

# Cleveland on Cotton: Despite Positive USDA Report, Cotton Prices Still Can't Catch a Break

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USDA released, arguably, the most optimistic supply demand report in its history this month. So, of course, the market yawned and closed 18 to 33 points lower in the most active contracts.

Cotton, so often the darling of the speculators, cannot get a break.

After the WASDE report, the world's Iranian problem festered, but the market moved insignificantly higher, defying all expectations. The old crop July settled the week at 65.36 cents, while the new crop December settled at 67.84 cents. Despite July options expiration (the upcoming first notice day for the July contract), universally unexpected numbers in the supply demand report, the first salvos in a major Mideast skirmish, and a major jump in crude oil (cotton's trading cousin), cotton prices could only yawn.

Additionally, this was the week for the CPI, the PPI, and news of a very good economy getting even better...and the cotton market only drifted lower. Yet, it did stay within its narrow trading range. The narrow 200–300-point trading range in July and December will likely continue as the market seems, unfortunately, content with the mid 60s. Yet, this is the range that has been predicted for months. The market fundamentals have not changed.

All the significant changes in the USDA report came from the supply side of the market, not the demand side. Thus, the market's response was little more than the above-mentioned yawn. The absence of demand has sucked all energy out of the market. The only speculative plays appear to be the long only Jim Rodgers and Goldman Sachs trading. Granted, it is still very early in the 2025 crop production year, but demand continues to disappoint the market at every turn.

Prices continue to follow that lead and have gradually made lower and lower highs – that is the definition of a downtrend. As much as market technicians suggest the price bottom has already been established, there is growing concern that the new crop December contract could drop to the very low 60s (remember, the longer a market remains in a sideways trend, the less reliable technical analysis becomes.)

USDA surprised the cotton world with its dynamic June supply demand report. Historically the June report contains very few changes. However, the 2025 June report contained multiple changes across most of the major cotton producing and consuming countries.

Current year U.S. exports were increased 400,000 bales (now at 11.5 million), while 2025 production was reduced 500,000 bales, down to 14.0 million. The result was that 2025-26 ending stocks were reduced 900,000 bales, down to 4.3 million bales. This major reduction in carryover stocks, coupled with a declining U.S. crop, does portend a strong probability of higher prices. Yet, the stagnant level of world consumption, coupled with a major one million bale increase in Chinese production, suggests that 2025-26 U.S. exports will again be somewhat anemic.

As has been our thesis for the past six months, only a decline in world production will allow for higher prices. Given a significant increase in Chinese production, major reductions in the U.S, Indian, and Pakistani crops – all predicted by USDA – could boost prices. However, Brazil – the world's leading exporter – is again increasing their output, thus suggesting even decreases in other countries will be net price neutral to the market. The U.S. crop will have to fall below 13.5 million bales if December futures are to climb to the 75-cent level.

USDA's June estimates indicated a world crop of 117 million bales – one million lower than the May estimate. World consumption was estimated at 117.76 million bales, about a quarter of a million below the May estimate. World carryover was estimated to fall from 78 to 77 million bales, slightly positive to the market. The positive news is noted. However, in a tip of the hat to weak demand, USDA projected that world trade would fall slightly.

As stated earlier, cotton cannot get a break.

Cotton's price struggles will continue. However, the production year is just beginning. A record crop can still be made. It is far too early to make any determination. Some past crops have suffered even more than the 2025 crop has and still challenged record levels. The seed genetics available to today's grower cannot be matched. Thus, as usual, "that ole cotton plant" can still surprise everyone. This year's home run can still be a grand slam.

The price bias will be lower in the short term as Mother Nature continues to make her decisions. Textile mills will be slow to fix prices, while grower selling will continue to pressure the market.

Give a gift of cotton today.