

# Cleveland on Cotton: Are Stronger Exports Signaling Improved Cotton Demand?

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Cotton hit a positive note this past week in the export sales report, but we will need more. Too, there is another positive note that merits a few comments as well.

While weekly export sales were very strong, export shipments continued to lag the average weekly amount required to reach USDA's estimate of annual export estimate of 11.0 million bales. The market continues to fight to hold the 67-68 cent level, slipping below 67 cents on occasion and then easing just above 69 cents just to tease us into thinking a bull is somewhere in the mix.

However, we have cautioned on several occasions that the March and May contracts are only teasing us as the bull will not surface until more demand can be uncovered. The long held and frequently challenged 66-67 (66.26 cents) support level remains the key for any hope for a challenge of 70 cents.

The market is building price resistance above 69.25-69.50 cents that has become equally strong in blocking prices from moving higher, just as the 66-67 cent level has been in keeping prices from falling lower. Thus, the battle will continue within the very narrow two cent 67-69 cent range.

Of course, it should be expected that price movement on either side of the range should be expected. Yet, note that a close below 66.26, basis the March futures contract, would violate the technical support that, here to date, has been extremely supportive of preventing even lower prices.

The weekly export sales report showed net sales of upland at a marketing year high of 348,900 bales. In fact, the past month has seen very good sales. The week's primary buyers were Vietnam (95,200 bales), Pakistan (75,400), Turkey (66,900), Bangladesh (36,500), and Nicaragua (23,400). Two other countries were also double-digit buyers – Peru (11,600 bales) and China (10,400). Twenty countries purchased U.S. cotton on the week.

If the market can put together a few more such weeks, then comments about "improved demand" will surface. I would be tempted to do that now, except mills continue to complain about very poor yarn orders. Too, while prices initially moved higher after the report's release, they were lower by closing time. Too, these sales were made at the very low-price level of 67-68 cents. Yet, as previously stated, market bullishness must begin somewhere. However, a move to 71-72 cents will imply demand is stronger than I have advised you.

Let's hope demand is improving. However, actual shipments of cotton remain poor. With six months and two weeks left in the marketing year, actual shipments have totaled only 3.3 million bales of upland and 182,000 bales of Pima for a total of 3.5 million bales compared to the USDA estimate of 11.0 million. Granted, the strong shipment months are now set to begin, but the current shipment pattern remains very questionable for higher prices.

Too, the On Call cotton reports are void of any positive news. The report is very clear that the demand to sell futures contracts is very bearish.

Cotton growers do have a cherry in the marketing system that some have used very successfully – and should be used by more. We have discussed BCI over the years and initially questioned its purpose. BCI first thought American cotton production was very inefficient and economically wasteful. Once the organization realized that the U.S. cotton production system was the highest or one the most efficient and sustainable cotton production systems in the world, the BCI marketing designation gained strength in the U.S.

Many growers now certify their production under the BCI banner. It is recognized by mills and others in the marketing system as the only organization that rewards growers for high quality and sustainable production. Millions of dollars have been paid to U.S. producers using BCI. Your cotton buyer or cooperative is familiar with BCI.

I don't know why some in the U.S. do not like BCI. Growers and cotton buyers that use BCI sing its praise and cash the premium check. If your cooperative or buyer does not work with BCI, their competitor does. Find a buyer that does.

Using BCI will help many growers collect more premiums from the market. Check on the certification. It represents sustainable production and rewards the growers for such.

Mills/retailers/consumers reward the cotton grower with such participation. Too, it promotes the use of cotton around the world.

Promote cotton!

Give a gift of cotton today.