

Cleveland on Cotton: The Cotton Market Goes Bottom Hunting Again

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Cotton continues to get hammered. Or call it by any name you wish. The impact of the government shutdown continues, as now in the third week of November, USDA finally released its export report for mid-October. They will catch up, but very slowly. Nevertheless, the reports are revealing nothing that the market had not previously told us—very little export demand even at fire sale prices. There will be no surprises in the historical data.

As suggested last week, the December contract's first notice day (FND) forced the March contract to drop down to the trading level of the December contract; thus, guaranteeing a 63-cent trade. It happened at week's end, and the market is now "facing the battle of its life" to hold above 61 cents. One chartist says 59 cents could be a reality soon. Certainly, my 63-cent low is all but toast, and my prediction that prices would

not go lower appears premature. The market is bottom hunting, but the probability of 59-61 cents is real.

As always, the market knows what the story is—little export demand. As in the 1960s and early 1970s, the U.S. has become the exporter of last resort. Not until all (nearly all) other countries are sold out of cotton will international mills come looking for U.S. cotton. That said, Vietnam and Bangladesh will lead the way in purchasing U.S. cotton. However, there may be a plus for the U.S. as the late fall allowed for an abundance of high-quality cotton, and that should compete very well once it moves into the marketplace, still a month or more away.

You do not want to hear it. I do not want to write it. The U.S. cotton industry can no longer sugarcoat the fact that the U.S. has lost its all-time historical crown of being the low-cost producer. The U.S. cotton industry has become the high-cost production leader, despite our reliance on high-quality production research.

Production research is not going to force the comparative U.S. production cost lower. That has run its course. In its day, it was the champion of champions. This is not the 1980s, the 1990s, or the early 2000s when the U.S. cotton producer was competing with other U.S. producers. Today, the competitor is the Brazilian, Australian, Indian, Central Asian, and West African producer. Then production research was directed to the U.S. producer. Today's research is available to U.S. competitors literally as soon, if not sooner, than it can be adapted by the U.S. producer. Unfortunately, our cotton organizations do not understand this phenomenon.

The new cotton age is leaving the U.S. in its wake. More importantly, until the U.S. cotton industry directs funding to again woo the consumer, U.S. cotton production will continue to decline. American Eagle, Gap, and Red Land Cotton are primary examples of private companies that thrive by connecting with the consumer. Yet, the U.S. cotton industry suffers from its stubborn failure to promote U.S.-grown cotton. There are a few that still know "Cotton is the Fabric of our Lives."

The March contract has become the spot month contract. Until demand surfaces, and not until demand surfaces, the New York ICE will continue to battle the low to mid-60s. Possibly, 2026 world production could see plantings decline to such a significant level that could raise 2026 prices back to the high 60s or very low 70s. Yet likely the mid-70s at best, await the decision by the U.S grower to finally attack his unwillingness to connect with the consumer. Demand is the lifeblood of any industry, and a differentiated demand is the heartbeat of a commodity. The U.S. grower must rediscover its rightful place with the consumer or suffer a significant production decline.

The market is faced with battling the 61-63 cent level for another two months or more.

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