

# Shurely on Cotton: Prices Showing Nice Recovery, Outlook Still Uncertain and Volatile

December 30, 2021

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Old crop March futures hit just shy of \$1.13 today—up 294 points (2.94 cents per lb). New crop Dec futures closed at 91.65 cents—up .35 cents.

We don't want to and shouldn't make too much of a single day activity. But, look at what has happened just over the last 3 days this week—Mar22 was up 3.16 cents on Monday, then down 2.23 cents on Tuesday (yesterday), and now back up 2.94 cents today.

The market is showing some potential (desire?) to improve higher but this is also a very volatile environment. Since the

OMICRON-related breakout down on Nov 26, from the low of \$1.037 on Dec 2, we've now gained back over 9 cents.

This increase to now over \$1.12 could be met with some resistance and prices get beat back down a bit. Like I said, this market is volatile and difficult to pin down. If you've been waiting on recovery and an opportunity to recap some of your remaining crop, this could be a good opportunity from both a price and risk management standpoint.

New crop Dec22 futures is over 91 cents. Price expectations for the 2022 crop are likely to be high given that the 2021 crop has hit a high of \$1.17 thus far. 2022 pricing will have to begin at some point—it's just a matter of how much risk you want to take and when (at what price) you feel like you need to start.

Some producers, in hindsight, may feel like they started 2021 crop pricing too early/too low. Don't beat yourself up and don't let that factor in to 2022. Each year is different and Dec22 is currently about 17 ½ cents higher than Dec21 was last year at this time.

Mar22 futures has improved—trending “cautiously up” thanks mostly to this week activity so far. This could change as quickly as it started. Going forward, near-term price direction depends on a mix of the following factors—some cotton related, some not:

- The value of the dollar
- The stock market
- COVID-related news and issues
- End of year and first of the year positions trading
- Weekly export sales and shipments
- Monthly USDA production and supply/demand estimates

- Supply chain issues

The weekly rate of export shipments has improved somewhat over recent weeks but still needs to improve more. Last week's shipments were down slightly from the previous week. It's still early but we are running roughly ½ the pace we need to be at. Sales have been down the past 2 weeks but China has been a buyer and that's a key ingredient regardless.

Demand fears caused by OMICRON seem to have subsided and/or are partially overcome day-to-day or week-to-week by more positive factors. As we move forward, how this works out is unknown. COVID-related issues could easily and quickly come more back in to play and dominate. If demand can remain strong, that should support old crop and price for 2022 crop will need to compete for acres.