

Cleveland on Cotton: Cotton Market Tease Continues With Little Movement

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Now that Labor Day is here, Christmas approaches and it's time to give serious thought about the cotton gifts you will give, and receive, this coming season.

The cotton market continues to tease traders as it slowly creeps to 68 cents, only to fail at that level repeatedly. Then, prices retreat with a bit more authority down to the 66-cent area where limited price support halts any further slippage. December futures settled the week at 66.54, down 147 points on the week.

Several excellent analysts forecast the price support near the 66-cent level will hold through the end of harvest. May they prove to be correct. I am not as optimistic and fear a price drop down to 63 cents still faces the market. Yet, for now, the market is in the hunt for any fundamental news.

The very narrow three-month trading range of slightly more than 300 points portends movement outside the current 65.50-68.50-cent trading range. The market has been boxed in for too long, and recent trading volume has slipped. There appear to be more factors supporting a drop below the 65.50-66.00-cent price support level than there are factors on the horizon to move prices above 68.50-69.00-cent price resistance level.

The size of the U.S. crop is likely increasing, and USDA estimators are in the field over the Labor Day weekend. The September world supply demand report will be released on Friday, Sept. 12. Until then, we do not expect the market to uncover any new fundamentals. Thus, the current trading range will hold, but the price bias is lower.

It is very difficult to have bearish prices with futures in the mid-60s. Cotton is already cheap. As stated, hopefully the technical support between 65.50 and 66 cents will hold. However, the mildly active October futures contract slipped below 65 cents in this past week's trading and settled the week at 65.21.

Granted, the October contract is not the kingmaker it was 30 years ago. Yet, it is still a new crop contract and is actively traded by both U.S. and foreign traders. Increasingly, Southern Hemisphere cotton is now actively traded on the both the October and December contracts more than ever before, and this trading is having its effect on futures prices.

Given that the cash basis for the Brazilian crop is some 400-600 points more competitive than U.S. growths, that cotton will move first in the marketplace and will limit and price advance of the December futures contract. The natural market tendency is for prices to fall to closer to the Brazilian cost of production.

The great concern is that the December futures contract will mimic the October contract once October goes first notice day. Therein is the basis for my thoughts that December futures will trace a route down to the 63-cent level.

The U.S. crop is a bit late. Thus, the recent moisture, as well as that expected over the weekend, will serve to add potential size to the U.S. crop. Given the absence of any positive

developments regarding demand, bearish pressure will continue to face the market.

Net weekly export sales were a somewhat weak 179,300 bales of upland. Shipments also lagged expectations coming in at only 112,700 bales. While it is very early in the 2025-26 marketing year and there is far more than ample time for the rate of exports to increase substantially, export sales to date are some 950,000 bales behind the 2024-25 pace. Thus, the rate of export sales should be monitored.

It should be of concern that prices are only in the mid-60s and export sales remain extremely slow. This reflects that Asian and Subcontinent mill business is slow at best.

Further, the On Call ratios continue to increase the odds that the bear will win the price war. December on-call sales increased 71,600 bales on the week, but on-call purchases exploded higher by some 1,114,200 bales — a very bearish signal as this indicated that selling pressure on the December futures contract has become excessive. Yet, as stated, the 65.50-68.50-cent trading range is likely safe for another month.

Give a gift of cotton today.