Cleveland on Cotton: At Last, a Good Week for Cotton

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The market settled 126 points higher on the week at 68.68 cents, basis the December 2025 ICE contract. The market pushed above 69 cents several times during the week's trading but was unable to hold that level at the close of the week's trading. Nevertheless, prices remain caught in a very narrow 250-325 point trading range in an otherwise rather dull market. The 65-cent level can be viewed as the absolute low unless the High Plains/Rolling Plains is hit with unexpected bimonthly showers. The principal fundamental supporting prices at the current level, and within this narrow trading range, is the uncertainty over the size of the world crop and specifically the potential size of the U.S. crop.

Massive price resistance exists between 69.50 and 71.50 cents, and any trip into that price range will be based on increased market concerns about dry weather across the vast dryland Texas/Oklahoma Rolling Hills and the irrigated West Texas crop. Any movement to 70 cents will be hit with considerable grower hedging; thus, a difficult challenge to the market's ability to push above that level. The 70-cent level sits with a heavy, heavy cap on the market. The 70-cent mark offers Brazilian growers a 5 to 7 cent per pound price above breakeven, while 70 cents is the bare minimum for the U.S. growers to break even, and there are only a limited number of U.S. growers that meet that. Most U.S growers view the cost of production in the 75-cent area (and higher).

The recent passage of the Big Beautiful Bill represents the only direct assistance to the U.S. cotton industry. The successful tariff negotiations, while establishing a framework that would allow cotton-rich goods into the U.S. at zero to minimal tariff levies, will not specifically promote cotton. Cotton promotion is left to the cotton industry itself. Specifically, neither the new legislation nor tariffs increases the price of any cotton good imported into the U.S. Again, the cotton industry is left to promote itself.

Back to reality, cotton prices are locked in a very tight 300-point trading range and have been for nearly three months. The range has existed for so long that all agree that technical analysis carries little meaning. There will have to be some meaningful price breakout for technicals to carry any weight. Speculators are abandoning the market, except for a few bears. One could successfully argue that technicals have been meaningless for the past six months. For now, price resistance is at 69-71 cents with support at 61-62 cents. There are minor support levels higher than 62 cents, notably 64/65 cents. Too, on the top side, 69 cents will be extremely difficult to penetrate.

Growers should be thankful for the National Cotton Council (NCC) for its highly successful endeavor of getting cotton included in Congress's Big Beautiful Bill. Growers are advised to defer to the comments of the NCC, but the benefits include an increase in the CCC loan rate to 55 cents and an approximate $85 cash payment per acre. The NCC staff, with grower help, pulled the proverbial rabbit out of the hat. Growers should actively demonstrate their support to their flagship organization. You have one organization on your side.

Cotton continues to suffer from weak demand and the industry's failure to promote the crop. The ball has stopped rolling, and some activity must be charged with pushing the ball across the floor. Yet, there is nothing on the horizon. USDA's July supply demand report did little to suggest a turnaround in cotton demand, although with a larger estimated crop, demand was also increased, but only slightly, as world ending stocks were increased, further suggesting that even with a decrease in world production, there is still too much cotton being produced. Naturally, any cotton person would tell you that should not be the case.

USDA estimated world production at 118 million bales, up one million, while consumption was also estimated at 118 million, up slightly. World trade was relatively flat compared to the June estimate. World ending stocks were tagged at 77 million bales, up 600,000 bales on the month. Chinese production was estimated one million bales higher at 31 million. Important notes included the fact that U.S. stocks were significantly higher, but U.S. exports were unchanged, in deference to the declining market share for the U.S. In this regard, Pakistani consumption was estimated 600,000 bales higher, but the U.S. share of Pakistani imports was unchanged.

The New York ICE contract will likely remain very range-bound and react only to changes in production, as world consumption is forecast to remain relatively flat. This suggests little hope for a bull market rally.

Give a gift of cotton today!