

# Cleveland on Cotton: Demand Issues Stymie

## Bullish Supply Demand Report

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What should we think about a very bullish USDA supply demand report? One would have never guessed that the 1955 release of "Where Have All The Flowers Gone" would portend the demise of the long and honorable profession of growing cotton.

Now, for sure, the non-thinkers are calling in my reservation for the looney farm. I have stated several times in the past two years that the structure of the world cotton market was changing. It has changed. Doubt all you wish. I dislike what I am writing much, much more so than you do.

The fiber industry has changed. Cotton went to sleep at the wheel, living the good life. Cotton started to change but returned to its old habits and ultimately did not change. Yes, cotton is longer, stronger, and whiter than ever before thanks

to the heroic advances of the American cotton seed breeders. Yields have improved to once unbelievable levels.

Yet, once the U.S. cotton industry stopped promoting itself to the consumer, it abdicated its position as the major fiber in the consumer's wardrobe. To those that say different, I am with you. Just show me. Most in the fiber industry do not feel cotton can regain any of its lost share.

Simply put, the cotton industry has waited far too long. Consumer tastes and preferences for cotton have been permanently changed. Cotton Incorporated's heroic efforts to increase cotton's share of the fiber market from its very low 30% share in the late 1970's to nearly a 40% share when CI directly addressed the consumer have been lost. Cotton share of the spinning system has fallen below 15% and will rapidly register only some 10% share of the fiber market.

The past two generations do not know that cotton was once The Fabric of Our Lives. World and U.S. cotton consumption has faltered. This has occurred as the U.S. lost its grip – first on the world cotton production throne to China, then India, and now Brazil. Now, the U.S.'s historical rule as the world primary exporter of cotton has been lost to Brazil. These structural changes in the U.S. and global cotton economy have left market pundits analyzing the economic situation and outlook just as we have in the past...and we cannot understand why market prices will not rally after such a bullish USDA report.

The September WASDE report estimated the U.S. crop at only 14.5 million bales, down 500,000 from August. USDA reduced U.S exports 200,000 bales down to 11.8 million. U.S. carryover was reduced to 4.0 million bales, down 500,000 bales from last month. In the 1980's and 1990's, such a report would have produced one or two limit up trading days, especially given that world carryover stocks were also reduced. Again, the structure of the cotton market has changed, period...and it can be traced directly to the demise in cotton demand.

World production was reduced by 1.2 million bales, down to 116.4 million. World consumption was reduced by 460,000 bales, down to 115.8 million bales. World carryover was lowered 900,000 bales, down to 76.5 million bales. This was seemingly a report tailor made for Market Bulls.

Yes, the report moved prices from some 67-68 cents to 69-70 cents, yet the price trading range did not change, and prices were markedly lower in trading a day after the report was released. The market simply cannot move beyond the fact that the demand for cotton is, at best, declining.

Seed companies have provided rewarding research to the industry. Brands and mills have active research programs involving fabric construction and durability. Demand is lacking, and the cotton industry has not attempted to directly reach its customer in two decades. Growers, mills, merchants, and brands must find a way to promote cotton fabrics before "All The Flowers Are Gone."

The September WASDE gives new life to the 72-75 cent price objective. Mills are operating hand to mouth and not pushing prices higher. Growers are sitting on nearly all their 2024 crop, making it difficult to push prices much beyond 75 cents, if that. While a short covering rally should surface, it may likely fizzle due to the volume of unfixed grower cotton.

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