

U.S. Cotton Market Outlook

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Cotton Outlook: Summary

- **Old crop outlook neutral-modestly bearish, much improved over last several months**
- **New crop outlook has potential for somewhat better prices**
 - **But supply-influenced market implies volatile price pattern, typical of tight supply/weather market situation**
 - **Implies waiting for, and then acting on, future opportunities**

Cotton Balance Sheet

	2017/18	2018/19	2019/20
	<i>Area Million Acres</i>		
Planted	12.72	14.10	13.74
Harvested	11.10	10.21	11.80
	<i>Pounds</i>		
Yield/Harvested Acre	905	864	817
	<i>Million 480 Pound Bales</i>		
Beginning Stocks	2.75	4.20	4.85
Production	20.92	18.37	20.10
Imports	0.00	0.00	0.01
Supply, Total	23.68	22.57	24.96
Domestic Use	3.23	2.98	3.00
Exports, Total	16.28	14.76	16.50
Use, Total	19.50	17.74	19.50
Unaccounted	-0.03	-0.02	0.06
Ending Stocks	4.20	4.85	5.40
February 2020 WASDE			

The cuts in projected U.S. production has lowered ending stocks from:

7.2M to

7.0M to

6.1M to

5.5M to

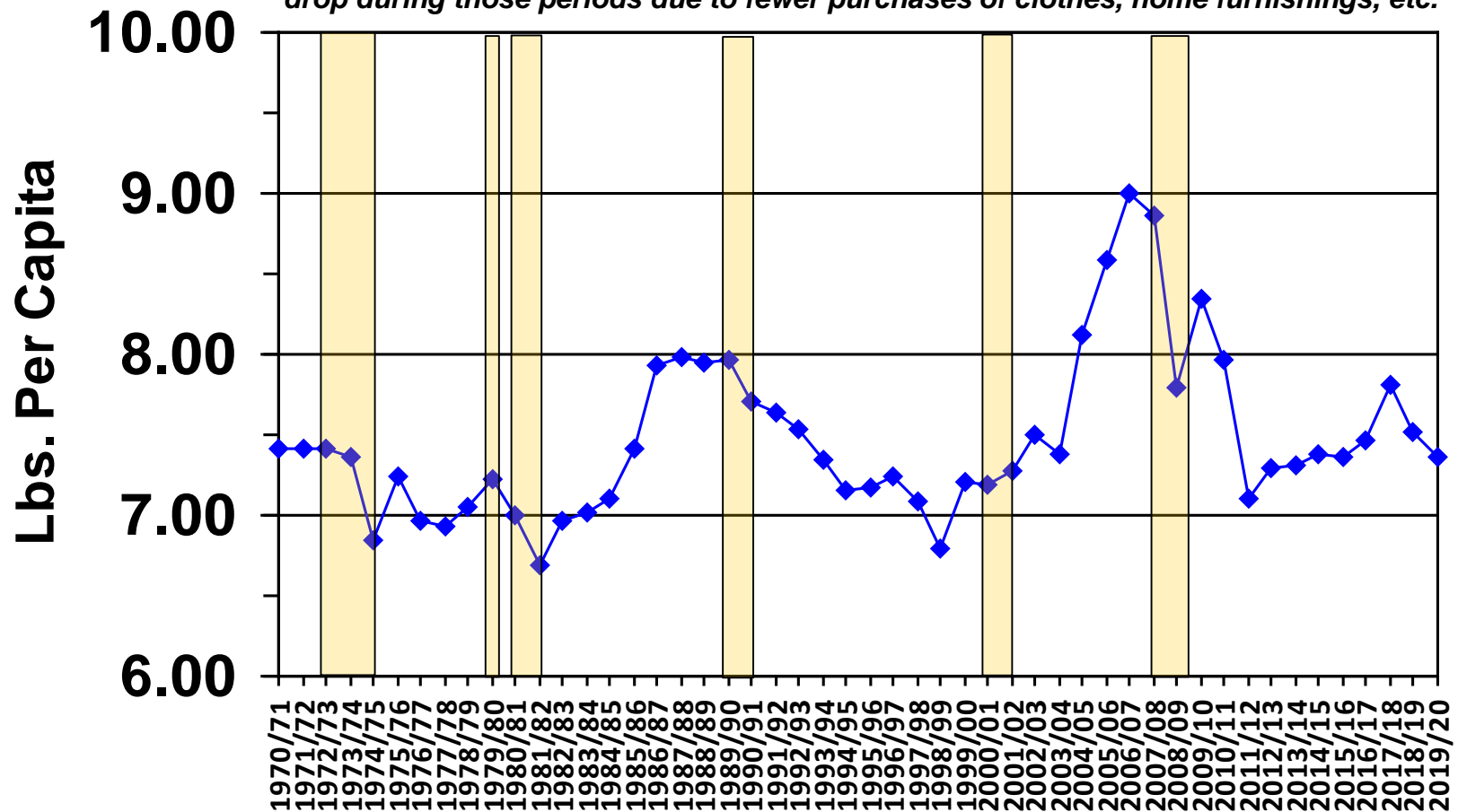
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Mixed Demand Indicators

