

# Cleveland on Cotton: Ugly Price Picture as Cotton Moves to May Contract

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Unfortunately, the cotton market performed as expected during the past week, with the new spot month May futures contract free falling to the expiring March contract lows and setting up another challenge of the 65-cent market low and a potential test of prices as low as 63 cents.

It remains an ugly price picture as the May contract did establish a new life of contract low – just as the recently expired Dec. 24 contract had done once it became the spot contract after the Oct. 24 expiry. The extremely poor demand situation cannot be over emphasized (although many wish I would just plain shut up with that comment). The 63-cent challenge is not as far-fetched when noting that market lows have been established with each futures contract expiration.

Since the 2024 harvest season, the New York ICE contract has moved some 11-12 cents lower and is not through falling just

yet. The upside potential remains at 69 cents, but it will take an Olympic style performance to even reach close to that point. Most of the trading will likely fall within the three cent, 64-67 cent range.

It would be thrilling to write a positive analysis, but the cards are not in the deck, Nary one for old crop, that is. The market for new crop remains challenging, but there are a few ripples of market activity allowing for higher prices. There is a possibility that the new crop March and May contracts will turn very positive, but these comments will look only at the old crop.

U.S. weekly export sales remained well on target to reach the USDA export estimate. Net sales of upland totaled 166,900 bales. Even exports shipments were on target at 267,500 bales. However, recall this season's export target is dreadfully low at 11 million bales and reflects USDA's dismal demand estimate of only 11 million bales.

If we can be proud of reaching this target, de facto we are saying that the U.S. needs to produce only 11 million bales. Said another way, being happy with that number implies that one is happy with planted U.S. acreage falling to 5-6 million acres. That is not a misprint – five or six million acres. Certainly, one cannot be happy with that. Remember the word promotion.

The current pace of exports portends futures prices at 63-69 cents. Thus, there is little room for excitement with either the current pace of export sales or shipments. Even a rate of 10% or 15% higher than the current pace would still project only 67-73 cents.

The on-call situation for cotton continues to point to new contract lows in the May futures contract. On-call purchases dwarf on-call sales on the May contract. Of course, nearby on-call purchases have dwarfed nearby on-call sales all season. It has only gotten worse – or rather more bearish.

There is a flicker of light that July could hold more optimism, but only 2-3 cents more optimism. More likely, July futures are looking at the same 63-67 cent trading range.

Hearing the words bullish, bulls, increased spending, tariffs, and the positive words I would love to associate with cotton production, I scoff at the cotton's industry refusal to understand that the world cotton trading pattern and the world marketing system has changed right in front of our eyes. Too, each and every day the U.S. cotton industry seems to refuse to promote its sole product, and the situation will continue to sour. When broken, don't continue to repeat the same thing that has been done for the past 50 years.

The market has changed, thus the approach to marketing and promotion must change. It truly is just as bad as we have said. Some in the industry have talked up the idea that consumer spending is lacking. Nothing could be further from the factual data. The consumer has been the big engine driving the economy for four years now, although that strength is coming into question at present. Consumers, stressed as they are, still have funds. They are simply not buying cotton or cotton-rich goods and must be reintroduced to cotton.

I do not have a pretty picture. It is difficult to write such words. I am not happy and know you aren't. Acreage estimates continue to fall for cotton. It is a shame that any increase in prices can come only if the U.S. grower reduces plantings. And the double unwelcome news is this: if you reduce your acreage, others will increase theirs and you lose the economic ability to ever compete again.

Give a gift of cotton today.