

Cleveland on Cotton: Cotton Market Settles, Continues to Confound

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Flat as prices have remained, the cotton market continues to confound most analysts. March held its 64-cent handle all week, and the new crop December contract held the 68-69 cent area. The spot March remains some 150/200 points above the late 2025 early 2026 lows. More importantly, the market has shown every intention of holding above those lows. The nearby March futures contract settled the week a shade above 64.50 cents, holding a slight increase on the week. The December contract settled some 500 points higher, a shade above 69 cents.

Some, smarter than me, would say December's nickel premium to March was justified based on carrying charges. While I fully understand that logical and historical point, I tend to think the current 450-point premium December has over March is simply the market's expression of uncertainty relative to the size of the 2026 crop. A normal crop (whatever that is) would result in the December contract falling back to the current March 64-66 cent level, while a smaller 2026 crop justifies the 67-72 cent level for

the December contract. Those respective ranges should prevail into the April/May planting period.

Seasonally, this is a period of rising cotton prices after the competition of the northern hemisphere harvest, as much of the selling pressure is relieved. Yet, I continue to suggest that the structure of the world cotton marketing system has changed. Over the past quarter of a century, cotton has relegated itself into a niche commodity, giving away its dominance as the world's most important fiber. This suggests that the historical market factors and predictors have lost their importance in predicting cotton price activity. Hopefully, I am wrong, wrong, wrong. We will see. The beginning of the new year has traditionally focused on demand. Yet, demand is only uncovered at "low prices," and quickly disappears with only small price increases. That is, cotton demand remains flat to lower. While weekly export sales were excellent in the most recent week, the forecast for 2025-26 demand prospects remains weak and relatively flat compared to the prior year, a year that experienced weak demand.

Along with a vast array of government reports released this week, it was noted that apparel sales were especially strong this past month. However, cotton apparel sales did not share in that increase. As noted by the Wall Street firm LSEG, only those products that promoted themselves experienced growth...(cotton does not promote itself, save for a very few brands and those using private promotion). The economic reports, CPI, retail sales, and mortgage rates were all very positive and will bode well for the economy throughout 2026.

USDA's January supply demand report was slightly bullish as its estimates included declining carryover in the U.S. and across the world. World stocks were estimated to decline 850,000 bales, down to 74.5 million, and U.S. carryover fell to 4.2 million, down 300,000. World production was reduced by some 300,000 bales to 119 million, and world consumption was increased by a similar amount, also totaling 119 million bales. U.S. production was reduced more than expected, falling from 14.3 to 13.9 million bales, based on a smaller crop in the Mid-South. The absence of any positive changes in demand failed to provide traders with any incentive to push prices higher.

Prices will remain locked in a narrow channel and will only respond to dramatic weather events or other events that modify production expectations. Yet, as commented last week, the market bottom

appears to have been established in the 62-63 cent area. While open interest has reached an all-time high, it remains difficult to project higher prices. The market remains so flat, more like that of the 1950s and 1960s, that it is difficult to suggest prices are headed higher. Again, let's hope I am missing the Big One.

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