- **U.S. and World Economy**
- **U.S. Exports**
- **Speculative Money**
- **Emerging Foreign Issues**

Cotton Consumption During Economic Recessions

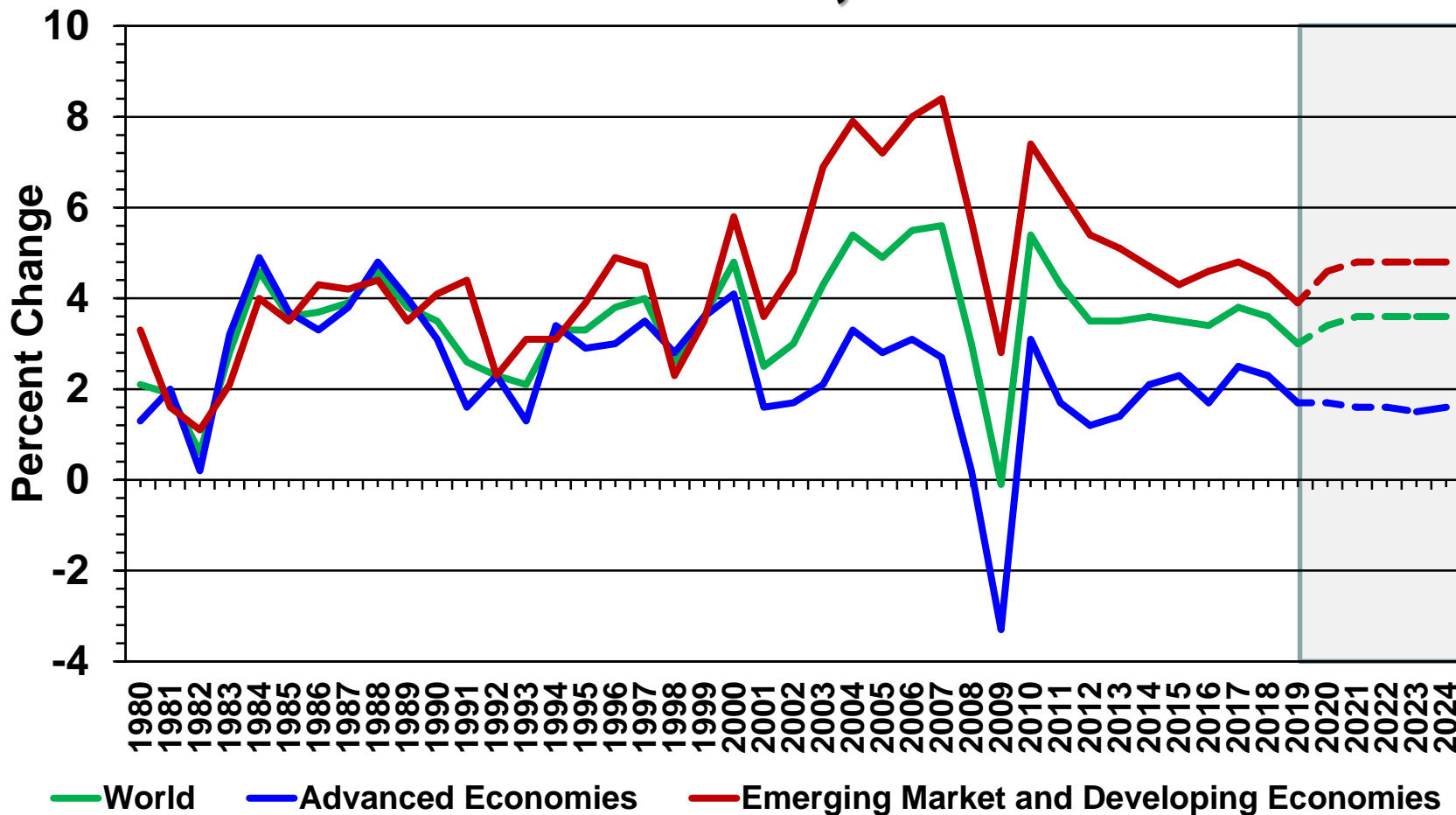
Shaded bars represent periods of economic recession. Cotton consumption tends to drop during those periods due to fewer purchases of clothes, home furnishings, etc.



