus far).

Major buyers were destinations in China and Pakistan. Major export destinations were also China and Pakistan.

Mood and tone seems optimistic- but we must watch and consider carefully how higher prices might impact exports and Use.