



While forwarding of this article is permitted, as is quoting material herein with proper citation, reproduction or redistribution of this report, either in part or in whole, without prior written consent from Rose Commodity Group, LLC is expressly prohibited.

ROSE ON COTTON – COTTON MARKET FINISHES WASDE WEEK MODESTLY HIGHER

Sep 25, 2023

LOUIS W. ROSE IV AND BARRY B. BEAN

Dec cotton futures gave up 53 points on the week (the very same 53 points it gained last week) finishing at 85.91, with the Dec – Mar spread strengthening a bit to (84). Last week, our models predicted a finish on the week that was to be near-unchanged to higher Vs the previous week's finish, which proved to be correct. Dec has commenced the new week notably higher.

The market finished the week modestly lower on poor export sales data and the notion that Fed restrictive monetary policy will likely endure longer than initially expected. This does not surprise many analysts with whom we have visited. Finally, the potential – even likelihood – of government shutdown is very real. Internecine disputes between the populist and pragmatic wings of the Republican party and continuing tensions between the White House and congress show no signs of improving ahead of the September 30 deadline. If we see a government shutdown, USDA market data will be interrupted, the CCC loan ceases to operate, and other services important to the flow of

cotton from producers to end users halt, which is not supportive for our (or any other domestic Ag) market.

Domestically, tropical storm Ophelia did some damage to the Carolina coast and Virginia; however, the damage was far from total. The Virginia crop took a direct hit from the storm. However, it is smooth sailing across most of The Belt with respect to harvest weather.

I had to travel to Nashville for an impromptu business matter on Saturday and I spend time looking at cotton in the eastern portions of the Tennessee growing region. I saw no cotton that had been harvested as of yet, but Tennessee is usually the latest sown crop within the Mid-south region. Still, the crop looks very good and some cotton will be harvested this week. The soybean harvest in Tennessee is proceeding nicely and I am receiving strong yield reports.

For the week ending Sept 14 the US sold and shipped approximately 106K and 153K RBs, respectively, which is nothing to get excited about. Weekly CFTC on-call data continues to suggest that weekly US export sales data should be more robust Vs what we are actually seeing.

Internationally, it was a slow news week. We continue to hear of smaller crops across China and India. Portions of Australia's cotton growing region are under droughty conditions; irrigation reservoirs need to be filled prior to the growing season, with planting season close at hand for most areas.

For the week ending Sept 19, the trade slightly increased its aggregate net short position to approximately 9.66M bales while large specs held their aggregate net long effectively unchanged at around 4.8M bales. Little to no net spec buying sends a message.

The standard weekly technical analysis for and money flow into the Dec contract has turned bearish. Weather, harvest reports, and news on the possible government shutdown will likely frame the market over the near-term

We are lowering our targets for pre-harvest fixations. While we still believe ordinary volatility could carry Dec futures to the 90-cent mark again before FND, we are less confident of seeing rallies through that level into the mid-90s. We encourage producers to price up to 60% of estimated yield on moves to the 88-90 cent level. Producers in areas that traditionally produce higher quality should consider the likelihood of improved basis for spot cotton as harvest proceeds.

Have a great week!

Report Courtesy: Rose Commodity Group

With well over 60 years combined experience in the commodity trade, the partners of the Rose Commodity Group offer a wealth of knowledge and perspective to their clients. With expertise and direct experience in agronomy, crop production, futures and options, spot trading, hedging, shipping, and insurance, the Rose Commodity Group approaches marketing and risk management from a comprehensive perspective. Rose Commodity Group is not directly affiliated with any other commodity firm; we are not commission futures brokers. Our strategies and advice are based entirely on our client's specific needs and goals.

To learn more about Rose Commodity Group please

visit: <https://www.rosecommoditygroup.com/about/>

Disclaimer: *This publication is presented for informational purposes only. While the information contained herein is believed to be accurate and factual, the possibility of error exists. Commodity trading is an inherently risky proposition and there is no guarantee that trades based on the information herein will result in profitable outcomes.*