Cleveland on Cotton: Cotton Prices Remain Range Bound Despite Small Rally

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It is a wonderful weekend – Easter around the Globe. May all find peace and goodness.

Cotton was blessed this past week with a small, but needed, rally. The market remains in a tight trading range and cash sales have been limited, but the rally did bring out a few thousand bales.

Growers are reluctant to price at the current level. But realistically, the current level is as much as can be expected between now and the expiration of the July contract. Growers should use the recurring 50–75-point rallies to complete their selling/pricing.

Mills have been dealt a winning hand, and speculative shorts likewise hold the same winning hand.

World cotton trade has been slow in the past month, as mentioned in USDA's April supply demand report. Additionally, it is not expected to increase in the coming three months. July has become the spot trading month, and most are far past ready for the May contract and the upcoming July to finally go off the board.

Growers have had little more than bad luck with this season's market. July will fall back to the trading range experienced by the May contract – essentially the narrow four cent range from 64 to 68 cents with a very slight – again, very slight – bias upward, probably no higher than 68.50 cents. Come June, most of the focus will be on the new crop December contract, with only limited attention to the July contract as it moves to delivery and expiry.

The U.S. consumer remains the big engine that powers the U.S. economy and even to some extent the world economy. Consumers remain in excellent health despite their penchant for credit card debt. The rate of inflation has slowed in the past two months and, despite all the misunderstanding of tariffs, it is doubtful that inflation will increase. Yes, certain products will be more costly. But both food and energy will likely see lower prices, especially energy.

Too, employment continues to modestly increase; thus, it is likely interest rates will remain in a downward trend.

All major economic indicators continue to point to a period of slow economic growth. Certainly, the key is that economic growth is positive. More importantly, the apparent tax reduction legislation working its way through the U.S. Congress will provide a boost to the consumer's health. Thus, retail sales will continue to grow.

Yet, for cotton to benefit, the consumer must adjust its taste and preference and work cotton back into its choices. That will be necessary to boost cotton prices. The immediate price increase on the horizon is resulting from the supply side of the price equation.

Again, the outlook for higher prices will be driven by the growing potential for a reduced crop due to increasing drought concerns. Moisture conditions across the vast Rolling Plains and High Plains of the Southwest will paint the ultimate picture of cotton prices for the 2025-26 marketing season. Nevertheless, cotton demand must resurface, or world cotton prices will remain under 75 cents.

The pace of weekly shipments of U.S. exports fell as seasonally expected. However, it is still possible for exports to exceed the current USDA forecast of 10.9 million bales. However, to do so, the shipment paces must defy historical tendencies for shipments to begin to trend lower at this time of the year.

Prices will continue to trade at the 64-68 cent level. It is too early for new crop to ease above 71 cents.

Give a gift of cotton today.