

Cleveland on Cotton: Is There Light at the End of Cotton's Tunnel?

May 18, 2025

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We are all well worn out with low prices and negative comments. Too, the general news media can't seem to be happy unless they tell us how weak the economy is. But this past week was full of economic news, all positive.

The USDA supply demand report was judged neutral. While world supply demand conditions will continue to reflect a bearish tone, economic conditions grow stronger by the day. That said, there are still some bumpy roads ahead, especially in the U.S. equity market and its Wall Street traders. Likely, the big Wall Street cleansing is not complete. However, we can be sure equities will bounce back once the washout is complete.

Too, the general economic news was very positive for consumer income. This will prove to encourage apparel demand, but not until 2026. Thus, there is a light at the end of the tunnel.

In the meantime, cotton will have to battle its supply demand situation that is highlighted by flat-to-increasing stocks and weak demand. Weekly trading saw a bevy of government reports that were neutral to very positive to the market. Yet, the net result on the week was a market that traded lower almost every single day and ended the week slightly lower – below 65 cents for the old crop July and below 68 cents for the new crop December.

Both contracts will continue to trade some 250-300 points around those levels for another month or until some weather event or world trade event occurs. The July contract can dip to 63-64 cents, and December could fall as low to 66 cents.

The on-call purchases for the July contract will contain any price rally near 69 cents. Longer term demand must resurface if the December contract is to have any opportunity to return to the 71-cent level, much less a 75-cent trade.

I am the guy that promised a 75 cent or better trade in the December contract. I am not backing down from that. The possibility is there. However, the probability is shrinking somewhat. While weather can push the market higher to that level, weather events to date have been encouraging for larger production.

In its May world supply demand report, USDA estimated 2025 U.S. production would reach 14.5 million bales, some 100,000 bales more than the 2024 production. It is likely that U.S. production will have to fall to 14.0 million bales, or less, if prices are to climb to the 75-cent level.

USDA also estimated that 2025-26 exports would increase 1.4 million bales over the prior year's level, increasing to 12.5 million bales. Even at that, USDA estimated U.S. ending stocks at 5.2 million bales, a 400,000-bale increase year over year...and a clear signal of "expected" lower prices. This estimate suggests December futures prices will move lower instead of toward the 75-cent level suggested two months ago.

USDA did increase its estimate of current season exports by 200,000 bales, up to 11.1 million as many had suggested.

World production for 2025-26 was estimated at 118 million bales – 3 million bales below the 2024-25 level. World consumption was also estimated at 118 million bales – only a 1 million bale increase over the 2024-25 level. Thus, production will be decidedly lower while consumption is expected to be little changed.

World carryover was estimated at 78 million bales, unchanged from the current season – a clear indication that some unexpected change in the supply demand scenario will have to occur if December futures are to move to the 75-cent level. In fact, the USDA estimates suggest that December futures will move lower into the harvest season, possibly down to the 63-cent level.

Give a gift of cotton today.