

# Cleveland on Cotton: Demand Issues Keep Driving Cotton's Four Cent Trading Range

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Cotton muddled through the week, spending most of its time near its heretofore support level at 71 cents. It appears that the market will try again to break that support and visit the very high 60s before making a run back to the 74-cent level. Thus, the narrow four cent trading range between 70.50 and 74.50 continues to be the most respected trading range.

Longer term, the market will be more influenced by demand than the small world crop. Yet, we are most concerned that new shorts are entering the market at the 71-cent level expecting to see lower prices.

The big consumption engines, the Chinese and Indian textile industries, have enough local cotton, so the market will not find much bullish fodder from another small U.S. crop. Other countries have more than made up for the lack of quantity that

traditionally comes from a big U.S. crop. Thus, the principal indicator of price will continue to be demand, and that fundamental appears to be a thorn in the side of textile economy. Consumers simply are not showing any penchant to increase apparel demand.

So much for a 2% increase in year-over-year apparel sales, as price inflation hitting the apparel shelves remains at two to three times that level. Thus, real apparel sales continue to decline.

The ultimate size of the U.S. crop, estimated at 14.2 million bales by USDA, remains very unsettled. Some are calling it as low as 12.5 million bales, principally due to hurricane losses in the Southeast and the drought reduced crop in the Southwest. Yet, many growers suggest they are harvesting a much stronger yield than expected. Certainly, a crop below 13.5 million bales would spur a supply based bullish climb, but to little more than 76 cents – if that. As stated, the 71-74 cent trading range is in jeopardy as the 68-69 cent target is growing.

U.S. export sales on the week were higher than expected, as net sales of upland totaled 159,800 bales – one of the higher weekly sales of the 2024-25 marketing year. While China returned to the market after a nearly two-month hiatus, the principal buyers were Pakistan and Vietnam. As reported in earlier newsletters, Pakistan will continue to be a significant buyer of U.S. cotton. Yet, the market was unimpressed with the higher-than-expected sales, noting that shipments were very disappointing at only 57,800 bales.

The market found the report to be slightly negative. Too, we caution against the use of the weekly sales and shipment data as the government has issued million dollar plus fine(s), claiming a merchant reported misleading information.

Mills continue with limited price fixing activity, noting that some business can be done even at the current New York price lows.

However, the volume of price fixing, as noted, is limited. Further, most mills are operating at less than 75% capacity.

Conversely, growers continue to add to the level of call purchases, a clear indication that they are willing to store cotton for a sale six to nine months from now. On Call purchases (delayed grower pricing) are growing at a strong pace, suggesting that the March, May, and July contracts will find it difficult to trade much above current levels.

We have cautioned several times that 2024-25 is not the year to store cotton.

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