Cleveland on Cotton: Declining Demand Spurs Market Closing Below 64-Cents

Dec 08, 2025

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The nearby March contract, as expected, closed the week in search of the expiring December contract's 62-64 cent level. The contract made its first weekly close below 64 cents, closing at 63.91 cents. It fell below the 10-day trading range, losing 78 points on the week as all monthly trading ranges were nearly historically narrow, given post-1977 trading. The relatively low price level is indicative of the declining demand facing the cotton industry. Historically, the market should enjoy a slight rally into the new year and into the late January-February period. However, the market has never faced a continuous period of a pronounced decline in demand as it currently faces. Nevertheless, the current 62-64 cent level represents a significant bottom as new year plantings should be reduced. The market is telling growers worldwide that cotton plantings should be reduced.

The March contract seems to have a 65-cent lid. Possibly prices could ease higher to the 66-cent level, but fundamentals do not offer support for such a climb. Only a significant drop in 2026 plantings offers any hope of allowing prices to move higher. The first industry-wide planting estimates will come with the new year at the Beltwide Cotton Conferences in San Antonio this January. Those estimates will be followed in February with the planting intentions survey conducted by the National Cotton Council. Finally, USDA will issue its planting intentions report on March 31. Early estimates are that plantings could fall as low as 8.1 million acres.

Certainly, such an estimate would shock the market a bit higher. Some analysts will peg plantings as low as 7.5 million acres. However, in the absence of demand, prices cannot be expected to climb back to the 70-cent level. The 2025-26 world carryover is trending toward the 76-77 million bales. This compares to year-ago estimates that placed carryover as low as 70-71 million bales. However, with world stocks climbing and with cotton consumption declining, cotton prices will find it very difficult for the new crop December 2026 contract price to climb to the 70-cent level. It currently trades near the 67-68 cent range. The December contract will be in danger of falling back to the spot month March 2026 contract price in the 62-65 cent range.

While USDA continues to play catch up with its export sales report for U.S. cotton, we do know that year-to-date sales and shipments are both lagging well below the level needed to reach the USDA estimate of 12.2 million bales. Potentially, USDA has sales information that here to date, has been camouflaged by the government shutdown. USDA is nearly a month behind with its reporting. CFTC caught up with its reporting, and the current data shows mills rolled the bulk of their December on-call purchases to the March contract, meaning that March futures will face nearly the same selling pressure as the expiring December 2025 contract.

The old crop March contract will continue to face the 62-65 cent trading range. The 2026 planting estimates will leak into the new crop December prices, but the 69-cent barrier will be difficult to hurdle.

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