Cleveland on Cotton: 70 Cent Cotton Is Within Reach

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Wow, nearly a 70-cent market! The old crop July with all its negativity is gone, thank goodness. Too, it took much of the market negatively with it.

With its passing, the December contract moved higher all week and is well positioned to challenge the 70-cent mark and then the big barrier at 72 cents. Clearing 72 cents (and that will be a challenge), the long ago promised 75 cent level becomes a possibility. However, the battle to climb above 72 cents is mined with weak demand at every step. The production side of the price equation will continue to have the single most important impact on prices.

The December ICE futures market will focus on the big Brazilian crop and the shrinking U.S. crop but will also keep a keen eye on the improving Chinese crop and weakening Indian crop. One demand factor gaining market attention is the need for cotton in Central Asia and the poor Pakistani crop that implies Pakistan could be a significant buyer of U.S. exports.

While much of this does offer the potential for higher prices, note that the real potential for higher prices is based on production shortfalls rather than the more important, and longer lasting, impact of consumer demand at the retail shelf. Thus, the market outlook for the 2025 crop will remain challenging, but a 75-cent trade remains a possibility.

To date, the U.S. cotton grower has not come forth with any program to gain consumer confidence in cotton goods. Consumer tastes and preferences have simply written off cotton goods in favor of other fibers. Until the industry again builds confidence in cotton goods with the consumer, cotton consumption will remain stagnant to lower. The seed companies and private industry account the principal crop production research in the U.S. That was once the province of the university system, but capital markets shifted that to the private sector.

All eyes are now on the USDA June 30 Planted Acres report. Analysts have pegged 2025 U.S. cotton plantings in a range from 8.7 to 10.2 million acres. I estimate 9.3 million, but actual harvested acreage will be closer to 8.0 million. This will likely produce a crop between 13.0 and 13.5 million bales – an estimate that supports an increase in the December futures contract up to 75 cents.

However, I am reminded of walking the late planted, waterlogged, and very weedy 1991 Mississippi crop on July 4 of that year. Most of the crop was only 6-8 inches in height. I wrote that the crop was done! Cotton always surprises, and the final yield was a barn burner – a record-to-date yield of 740 pounds, some 70 pounds above the prior state record yield.

The story is “tomorrow’s weather is more important than today’s.” July and early August fruit development could make for another state yield record, still. Mother Nature has it in her. A 14 million bale U.S. crop will likely prevent December futures from moving beyond the 72-cent level.

Net weekly export sales of U.S. upland totaled 27,300 bales, some 70% below recent weekly sales but in line with seasonal expectations. Vietnam and Pakistan combined to purchase about two thirds of the sales. Shipments totaled 184,500 bales and went to 20 countries, again within seasonal expectations.

The weekly Cotton On Call report showed unfixed call purchases on the December contract totaled 5,968,100 bales. While the number is not seasonally large based on historical comparison, it is bearish given the size of the estimated U.S. crop. Mills only have 2,565,400 bales of unfixed cotton.

The new crop December contract's challenge of 70 cents reflects the market concern of tightening stocks worldwide. However, as the northern hemisphere crop progress moves toward a normal July weather pattern, the bullishness associated with the late start across the U.S. regions will disappear.

Thus, it should be noted that while the past week did make bullish movements, it should also be noted that open interest began to fall. This decline was not associated with the expiring July contract but rather across all contracts. While prices did move above the relevant moving averages, the decline in open interest is a clear signal that any attempt at higher prices will find willing sellers.

Yet, cotton prices are in a much better position today than they were three months ago. The lack of demand should be very troubling to all growers.

Give a gift of cotton today.