Cleveland on Cotton: Uncertainty of U. S. Cotton Crop Extends Dull Market

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It was a good week for cotton.

The market settled 126 points higher at 68.68 cents, basis the December 2025 ICE contract. The market pushed above 69 cents several times during the week's trading but was unable to hold that level at the close. Nevertheless, prices remain caught in a very narrow 250-to-325-point trading range in an otherwise rather dull market.

The market did establish a yearly low in trading volume on Wednesday (July 15). The 65-cent level can be viewed as the absolute low unless the High Plains/Rolling Plains is hit with unexpected bimonthly showers. The principal fundamental supporting prices at the current level is the uncertainty of the U.S. crop.

Massive price resistance exists between 69.50 and 71.50 cents, and any trip into that price range will be based on increased market concerns about dry weather across the vast dryland Texas/Oklahoma Rolling Hills and the irrigated West Texas crop. Any movement to 70 cents will be hit with considerable grower hedging: thus, a difficult challenge to the market's ability to push above that level.

The 70-cent level sits with a heavy, heavy cap on the market. The 70-cent mark offers Brazilian growers 5 to 7 cents per pound above breakeven, while 70 cents is the bare minimum for the U.S. growers to breakeven. Most U.S growers view the cost of production in the 75-cent area (and higher).

The recent passage of the One Big Beautiful Bill represents the only direct assistance to the U.S. cotton industry. The successful tariff negotiations, while establishing a framework that would allow cotton rich goods into the U.S. at zero to minimal tariff levies, will not specifically promote cotton. Cotton promotion is left to the cotton industry itself. Specifically, neither the new legislation nor tariffs increase the price of any cotton good imported into the U.S.

The demand for cotton apparel potentially will benefit from the very much improved U.S. economic recovery. Historically, that has boded well for cotton. U.S. economic data continues to point to the beginning of a very robust long-term outlook for the U.S. economy.

Based on monthly and even year-to-date statistics, the U.S. rate of inflation has slowed significantly and the consumer is again leading the charge to increased economic activity. The U.S. is at full employment (3-4% unemployment has always implied full employment due to the transitory nature of the workforce). Additionally, U.S. Department of Commerce data indicates a wealth of job openings going unfilled for lack of applicants.

A long-term view of fundamentals is not favorable. However, time will allow for price improvement. Same year ago export sales lag the prior year by some 500,000 bales. On-call sales favor lower prices. The lower export sales figure suggests USDA has overestimated 2025-26 export sales just as they did 2024-25 export sales. My estimates suggest they have.

The growing imbalance in on-call sales and on-call purchases is not unusual this time of year, but the imbalance is greater than usual. We will keep an eye on that.

It is too early to say, but mills are suggesting they “know” prices will move lower. Certainly, their pricing strategies suggest so. Mills complain of very poor margins, but they always do. Yet, the imbalance in the on-call report is a mild barometer that mills will delay both purchases and pricing, and that is not a good recipe to break above the 71-cent level.

Give a gift of cotton today.