

Cleveland on Cotton: Rangebound Cotton Prices Keep Bears in Control

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Shakespeare's *Much Ado About Nothing* continues for cotton.

USDA's April supply demand report was fully expected to reveal nothing. It did not disappoint. The report confirmed why cotton trading has been locked between 76 and 85 cents essentially for six months. Granted, there have been short forays outside that range, but the market continues to work the 81-84 cent range more often than not.

The report confirmed the overall bearishness of the market and left little hope for the very few bulls that have not been washed out altogether. Old crop prices can shoot up or down 200-250 points at any time, just simply because they can. Yet, the old crop May and July contracts are going nowhere. Old crop is dead in the water.

Mills are operating at thin to negative margins. Take advantage of pricing opportunities on a return to 84 cents, basis May or

July. The new crop December contract is also caught in the old crop's absence of demand. However, new crop can hopefully uncover extremely limited demand by October, but emphasis is placed on "extremely limited."

The failure of the U.S. economy suggests it will be March 2024 before any meaningful economic growth will occur. December can tag along on that, but it is the March and back month contracts of the 2024 crop that will offer cotton's salvation.

December futures just needs to see a hint of relief in demand, even as little as a 100,000-bale improvement in world consumption – just some positive directional movement. December is caught in the cross hairs of the bearishness of expanded 2023 plantings as well as the weak demand scenario versus the bullish ongoing drought in the southwestern U.S.

That region did receive some excellent moisture over Easter, just exactly on cue as promised by the long-range weather forecasters. More is coming they say. Until more is known about Mother Nature's intentions, December futures remains a 70-100 cent market – in other words, a wild card. Too, Mother Nature appears to be throwing numerous curve balls this season. Market volatility could increase at any time.

USDA's April supply demand report forecasted world production at 116 million bales, up one million, and world consumption at 110 million, essentially flat from last month. Thus, world carryover increased 900,000 bales, up to 92 million bales. Continuing its month after month dialog, USDA reduced world trade again this month. Reduced world trade implies reduced consumption which, in turn, implies increased stocks and lower prices. Certainly, that is clear in the futures prices we see day after day.

Imports were reduced for China, Bangladesh, Turkey, and Indonesia – all major U.S. markets. Improvement in those conditions would benefit the new crop December contract. The increase in world consumption to 92 million bales adds pressure

to the December contract, especially given that any increase in world demand during the coming season will be limited, at best. Bullish demand awaits the 2024-25 marketing season. Truly bullish markets are demand based, not supply based.

USDA did increase U.S. exports 200,000 bales, up to 12.2 million (It should be noted that U.S. exports are running far ahead of actual exports reported by merchants. That is, USDA's reporting system is broken and shows no signs of being corrected.) Some feel USDA will eventually reduce the U.S. crop some 100,000 bales. Yet, it should not be surprising to see USDA reduce U.S. domestic consumption some 200,000 bales, or a minimum of 100,000.

Mother Nature gifted excellent moisture across South Texas last week. The rains were very timely and greatly beneficial. The drought-stricken High Plains and Rolling Plains received some excellent but scattered moisture. Yet, rains across the Southwest Plains will have to be more substantial.

Nevertheless, those were the first rains in over a year for some, extremely beneficial for most, and did come as predicted by the long-range weather forecasters. The long-range folks tell us that more are coming in time for planting and germination, and ample rains are coming for the growing season. We will see. I note that long-range weather forecasters have considerable accuracy. Rain makes cotton.

Old Crop Prices – The 78-85 cent range continues.

New Crop Prices – Mother Nature, 70-100 cents.

Give a gift of cotton today.