Cleveland on Cotton: Cotton's Good News/Bad News Condition

December 23, 2024

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Obviously, this market is wearing me out – and you, too! I commented last week that any price slippage below 69 cents would be short lived. I refused to believe my own words. That comment was written with hope in mind.

I have expressed on numerous occasions that each new nearby contract would, in quick order, trade lower to the lows of the expiring contract. March futures contracts fell this week essentially to the December lows of 66-67 cents. After the first trek to that level months ago, I suggested the 68-69 cent mark would support any further attempted drop in prices. Of course, since that bold prediction, prices fell below 68 cents on two separate occasions.

However, all is not lost, or is it?

New York price activity is expected to climb back to the 69-71 cent level. Any trip above 72 cents will find only short-term success. While U.S. carryover is bearish, world carryover is reasonable. Yet, major cotton consuming countries have a very adequate supply on hand. Thus, the world export market available to U.S. growers is limited. Therefore, price advancement is limited.

The writing was on the wall. I have been a long-term cotton bear, but I made the fatal market mistake of hoping I would be wrong. Wishing and hoping – not good. That is, hope is not a word to be used with market analysis.

Cotton demand is simply that bad. We hang on miniscule indicators that suggest demand is improving. Yet, demand is not; thus, prices continue to fall to 67-68 cents, basis New York futures. Textile mills bemoan the lack of business and purchase cotton mostly on a hand to mouth basis. Only a limited very few mills have needs covered beyond the first quarter of 2025. More distressing, few mills even suggest demand is expected to improve before the fourth quarter 2025. Why? Simply because they do not have orders for goods.

There is well more of an adequate amount of money in the consumption system. Consumers are hitting the mini malls and scoring big with online sales. Yet, the sour taste that lingers is simply the fact that consumers have walked away from cotton. The industry took demand for granted and did not even realize it was shrinking. Then one day the big, round demand ball just stopped rolling.

Cotton must find a way to again identify with the consumer. Until then, the U.S. producer can only hope high yielding varieties will allow for a breakeven year. I find my comment distasteful and am sure you do as well. I will not belabor the laundry list of reasons why. They have been discussed. Cotton simply must make itself known to the consumer again.

Last week's export sales of upland were a net of 194,900 bales when prices tended to be in the 69-cent area. Maybe next week's report, reporting this week's sales, will be even stronger since prices were some 100 to 150 points lower.

The report did have good news – the first in several months – as six countries made double digit purchases, and 19 countries were buyers. That was a first for the 2024-25 marketing season. The good news was that purchases totaled near 200,000 bales…and China was only a minor buyer. Therein lies the "good news" in the report – to sell a decent volume without China being in the market. Yet, the unwelcome news was that export shipments were only 128,600 bales – an extremely poor showing.

The market will continue to continue to offer hope, but 73 cents should be viewed as the top with the 66-67 cent low still in play. Do not expect the market to cover storage and carrying costs.

Give a gift of cotton today.