Cleveland on Cotton: Market Watches Mother Nature as Cotton Planting Begins

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Time moves on, but old crop cotton prices remain mired in the doldrums of a flat market and will continue to be stuck in those same doldrums for another 8-10 weeks.

As noted several times, the May futures contract can move higher if there is a squeeze against the record shorts. Yet that attempt most likely awaits the period just before the beginning of the July expiry rather than on the upcoming May contract. The stage is set for a short squeeze against the record short speculative position, and a short covering rally of 200-400 points is possible. Thus, July continues to have potential for a limited rally to nearly 70 cents.

The nearby May contract and the early trading days on the July contract (once it becomes the spot contract), will be limited to a 250-point range around the 66-cent mark. The new crop December contract will continue to follow the old crop supply demand fundamentals. December will not step out on its on until June.

The prior two weeks of lower prices spurred excellent export sales. However, last week's higher prices (yes, think in terms of 66 cents as being high) slowed export sales. Sales for the most recent reporting week were the lowest since October 2024 – 101,100 bales – as mills continue to feel there will be another selloff down to 64 cents or possibly below. Certainly, the massive on-call purchases could force that issue, but the 64-65 cent range will be the price low for the remainder of the season.

Shipments remain strong relative to USDA's export estimate of only 11.0 million bales for the 2024-25 marketing year. Some feel that will be increased. However, we are reminded that the period from now through the end of April is the principal shipment period for U.S. cotton. Thus, it will be the shipment pace during May/June/July that will determine if USDA underestimated 2024-25 exports.

Too, export sales for the year are 300,000 bales ahead of the year ago pace. However, shipments are 300,000 bales behind last year's pace. Further, another indicator of price bearishness due to weak demand is that exports shipments to date are 750,000 bales behind last year's pace – and last year was a poor year.

The new crop December futures contract will soon begin to take on a life of its own. The upcoming March 31 USDA Prospective Plantings report holds the trader's attention for now. The USDA survey will be based on grower planting intentions as of the last two weeks in February (Feb. 19-Mar. 1). Cotton has fared a bit better than competing crops since the reporting period. Thus, at the margin, cotton will likely see actual plantings slightly higher than the survey reports. I expect survey intentions will be 10.1 million acres, +/- 200,000 acres.

Price prospects for the new crop are entirely in the hands of Mother Nature and her decision as to how much moisture she dumps on the vast Texas High Plains and Rolling Plains. Regardless, the crop will be weather-reduced due to the lack of subsoil moisture. It is too late to recharge that subsoil.

Additionally, now that spring is with us, the absence of any appreciable winter rains makes the importance of the April/May showers equivalent to the billion-dollar rain. The moisture is as critical or possibly even more constricted than the disastrous 2023 season. The new crop December is staring 1000/1500 points or more in the face if those rains fail to materialize.

Recall, the world carryover is expected during the coming season.

Give a gift of cotton today.