Source: USDA/ERS/WASDE

Cotton Demand: Influence of Slow Global Economic Growth

Real GDP Growth, 1980 - 2024

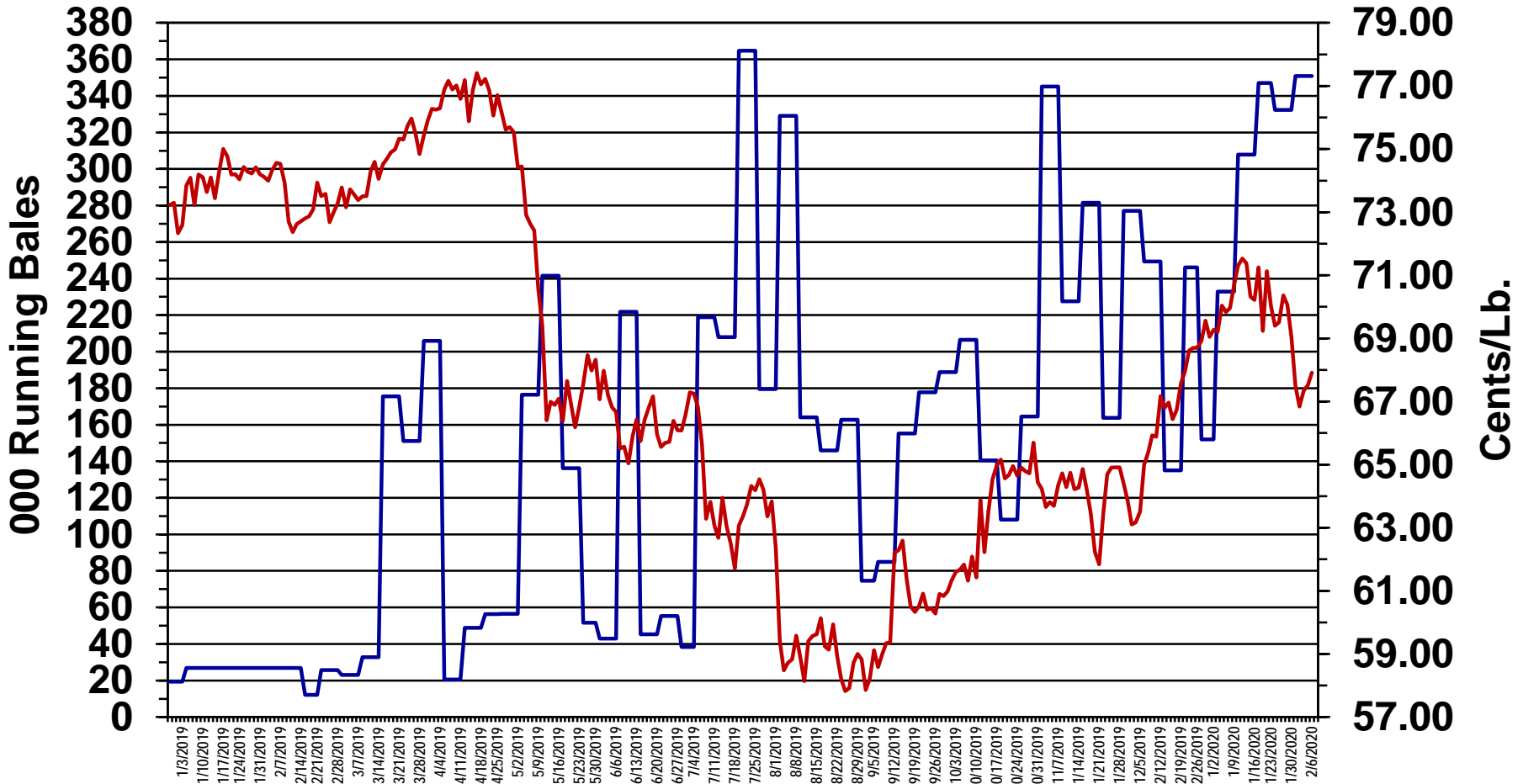


World Economic Outlook, October 2019

