

Cleveland on Cotton: Cotton's Month of Recovery Continues

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Cotton's month-long rally continues to give. The trend calls for higher prices as the world market feels pressure from the potential for adequate supplies for the 2026-27 marketing year. Additionally, the near-term imbalance between on-call sales and on-call purchases continues to squeeze prices higher. Not only have both old crop and new crop futures moved higher, but prices have also been much stronger than forecast and appear to be defying odds of climbing even higher.

The pace of export shipments has increased and now lends its support to higher prices. I would be remiss if I did not admit the rally is stronger than predicted, but that is okay, let the trend take the market a cent higher. Yet, with new crop almost touching 75 cents, additional market share will again be priced out of the market. Nevertheless, the 75-cent level will offer a breakeven price for some growers. Remember, never bet against the trend. The old crop May futures contract jumped above 69 cents on Thursday and then above 70 cents on Friday's trading, well above expectations. Friday's settlement in May was 69.40, but only after trading to a

high of 70.31. The new crop December contract settled the week at 74.02 after trading to its weekly high of 74.46.

The market continues to be buoyed by improved export shipments, respectable weekly sales, and the market's expectation of reduced 2026 plantings, all highlighted by an On-Call Report noting the need for textile mills to buy futures contracts. Mills must purchase futures to fix the price of cotton previously contracted and often already delivered. The volume of such cotton far exceeds the volume of grower cotton that has already been sold to the mill, but whose price has yet to be fixed. It is back to the elementary supply and demand lesson. The demand for buying futures exceeds the demand for selling futures; thus, a rise in price should be expected.

Remember, it was this imbalance we discussed a month ago that led to higher prices. The imbalance in on-call sales and on-call purchases showed itself once the March contract's expiry began. In each subsequent week, it has become more supportive of increasing prices. Granted, I suggested the 68-69 cent price level would be the high, but the market has run past that, and 72 cents is now the old crop's price objective.

New weekly export sales of Upland totaled 202,400 bales. While only 14 countries were buyers, and only one, Vietnam, purchased over 91,000 bales, six countries were in the market for more than 10,000 bales. Regardless of the limited number of buyers, the net purchase was very positive for the current marketing year. However, it was the level of shipping that added ammunition for higher prices as shipments totaled a marketing year high of 400,600 bales, an indication that Asian mills need to restock their shelves. Primary destinations were Vietnam, 164,100; Pakistan, 60,000; Bangladesh, 40,300; India, 27,400; and Turkey, 26,600 bales. The majority of all the Asian mills were in the mix.

Mills and growers alike were aggressive in price fixing. Nevertheless, mills continue to require futures buying at nearly three times that of growers. Granted, there is unaccounted grower cotton that is yet unhedged, but likewise, some mills still require near-term coverage and will continue to be in the spot market daily.

USDA's March planting intentions will be released next week, and the market appears to be expecting a 9.3-9.4 million-acre estimate. I am in with an estimate of 9.5 million acres. Cotton growers like to plant cotton; thus, an estimate of 9.7 million would not be

surprising. Additionally, the June plantings estimate could be 10 million acres. Thus, even the new crop December contract should be expected to come under pressure in the coming week. An estimate of less than 9.3 million acres would be viewed as bullish.

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