



PLAINS COTTON
COOPERATIVE ASSOCIATION

A photograph of a cotton field with green leaves and a dirt path. The text 'Cotton Market Weekly' is overlaid in white.

Cotton Market Weekly

MAY 19, 2023

JULY FUTURES MADE SUBSTANTIAL GAINS FOR THE WEEK ENDING MAY 18

- Outside Markets Benefited from Optimistic Outlook for U.S. Debt Ceiling
- S. Export Sales Slower but Shipments Strong for Week Ending May 11
- Scattered Storms Expected in the Coming Week for Parts of Southwest

July futures made substantial gains for the week, finishing higher in four out of the five trading sessions. The World Agricultural Supply and Demand Estimates (WASDE) released this past Friday gave the first glimpse at what the U.S. balance sheet will look like for the 2023/24 crop year. The report showed a

tightening in the supply of U.S. cotton, providing a bullish sentiment in the market throughout the week. Optimism in outside markets provided an added boost to cotton prices towards the end of the week. Prices were pressured slightly on Thursday upon the release of a weaker Export Sales Report, causing buyers to pull back. For the week ending May 18, July futures settled at 86.66 cents per pound, a gain of 704 points. July futures traded at the highest level since early February. Total open interest rose 8,028 contracts to finish at 185,468, its highest level since April 11.

Outside Markets

U.S. stocks fared well this week, climbing upon optimistic news that the U.S. will raise its debt ceiling to avoid default. The rest of the week was relatively quiet in outside markets. April retail sales came in at 0.4% month-over-month increase, rising less than the 0.8% expected. China had disappointing economic data, showing less than ideal numbers where retail sales and employment is concerned. U.S. initial jobless claims fell unexpectedly to 242,000, showing a labor market that continues to be resilient through persistent inflation. Cotton prices turned higher this week, despite the U.S. dollar gaining ground from hawkish Fed comments and bullish economic reports.

Export Sales

U.S. Export Sales slowed for the week ending May 11. Although sales of U.S. cotton were slightly weaker than expected, shipments continued at a strong pace. A net total of 132,400 Upland bales were sold for the 2022/23 crop year, and 28,100 bales for the 2023/24 marketing year. The biggest buyer for the week was China, with 62,000 bales purchased, followed by Vietnam with 24,000 bales, Pakistan with 18,900 bales, Turkey

with 7,600 bales, and Indonesia with 5,200 bales. Shipments were healthy, with 332,700 bales leaving the U.S. for the week. The amount of cotton exported this week continues to stay above the pace to reach USDA's export estimate of 12.6 million bales. Pima sales were also weaker with 9,500 bales sold, and 14,600 bales shipped.

Weather and Crop Progress

Scattered storms brought much needed moisture throughout areas in West Texas, Kansas, and Oklahoma over the past week. The rain was needed, but deep subsoil moisture remains dry. More precipitation is forecasted in the coming week, and many producers are trying to get seed in the ground before the rain comes. South Texas received more rain throughout the week as well, and most areas in the region are now officially considered drought-free. The weather was more favorable this week, but sunshine and open skies are needed to ensure proper development of the crop. This week's Crop Progress report showed that 35% of the expected crop in the U.S. has been planted, which is right in line with the 5-year average of 35%. The Southwest has started to make headway where planting is concerned. Texas is 30% planted, Oklahoma is 16% planted, and Kansas is 35% planted.

The Week Ahead

In addition to monitoring outside markets, planting progress and weather are the key concerns looking ahead. Next week's Crop Progress Report and Export Sales Report will continue to be a central focus.

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress and Condition

- Thursday at 7:30 a.m. Central – Export Sales Report
 - Thursday at 2:30 p.m. Central – Cotton On-Call
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