Cleveland on Cotton: Cotton Market Remains "Stuck in the Mud"

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This past week gave new meaning to the phrase "stuck in the mud." The market recorded its daily low trading volume for the year at midweek and has now suffered through ten consecutive days of 68-cent area settlements — all within little more than a 150-point trading range.

Thus, cotton remains all dressed up and has nowhere to go.

Various analysts blame tariffs (they still do not understand tariffs), demand, production woes (somewhere), and I suppose the kitchen sink. The most accurate blame would go to the kitchen sink. Simply stated, the market is totally satisfied and is in short-term equilibrium. Mills have little need for buying, and merchants have little need to sell.

The market will continue its nap. It is marking time as it awaits Mother Nature's decision as to when or if she will bless the vast Southwest Plains of the U.S. with moisture…and/or if she will allow the large Indian crop to progress…and/or if she will push the big and getting bigger Chinese crop…and if, if, if. Yet, for the next two months, all the price attention will focus on the Texas Plains moisture.

The market remains all about supply. It is void of demand news and is set up to maintain that posture for, unbelievably, another year. Washington is doing its part. It welcomed the legislation written for it by the cotton industry and has made cotton-friendly tariff agreements across the globe.

Bottom line: Someone is going to have to Give a Gift of Cotton, so to speak — and they need to start yesterday.

Now that prices are some eight cents higher than tariff day, the rally has run its course and the market is base building, preparing to crash through the high 60s and attempt to climb to the 75 cents I promised you nine months ago. However (possibly in the words of a California friend), the market is "building a roof over 68 cents" and looking to drop prices into the low 60s. Only the million-dollar rains across the Texas Plains will push prices to the low 60s.

In the spirit of "never giving up on cotton," the U.S. crop is progressing well. The heat and moisture across the Mid-South and Southeast are loading on the fruit as one would expect the plant to do in July and early August. Cotton always survives two-to-three weeks after the grower and analyst say all is lost. The U.S. crop is getting bigger, but some August moisture will be necessary across the Mid-South and Southeast.

As has been the case since USDA's June plantings estimate, most feel the Georgia acreage is 125,000-150,000 acres too high. The Mid-South and Southeast acreage is thought to be 200,000 acres too high. The state-by-state Boll Weevil Eradication Program numbers should be finalized next week, and the FSA numbers will be all but final by mid-August. USDA will provide an updated planted acres estimate in its September 12 supply demand report.

The cotton market will likely broaden its trading range next week, moving into the low 69s, teasing us with an attempt to trade above 69.50 and even try a bit higher. Yet, one should expect it to fail and ease back to the lower 69s and maybe the sticky 68s it loves so much at present. Should unpredicted moisture fall across the Texas Plains, prices will ease back to the low 68s and into high 67s where support should kick in.

It will take a couple more weeks before the real nervousness gives the market a chance to crack the 70-cent mark where it will find heavy resistance. Yet should widespread rains fall within the next three weeks, then prices will begin to slip into the 66-67 cent range. Much of the Rolling Plains can hold on until the third week of August.

Give a gift of cotton today.