# Cleveland on Cotton: Has the Cure for Low Cotton Prices Set In?

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The cure for low prices has finally set in. The recovery will be slow and, just like recovery from many ailments, there will be good and bad days. Some setbacks can be expected along the way.

The mid- to high 70s uncovered enough demand to establish a market bottom most likely. Mills were enticed to make six-month high purchases. Again, the recovery will be slow. The possibility of a short-term retreat into the very high 60s remains a risk, but any dips that low will be offset by decent demand. Demand has not shown signs of any magnificent recovery, but the initial signals are there.

The old crop July contract settled the week at 77.31 after trading down to 76.74 cents. Should July futures fail to be supported at current prices, then a momentary dip to 72-73 cents cannot be ruled out. Yet, the market appears to be trying to find a bottom between 76 and 77 cents.

The new crop December futures contract, while remaining a weather contract for now, should find support in the 71-72 cent range. However, particularly good widespread Memorial Day rains across the Southern Plains could drive December trading as low as 68 cents. Yet, the market will find good demand at current price levels.

The consumer remains cash strapped, both in the U.S. and in Europe. However, mills will find an increase in yarn demand should December futures move lower. Yet, inflation is expected to remain a major market problem through the remainder of 2024 and into early 2025. This will continue to be the major impediment to market price recovery. However, while the improved demand will remain initially slow, it should begin to move prices higher by the early months of 2025. Our analysis continues to show that growers will have to look as far out as March 2025 to ensure that they can cover their cost of producing cotton.

USDA’s May world supply demand report, while slightly bearish, was expected by the market. While prices initially moved lower, they held above recent lows. Thus, the market had faded the report and did not find bearish news sufficient to support a long-term dip in prices. World production for 2024 was estimated at 119 million bales – as expected – and 2.7 million above 2023 production. While country-by-country adjustments were made, the increase in world production compared to 2023 production was totally accounted for an estimated increase in U.S. production from 12.1  million bales to 16.0 million.

World consumption was estimated at 117 million bales, an increase of 5 million from the 112 million bales consumed in 2023-24. World carryover increased to 83 million bales, an estimated increase of 2.6 million bales above the 2023-24 level. Thus, world stocks are expected to increase during the coming season, but the increase is minor and should not be viewed as bearish.

The outlook for U.S. production is expected to be much improved from the drought stricken 2023 crop. U.S. production was estimated at 16.0 million bales , almost 4 million above the 2023 level. U.S. offtake (consumption, and exports) was increased 400,000 bales, leaving U.S. carryover for 2024-25 at 3.7 million bales. This, compared to the 2023-24 carryover of only 2.4 million bales, is bearish for a price move up near the 90-cent level. However, this increase in estimated carryover will support prices at the 82-86 cent level, or some five to nine cents above planting time prices.

The coming four weeks hold much of the magic for 2024-25 cotton prices. How much moisture will the Southern Plains receive? Certainly, the crop will get off to a better start than in the prior two years. However, subsoil moisture still needs to be replenished in some areas, and selected areas still need planting moisture. However, growing conditions are much improved compared to the past two years. Demand remains the only negative holding prices back. It is coming, but it is still six to nine months away.

Expect higher prices, but dig in your heels for now.

Give a gift of cotton today.