Cleveland on Cotton: A Bit of Sunshine for the Cotton Market?

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Finally, there is some positive news in the cotton market…but truthfully, it may be too little, too late. Either way, it does bode well for 2025 crop price prospects – that is, the crop that will go in the ground later this year.

Export shipments are improving as seasonably expected – something I had not quite expected. Possibly, the improved outbound traffic will be enough to pull the old crop May or July contracts up to my estimated market top of 69 cents. Yet, if this activity continues, then there is hope (and I use the word hope) that the old crop futures contracts could move as high as the 70-72 cents that some have forecast…but still a bridge too far for me.

The March contract has moved to its first notice day. Thus, the spot trading month has become the May futures contract. Unfortunately, my analysis still projects the May futures contract will slip down to the March contract lows in the 65-cent area. If shipments can remain near historical seasonal levels, then the 65-cent level will be well supported. However, if shipments fall back to the level of the prior three months, then the May contract will likely grind down to the 63-64 cent level.

The improved export statistics indicate that the slide in demand has most likely been stopped, but a turnaround in demand is far from expected. Nevertheless, the market adage "Low Prices Cure Low Prices" is beginning to raise its head in cotton data analysis.

As to curing low prices, the National Cotton Council's annual planting intentions survey revealed 2025 plantings of only 9.6 million acres – about a 15% drop from 2024 plantings. Recall, I suggested the estimate would be 10.4 million. Likely, actual plantings will be higher than suggested by the survey. Statistical models predict that some 10.6 million acres will be planted.

It should be noted that the models have been 300,000 to 800,000 acres too low in prior years. Thus, actual planting will likely be a bit higher than the NCC's survey. However, given that the "insurance price" is in the 60s, final plantings should be closer to the statistical models estimate than in any recent years.

Too, given that a major portion of the Southwest needs subsoil moisture, the combination of deficit moisture, coupled with a low insurance price, will affect plantings more than any crop in memory. Certainly, the new crop December futures contact indicates U.S. growers will plant 10.5 to 10.8 million acres. However, as that would be 900,000 or more acres higher than the NCC survey, then December futures will keep a much keener eye on Southwest moisture and planting conditions than in recent years.

There were not any notices to deliver issued on the first day of the March delivery period, thus the expiry will probably go smoothly. However, some coy trader may still hold a few fireworks, but it is doubtful the May contract will be impacted by any deliveries against the March contract.

The best news came in the form of a marketing year high of weekly shipments of 298,300 bales – almost 20% above the past month's average. In fact, three of the year's highest weekly shipment levels have been in the past month. Thus, this is a signal that demand deterioration has been halted. Now, if the industry can find some way to reconnect with the consumer. Retail sales have been slow, but apparel sales have been extremely distressed for a full year now.

The old crop May will remain mired in the mid- to low-60s with the possibility of a retest of the 68-69 cent level by mid-April. The new crop December will not pay much attention to news for another four weeks in anticipation of USDA's March 30 plantings intentions report. Nevertheless, a few rays of sunshine have returned to the cotton market.

Give a gift of cotton today.