http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

U.S. 2019/2020 Upland Cotton Net Export Sales and ICE Futures

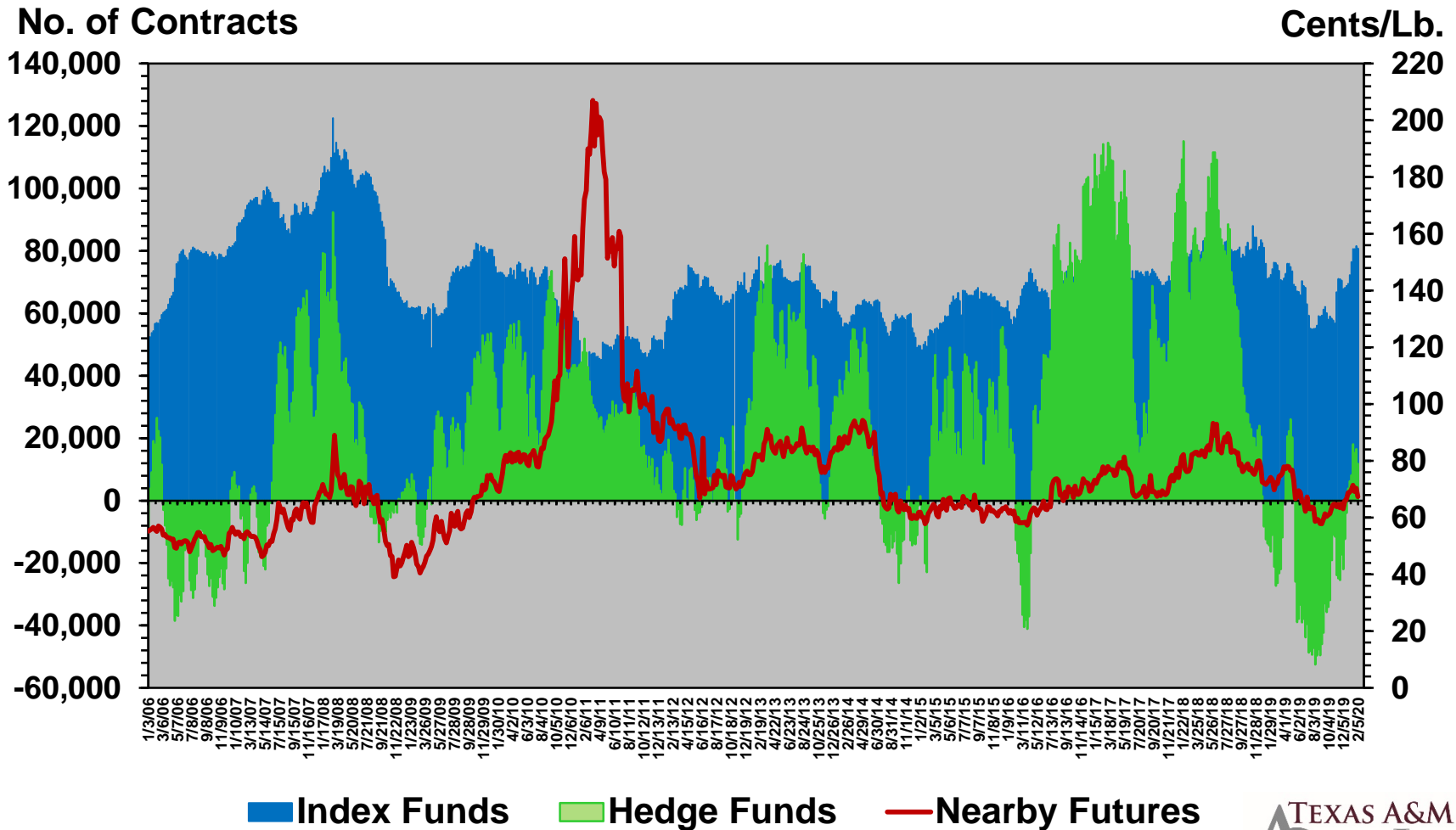
January 3, 2019 – February 6, 2020



