

Cleveland on Cotton: Despite Hurricane Helene, Cotton Prices Locked in Low 70 Cent Range

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Wow! Christmas and the holiday season are fast approaching. Make your plans to give the gift of cotton this Christmas.

We keep trying to push the market higher, but economic conditions continue to fight that effort. Despite that, the market did spend most of its time trading at the upper end of the price range established back in June. Thus, the bulls cannot really complain, despite not getting any momentum from the hurricane.

While I still cannot take the 68-69 cents level off the table, the market acts as if it desperately wants to stay in the low 70s for now. That must be good, as 75 cents cannot be challenged unless prices can find a bit of a break to the upside. Thus, despite the big demand bear, hang in there.

Little has changed from both a technical and fundamental perspective for the past couple of months. The crop in the Southeast was hammered by the hurricane but appears to have mostly recovered. There was both quantity and quality damage, but both the Southwest crop and Mid-South crops are improved from prior estimates.

U.S. exports remain weak, and ending stocks are likely larger than the September USDA estimate. However, the market appears to have accounted for those expectations. The October contract moved to its expiry near the 74-cent level, suggesting that the December contract can challenge that level.

I am on record of suggesting the 75-cent level will cap any attempt to rally prices higher. Yet, I admit if the market can trade to 74 cents, then what is another 150 points? However, demand, weak as it is, becomes almost nonexistent above the 75-cent level. Thus, any attempt to rally above 75 cents would be expected to be very short lived.

As suggested a couple of weeks ago, there is nothing that requires the market to experience a short covering rally. In fact, some of the shorts have exited the market, and still prices are in the 72-73 cent range. Remember, the big hurricane failed to excite the market. Yes, there was an abundance of market pep talk about the storm, but the market was never impressed that any losses would change the supply demand situation.

Give the geneticists their due. They have provided a product whose yield, quality considerations, and ability to recover from adverse growing conditions has yet to be appreciated. The benefits of private research are unsurpassed.

The 71.00 to 71.50 cent area continues to provide excellent price support, and anything above 74 cents continues to restrain any attempt at a price rally. Mills are locked in to pricing up to the 73.50 cent level but consider that too high. They continue to feel they can buy cotton at the 69-72 cent

level, basis the ICE December contract. Given the availability of various world cotton growths moving at prices below the New York ICE, they can easily afford to wait out the market and schedule their pricing decisions to fit their convenience. Too, given the slippage in the world demand for cotton, there is little reason that cotton prices can move above the mid-70s.

Inflation has returned as the buzz word in the marketplace. The U.S. printing press has gone full speed for several years, and now the hurricane devastation requires Congress to heap more debt on the population. Obviously, the government must provide hundreds of billions of dollars for the restoration of normal life and affairs of the affected people and regions. Nevertheless, the efforts will be highly inflationary, with the result being higher prices for almost all goods and services, particularly the cost of agricultural production.

Given recent economic policies, this is a simple fact. The near-term impact on the farm population will be higher input costs with little relief in the selling price of products.

The USDA September WASDE report will be released Oct. 11, at 11 AM central time. The New York Cotton Roundtable group will discuss the report at 1:30 PM central time, just after the report's release. To listen to the discussion, call 605-313-5148 and, when prompted, enter code 571052. You will have the opportunity to ask questions. An archived recording will be available on Facebook, X (Twitter), and www.agmarketnetwork.com. BASF, owner of FiberMax and Stoneville, is the sponsor.

Expect the world crop and world ending stocks to be marginally larger. U.S. production and ending stocks are thought to be at least 200,000 bales higher.

Again, the 75-cent level will be a high hurdle. Growers are advised to be prepared to price some of their production at that level. Low as that price may seem, growers should consider pricing as much as 50% of their production at that level.

Promote cotton!

Give a gift of cotton today.