



# COTTON MARKETING NEWS

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## Market Optimism May Also Fuel Uncertainties

2020 is now in the rear view mirror. We gladly say good riddance as 2020 was not a good year for many and for many reasons. 2021 brings hope of better outcomes.

Old-crop March futures has now reached the 80-cent area. The recovery in prices since the lows in late March-early April has been phenomenal and much welcomed—continuing to provide growers with marketing opportunities earlier thought not likely.



The uptrend in price, at least more recently, seems to be brought about by increased optimism in demand and the outlook for Use and the smaller US crop (finally validated last month by USDA) that may get even a little smaller.

Commodities are also being aided by declining value of the US dollar which makes our exports cheaper to foreign markets. The Dollar Index declined for most of 2020 and continues to do so into 2021—down 5 points since September, 10 points since last March.



It seems also that cotton is being supported or “carried along” by strong prices for alternative crops such as corn and soybeans.

While cotton is now pushing 80 cents, old crop corn is currently pushing close to \$5 and soybeans \$13.50.

As already mentioned, one factor in the price rally is optimism about demand and the anticipation of improved Use—in-part because of the COVID vaccine and hopefully better control of the spread and lowering numbers here and globally.

This week’s export report, released today, was expected to show strong numbers. Today’s report (for the week ending Dec 31) showed net sales of 164,100 bales and shipments of 291,000 bales. Sales were down 47% from the prior week and 60% from the previous month. Shipments were down 3% from the prior week and 6% from the previous month. This report was weaker than expected but the market today was down only slightly.

Respondents to the *Cotton Grower* magazine survey expect US cotton acres to decline slightly for 2021. One of the main reasons given is high prices for alternative crops. Both corn to cotton and soybean to cotton price ratios are higher now than this time last year—meaning only that currently, corn and soybean prices have increased more relative to cotton. Basis was not considered.

Prices Ratios as of January 6-- 2020 Crop and 2021 Crop					
		01/06/2020		01/06/2021	
		Cotton	Dec20	\$0.716	Dec21
Corn	Dec20	\$4.00	Dec21	\$4.41	
Soybeans	Nov20	\$9.74	Nov21	\$11.53	
Corn/Cotton		5.59	5.76		
Sbeans/Cotton		13.60	15.07		

Peanut prices are expected to increase for 2021. Acres increased in 2020, so any further increase could be limited due to rotations.

National Cotton Council acreage projections will come out during their Feb 12-14 annual meeting. USDA’s *Prospective Plantings* report will be out on March 31.

Optimism and expectations for remaining old-crop and the 2021 crop are running high. With higher expectations sometimes also comes increased risk, uncertainty, and potential error. However, if 2021 acres are kept in check and if Use continues to rebound, that scenario could keep 2021 prices supported.

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