

# Cleveland on Cotton: Cotton Market Fighting Off Bearish Push for Lower Prices

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December cotton futures fought off the bears trying to push prices below the 67-cent support level all week. The market caught a bit of a positive tone on Friday (Aug.9), ending the week with a triple digit 110-point gain and settling at 68.34 cents. The attempt to push prices below the 67-cent price resistance level did see a new life of contract low on two different trading days.

Various analysts are calling on trading to fall anywhere from just one cent lower down to 66 cents and all the way down to 48 cents. Certainly, the market is very safe from 48 cents, assuming the U.S. can avoid getting swept up in declining world economic or military affairs. The political and economic uncertainty have already battered the market, and prices should be supported at the current 67 cent mark. The market has already done yeoman's duty in protecting the 67-cent level.

USDA will release its August supply demand report on Aug. 12. Only an unexpected increase in the size of the U.S. crop would cause the 67-cent price support dam to break. Let's keep the market floor at 67 cents. Should that fail, the next level of support falls slips to 62-63 cents. However, any market failure down to that level is not expected.

We again remind readers that any improvement in demand is expected to be six to nine months in the distance. Further, growers still must expect to delay pricing the 2024 crop until the May-July 2025 period. While edging out near the end of the limb, I am not expecting significant changes in the August report, except for revisions in historical data. As such, that could be bearish with respect to world ending stocks.

The supply demand report is expected to see lower U.S. and world production and slightly lower world consumption. USDA has made significant changes in its export and consumption data in the past two weeks. Thus, while significant changes in world production and consumption estimates are unexpected in the supply demand report, world carryover could be increased based on adjustments to historical data (recall the 2023-24 cotton year ended last week). Too, USDA has made unprecedented and highly significant changes to published data the past two weeks. Nevertheless, USDA is still the ultimate source, and the market will react accordingly.

The New York Cotton Roundtable group will discuss the report at 1:30 PM Central time, just after the report's 11:00 AM release. To listen to the discussion, call 605-313-5148 and, when prompted, enter code 571052. You will have the opportunity to ask questions. An archived recording will be available on Facebook, X (Twitter), and AgMarketNetwork.com. BASF, the owners of FiberMax and Stoneville cottonseed brands, is the sponsor.

The USDA August crop production report will be the first in recent history not to be based on the traditional objective yield survey. USDA announced that they were abandoning that procedure as cost prohibitive and will use a combination of

satellite, AI, and office procedures to estimate crop yields. The methodology is not new to USDA, and one would believe that they have field evaluated their models and show them to be efficient. Nevertheless, the market does not like change. Thus, there will be more than the normal second guessing. This, in turn, will likely add to the volatility of market trading at least in the coming two months.

Look for the 67-cent level, or as some say 66 cents. Restating – expect increased trading volatility and continue to understand that 2024 crop pricing decisions must be on hold until late spring or early summer 2024.

Some are of the mistaken opinion that a lowering of interest rates by the Fed will make U.S. cotton more competitive in the export market. That should not be expected. Brazilian cotton will move before U.S. cotton, and any seemingly competitive advantage the U.S. might have historically enjoyed in prior years will not materialize as Brazil will more than meet any challenge offered by adjustments to currency exchange rates.

The market structure has changed, and Brazil will be in complete lock step with U.S. pricing.

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