

Shurley On Cotton: 74-Cent Potential If The Right Factors Align

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Nearby March futures made it a see-saw ride last week and we began this week on a down note. After hitting the 74+cent level on Monday, prices moved sluggishly during the Holiday-shortened week but were then aided by a good export report on Friday.

March closed at 73.24 cents on Friday — up 88 points for the day which helped end the week on a positive note—up 28 points for the week. The see-saw continues as March closes down 109 points at 72.15 today.

The market, with exception of weekly export numbers, currently seems mostly void of any substantial cotton-specific news. USDA's December production and supply/demand estimates will come out on December 10.

There is still uncertainty and expectation that the U.S. crop is going to be smaller than the current projection.

Recent price movement seems mostly related to factors reflecting economic and political events on the demand side — increasing COVID numbers, but encouraging COVID vaccine news, uncertainties of any possible partial economic shutdown, the Dow pushing above 30,000, the beginning of transition to a President-elect Biden administration, etc.

These factors impact U.S. and global consumer and investor sentiment and optimism.

A Big Week For Exports

Last week's export report released on Friday (for the week ending November 19) showed sales of 393,000 bales — the second highest weekly sales of the marketing year thus far. The largest sales were Vietnam (186,500 bales) and Bangladesh (92,100 bales). Net sales to China were only 38,125 bales — after 65,800 bales in sales cancellations.

Shipments were 210,900 bales with 96,600 bales to China. After trending up, shipments have now declined two consecutive weeks.

The market has tested the 73+ cents area. Let's be clear: this improvement in price appears due to multiple factors creating optimism on the demand side. If this optimism continues and especially if the U.S. crop should get a bit smaller, there could be additional upside potential.

But, it is well worth noting that the Dow was down almost 300 points today and cotton was also down in step. There should be support at the 71 cents area. While further upside potential is there, the right factors must be in place to break 74 cents first. This 73 cents area is worth considering for additional sales.