



COTTON MARKETING NEWS

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Prices Struggling in the Battle to Recover

The last couple of weeks, cotton has occasionally made some progress up but has failed to hold. Dec futures has declined and appears settled at the same area of lows set back in July in the 83 to 90 cents area.

This past week, for example, Dec gained 4.63 cents on Monday and Tuesday (including a limit up move on Monday) but then declined 5.71 cents the remainder of the week. This type of volatile and erratic movement has been characteristic of this market and frustrating for growers.



Weakness in price is due to continuing and mounting worldwide demand concerns including inflation and interest rates here in the US and fluctuations (especially higher) in the value of the dollar.

Economic and demand concerns have not impacted all commodities the same. Compared to corn and soybeans, for example, cotton appears to have been negatively impacted much more. Since September 1, cotton price has declined over 26%, corn has increased almost 5%, and soybeans essentially unchanged.

Price Change Beginning September 1, 2022.			
Futures	Sept 1	Oct 14	% Change
Dec 22 Cotton	113.21	83.15	-26.6
Dec 22 Corn	6.58	6.896	+4.8
Nov 22 Soybeans	13.946	13.836	-0.8

Of course, each commodity has its own overall US and world supply and demand picture.

Cotton price has also been impacted by a larger than expected US crop despite adverse weather issues. Demand concerns combined with a larger than expected crop, has not been kind to prices. Still, it seems to be overriding economic and demand factors that are in the driver's seat.

USDA's October production and supply/demand numbers were not helpful to cotton's situation. Here's a brief summary:

- The US crop was essentially unchanged from the September estimate. Yield was unchanged or increased in 9 states including Texas.
- Projected US exports for the 2022 crop year were cut 100,000 bales.
- World use/demand for the 2022 crop year was cut approximately 3 million bales including reductions for China, India, Pakistan, and Vietnam.
- Needed imports were trimmed for China, Turkey, Pakistan, and Vietnam.
- World ending stocks were raised over 3 million bales.

There is still belief among some within industry that the US crop simply is not as large as USDA's 13.81 million bale estimate. Unless any adjustment down is "significant", however, a cut in the US crop alone is not likely to get prices back on a strong path upward unless economic and demand fears subside also.

Weekly export reports in recent weeks have not been particularly strong but have been weak in some weeks but more encouraging in others. Last week's report was improved in sales but down in shipments.

Dec 23 futures are currently at 76 cents. This is well below the full cost of production and would portend a significant reduction in acreage where producers have choices. The market is currently signaling to grow less cotton. Less acreage next season or an improvement in demand or a combination may likely be needed to get price kicked in the right direction.

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