# Cleveland on Cotton: Price Swings and Weak Demand Continue to Feed the Cotton Bears

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By Dr. O.A. Cleveland


There is a bit of procrastination here. I really do not want to communicate these words. It is time to be bullish. I want to get there. I just cannot get there. The big tease is still ongoing.

The cotton market only flirts with the Bulls. The Bear is still in control…and will continue to be.

The week ending Dec. 8, the March futures contract high of 83.60 was met by today's (Dec. 15) low of 78.31, a drop of 5.29 cents. I mean, that is more than a nickel lower than last week. When I started in this business, a four-cent swing in a YEAR was considered extremely wild and caused considerable emotional and financial grief. Yet, I was young then.

So, I keep trying to portray good news. Yet, if I do, I am doing what I tell you not to do. Do not make marketing decisions based on hope and wishful thinking. Make decisions based on well thought analysis and risk preferences. Wishing and hoping ruin good marketing plans, again and again.

Enough classroom talk but commit those words to memory. If you cannot remember them, then tattoo them on your hand. Do not make marketing decisions based on hope and wishful thinking.

Textile mills are struggling like never before. The vast majority are operating below 75% capacity. More than a few are operating at only 50% capacity. It is that ole demand thing again. Consumers simply are not apparel shoppers. Sales decline almost month to month. Food and living expenses are simply draining most of the consumers' spending power. That sad news is expected to continue into the first half of 2024, at least.

We will overcome, but when remains an unanswered question. Most likely not before the third quarter of 2024. Cotton will continue to trade in the 74 to 88 cent trading range. Challenging the extremes, 88 cents on the top side and 74 cents on the bottom side will be equally very infrequent. The 77-cent level will likely be visited just as frequently as the 82-cent level, but economic conditions will encourage more activity below 77 cents than above 83 cents. The 74-75 cent level, basis old crop, will be challenged.

Demand is that elusive for apparel and for cotton. Even with poor apparel sales, cotton's share of the spinning system continues to decline, and a test of the 74-76 cent level is almost a certainty. The new crop December, currently 77-78 cents, will likely fall to the same 74-75 cent level. All agricultural commodities – and commodities overall – will continue to deflate between now and the post planting season.

However, new crop prices will return to the 80-cent level, and likely challenge the 83-88 cent level by 2024 harvest season, assuming the U.S. and world economies do not fall into a recession. However, a recession is an extraordinarily strong possibility (Saying that reminds me that I am often accused of predicting far more recessions than actually occur. I am guilty of such.) If growth in government was extracted from today indices, then the U.S. would now currently be in a recession.

One should correctly assume that the weekly export sales report was miserable. Net sales of upland totaled only 57,800 bales, and exports totaled only 148,700 bales. China was the big buyer at 54,300 bales, but they cancelled previous sales of 56,200 bales. Thus, they were a negative on the week. Vietnam and Honduras were the only countries with purchases over 10,000 bales, as only 11 countries were in the market.

China will continue to purchase U.S. cotton because it is so cheap. Yet, as prices slide, Chinese cancellations will increase, but they will tend to continue buying. U.S. sales to date total 8,153,800 bales, while shipments total only 2,697,700 bales. The USDA forecast for the 2023-24 marketing year is 12.2 million bales. A marked increase in export shipments will “shut my recession talk up.” Yet, the mere discussion of any recession speaks of a suffering market.

Cotton woes follow the general economy. As increased funds must be devoted to food, energy, and housing for the some 5-10 million new immigrants (depending on your best source), the fact cannot be overlooked that these new residents must be fed and housed on the government dole. Thus, the U.S. will continue to be challenged by inflation problems. In turn, this will continue to limit the income consumers can spend on apparel.

The long-term trading range continues.

Give a gift of cotton today.