

Shurely on Cotton: Price Prospects Become Dimmer – For Now

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USDA's July crop production and supply/demand estimates were bearish and cast a somewhat dimmer price outlook likely for the near term. Following is a summary of the major changes:

- Exports for the 2023 crop year were lowered 200,000 bales to 11.6 million bales. This is not unexpected given the poor pace of shipments recently.
- This raises carry-in to the 2024 crop marketing year beginning August 1.
- The projected U.S. crop for 2024 was raised 1 million bales to 17 million bales. This was based on the recent higher expected acres planted in USDA's June 28 Acreage report.

- Projected exports for the 2024 crop year were unchanged at 13 million bales. While this may sound okay, it actually would be better if exports were increased given the larger expected crop.
- The projected U.S. average price received for the 2023 crop is 76.0 cents/lb. The projected price for the 2024 crop was lowered from 70.0 cents to 68.0 cents.
- 2024 crop World production was raised 1 million bales, accounted for by the larger U.S. crop.
- The 2024 China crop was increased 500,000 bales and imports were reduced 500,000 bales. Pakistan production was raised 500,000 bales.
- World Use for the 2024 crop year was increased 500,000 bales, accounted for by India.

Prices (December 2024 futures) are now mostly in the 71-72 cents area compared to 72-75 a few weeks ago and 75-79 prior to that. The market appears to have support at 70 to 71 cents – the market has thus far managed to bounce back when prices have dipped to that level previously. I know this isn't comforting because anything with a "7" in the front isn't good, but we've avoided the even worse "6" number so far.

There are two policy tools that potentially could help partially buffer the grower from low prices:

- The crop insurance Projected Price is 82 cents. This could possibly help growers that elected Revenue coverage depending on yield and the coverage level selected.
- The 2018 farm bill was extended for 2024. So, the seed cotton PLC Reference Price remains at 36.7 cents for the 2024 crop. With a new farm bill, the Reference Price may increase beginning with the 2025 crop. But unfortunately, this doesn't help for the 2024 crop.

The projected seed cotton Market Year Average Price for 2023 is 39.1 cents, so there will be no PLC for the 2023 crop. The very early projected MYA Price for the 2024 crop is 34.92 cents.

This is based on 68 cents for cotton and \$205 per ton for cottonseed. This would give a PLC Payment of 1.78 cents.

A PLC payment was not expected for the 2024 crop. But prices have weakened considerably since March when growers had to make ARC/PLC and related crop insurance decisions.

The opportunity for yet higher prices is not out of the question. Overall crop condition has declined. Texas is 32% very poor or poor. We are still in a weather market with a long way to go.