# Cleveland on Cotton: Old Crop Cotton Supported As Price Creeps Lower

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My best cotton friend in Lubbock says the market is going higher while my best buddy in Memphis says it's going lower. Of course, I agree with my friends.

So much for the market. Bottom line, old crop prices will creep lower, but just creep as the supply demand ratio is very supportive of old crop prices in the high 80s with the continued temptation to post a few more 90 cent-plus trades. Yet, the old crop bull has matured and is now not much more than very tough meat.

New crop received a boost from the USDA annual March Prospective Plantings Report, as 2024 planted acreage in the U.S. was estimated at 10.7 million acres – in line with our expectation but as much as 300,000 to 500,000 acres less than many had predicted. The new crop December futures contract was slightly higher on the week, but only slightly as mill demand and Brazilian competition remains in question.

While many continue to suggest cotton plantings will be higher, the importance of farm level crop rotation plans was likely the primary reason that planting intentions fell below what many had expected. Too, today's cotton grower is more cognizant of risk management than the prior generation of growers. Thus, the acceptance of crop diversification has become a stellar component of farm planning.

The USDA planting estimate for cotton can be viewed here on page 17.

But, back to my friends. The old crop May and July contracts traded lower and are dangerously close to slipping below the 90-cent level. Mill fixations were regularly active during the week and helped support the 90-cent level. Yet, prices slipped some 819 points during March trading but still settled the month at 91.38, basis the May contract.

Certificated stocks climbed some 50,000 bales during the month and now stand at 52,224 bales. Clearly this led to price slippage in the May and July contracts. Too, assuming the high probability those bales will continue to hang over the market at least until near the July contract expiry period, the old crop price high is in. Thus, a bit more price slippage should be expected.

The new crop December contract price advance has been plagued by reports of 2024 cotton plantings climbing as high as 11 million acres. Thus, during the month of March, December futures gained only 18 points, settling the month at only 83.99 cents – too low to entice marginal acres. Now that the planting intentions report suggests U.S. plantings will increase only 3.8% over 2023 plantings (upland), December futures will have the opportunity to push above 85 cents.

Nevertheless, world cotton demand has still not shown any indication of any real improvement. The only positive indication is that demand deterioration has seemingly stopped and as much as a 1.0-1.5% increase can be expected.

New crop price activity will again play out based on Mother Nature's blessing, or lack thereof, on the vast Southwestern acreage. Moisture conditions there are much improved. Yet, the drought has not been broken and both preplant and post plant moisture will be needed.

U.S. export sales have been marginally better than expected. Nevertheless, Brazilian and West African growths, selling at a discount to U.S. growths, have captured the majority of world trade. U.S. export commitments total 11.1 million bales, of which 6.9 million have been shipped.

Look for the old crop trading range to fall between 87 and 95 cents. The new crop December will trade 81 to 86 cents.

Give a gift of cotton today.