Cleveland on Cotton: Cotton Market Singing the Same Old Song

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Same song, tenth verse. First notice day is around the corner, and the expiring futures contract, now the March contract, is moving to new lows, a trend the market has witnessed for over a year. Too, the soon-to-be spot month May futures are falling to the prior March lows, another trend observed for nearly 18 months as cotton prices continue to fall, fall, fall.

The nearby March contract has now fallen to the high 60- 62 cent range, making life of contract lows almost daily. More importantly, the major downtrend continues to point lower. The weekly settlement was 61.06. The new crop December settled the week at 67.60. The new crop will slip into the 65's in the absence of production scares. The 59-cent level offers support for the expiring March as well as long-term support for both the May and July contracts. It's not pretty, and I am very unhappy to offer such a prediction. Contrary to our formative years, U.S. cotton is not the preferred growth of the global textile industry. More importantly, cotton is no longer the preferred fiber of either the U.S. or the global consumer. Always remember, it is the U.S. consumer who has been the big horse pulling the cotton demand wagon.

The National Cotton Council (NCC) grower survey of planting intentions is scheduled to be released on Thursday, and expectations are that 2026 U.S. plantings will be unchanged from 2025 plantings. Despite the current December contract trading well below the cost of production, growers do not see another alternative. Growers in the vast Rolling Plains can hang on if another bridge payment is made, but that is nothing more than supposition. The NCC survey has an excellent history of accurate prediction.

First notice day for the March contract, February 23, is just 10 trading sessions away. Likely the March contract will hang very close to 60.50 to 61.50 going into expiry.

Yet the past month has seen very good export sales of U.S. cotton. For the week ending January 29, net export sales of Upland totaled a healthy 249,800 bales. Shipments were adequate at 235,300 bales. Primary buyers were Vietnam, Pakistan, China, Turkey, Bangladesh, and Indonesia. Those six countries accounted for the purchase of 231,000 bales. Primary shipping destinations were Vietnam, Pakistan, Bangladesh, Turkey, and China. The current USDA export estimate for the U.S. is 12.2 million bales. Most favor reducing that to 12.0 million. Outstanding sales to date total 3.96 million bales and shipments to date total 3.8 million.

Shipments are some 150,000 bales behind the prior year, but outstanding sales are nearly 1.25 million bales behind the prior year's pace. Thus, the current pace favors USDA lowering the estimate in next week's February world supply demand report. Too, world cotton carryover is nominal and historically, U.S. carryover is marginally high. Additionally, the market is facing an ongoing four-year bearish world consumption trend.

Likely, the final selling pressure on March began at week's end as Goldman Sachs began its five-day-long only rolls (buy May sell March). The Jim Rogers rolls were completed a week ago. The market should accommodate these trades in an orderly fashion and should not affect price activity. Nevertheless, one should be aware of the activity through Thursday of next week.

USDA will release its February supply demand report on Tuesday, February 10. 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, Twitter, and www.agmarketnetwork.com. BASF, the owner of FiberMax and Stoneville seed brands, is the sponsor.

It is difficult to suggest that prices can go lower. However, given the record open interest, a bearish On-Call situation, and an ample level of certificated stocks, cotton has a major challenge and should be expected to challenge price support at the 59-cent level.

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