Cleveland on Cotton: Yield, Not Price, Will Determine 2025 Cotton Success

May 31, 2025
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This year reminds us that what happens tomorrow is much more important than what happened today.

Even though cotton production is off to a very late and wet beginning across the Southeast and Mid-South, much of the Southwest has received very timely and beneficial rains. Better weather tomorrow offers the potential for a bigger and better crop. Yield, not price, will determine whether 2025 is a good or bad cotton year.

Prices eased lower all week but managed to regain a few points on Friday's close (May 30) as the old crop July weekly settlement was 65.06 cents. December felt the market's troubles as well, seeing prospects for a bigger crop and settled at 67.75 cents. The ongoing 63-68 cent trading range will continue to dominate trading for both the July and the December contracts, with the slight possibility of sneaking just outside that range for only very brief periods of time.

Market fundamentals continue to hold a lid over any potential breakout above the 68-69 cent mark for both the July and the December contracts.

Export sales data continue to suggest shipments may exceed the USDA projection. As welcome as such an observation is, it is akin to saying, “Well, I only have a bloody nose and a few broken bones and not a concussion.” Many in the cotton industry, while suggesting that USDA underestimated the level of U.S. exports and celebrating the increased exports number, totally forget that the level of U.S. exports again fell behind that of Brazil, and that Brazil, in fact, has supplanted the U.S. as the world’s primary exporter.

With 2 ½ months remaining in the marketing year, export sales and shipments to date are level with the prior year. However, outstanding sales are some 750,000 bales behind the prior year’s pace. Additionally, next year’s sales are 500,000 bales behind this year’s slow pace. Thus, while it appears USDA has underestimated the current demand for exports, USDA’s meat cleaver approach to cutting exports was only marginally too brutal.

The point is clear: the U.S. continues to lose export market share. The loss of export share implies that the U.S. reduction in cotton acreage will become permanent.

Some want to blame the tariff era for slow exports. Yet, there has not been any tariff effect noted in export data. While China has reduced its demand for U.S. cotton, its reduction has been going on for three years and is in alignment with its actual reduction in total demand for cotton. On the contrary, export cancellations have been fewer than normal.

Additionally, this week’s shipments were to 20 countries, noting a widespread delivery and empirical evidence that nearly all cotton consuming countries want U.S. cotton, but only in lesser amounts. Cotton consumption has notably slowed and has not shown any indication of increasing. Of course, the major consuming countries such as Vietnam, Turkey, Pakistan, and others continue to take U.S. cotton in volume.

Net sales of upland on the week were 118,700 bales and shipments were 275,400 bales. While this level may initially appear impressive, the data represents a decline in the demand for U.S. cotton.

The three-day Jim Rogers roll was completed on May 30, and the five-day Goldman Sachs roll will begin June 6. These are long only rolls (buy December, sell July) and should be easily handled by the market.

The weekly On Call report confirmed that mills are buying cotton in limited volume and that they are postponing the pricing decision – an indication that they are betting on a continuation of a decline in the level of December futures. Additionally, the level of on-call purchases suggests December has additional downside risk down to 63 cents.

Give a gift of cotton today.