

Cleveland on Cotton: Despite Tariff Confusion, Low Cotton Prices Are Likely Temporary

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It's only temporary. The talking heads will go to sleep, and their tariff confusion will disappear sooner than later. Cotton prices at 63 cents are little changed from six weeks ago. Equities, bonds, and most commodities can't say that. December at 67 cents is moving higher.

Cotton came to its senses on the weekly close as the nearby May contract pulled back above our anticipated yearly low of 63 cents. While I had felt the market would not find that low again, the combination of the greatly misrepresented tariff talk, the longstanding predictions by Wall Street legends, and cotton's own inability to attempt to capture its demand base and reidentify with the consumer brought prices tumbling far below expected, or even justified, levels.

Closing the week above 63 cents put the market back on pace to recapture the 66-cent trading level in the soon-to-be spot

month July contract. Likewise, the new crop December contract can now focus on rebuilding its preplant trading level in the 69-71-cent trading range.

Certainly, I was very much surprised by the market's reaction to the domestic tariff policy – nothing more than the public's complete misunderstanding of the economic impacts that might result from Washington's trade policy. To that point, the Administration failed to succinctly explain the policy to the public – something that's still lacking as media's talking heads continue to blast incorrect comment after incorrect comment.

The result was the extremely chaotic Wall Street trading. The correction "seems" to have abated, but there is no rapid road higher. In reality, Wall Street expected the market collapse.

Consider first, Paul Tudor Jones' warning some 3-4 months ago that a meltdown was coming. Paul Tudor, of course, is the one-time Memphis lad turned cotton trader – and now Wall Street Legend since foretelling the 1987 Wall Street meltdown. He correctly predicted this one as essentially based on the same fundamentals associated with the tariff considerations.

Cotton down to 63 cents. Well, it had already been there, and absolutely no one should have been surprised. Given that each succeeding futures month had seen lower prices than the previously expiring contract, any serious analyst should have known the 63-cent print had a very realistic possibility of being recorded.

It did just that, as expected. Yet, should prices move lower, then I will be extremely surprised.

While cotton prices would have experienced some sell-off, the impact might have been far less severe if the cotton industry's promotion of natural cotton fiber to the consumer were having more impact. Think about it. Cotton is even cheaper today than it was yesterday, and the consumer continues to walk away from cotton clothing.

Certainly, there were other market fundamentals indicating that cotton prices were at the top of a dangerous price teeter-totter, and signals were pointing to lower prices. First, it was extensively reported that yarn mills were having difficulty moving cotton yarn. We have written about that for several months, and Trucott referenced that problem over the past few weeks. We also previously discussed that as many as 50% of the mills were operating at reduced capacity.

Too, the On-call sales versus On-Call purchases were the most bearish ever recorded. The speculative public bought into the fact that the speculative shorts were "too short" and would lose out in a short covering rally. Now, a short covering rally will extend to the high 60s or very low 70s at best. The short speculators saw the bear as he was – very, very big...and he ate well.

USDA did give us its Prospective Plantings report for the 2025 U.S. crop, and the estimate at 9.87 million acres was almost exactly as predicted by analysts. I had expected an estimate of 10.1-10.2 million acres, but seed sales to growers continue to lag expectations. Thus, it is likely actual acres will be just 10.0 million.

The USDA report, coupled with reports from around the globe, suggest world cotton seedings will be below expectations. That will bode well for the December 2025 crop futures contracts. Higher prospects to 75 cents, basis December futures, are very much in on the horizon...and more.

Give a gift of cotton today.