— Net Export Sales — ICE Futures

Changing Hedge Fund Position

January 3, 2006 Through February 4, 2020

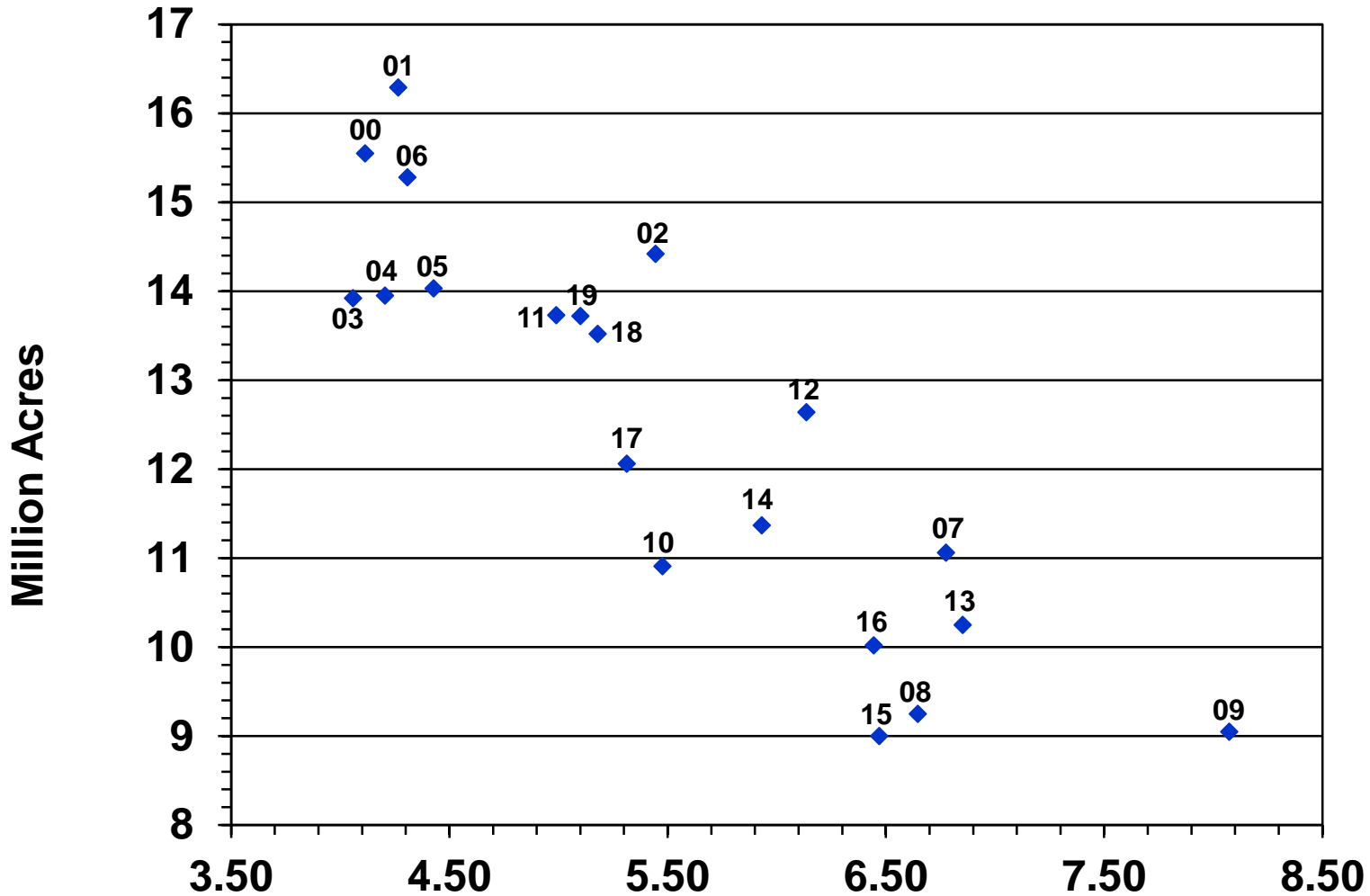


■ Index Funds ■ Hedge Funds — Nearby Futures

2020/21 Crop

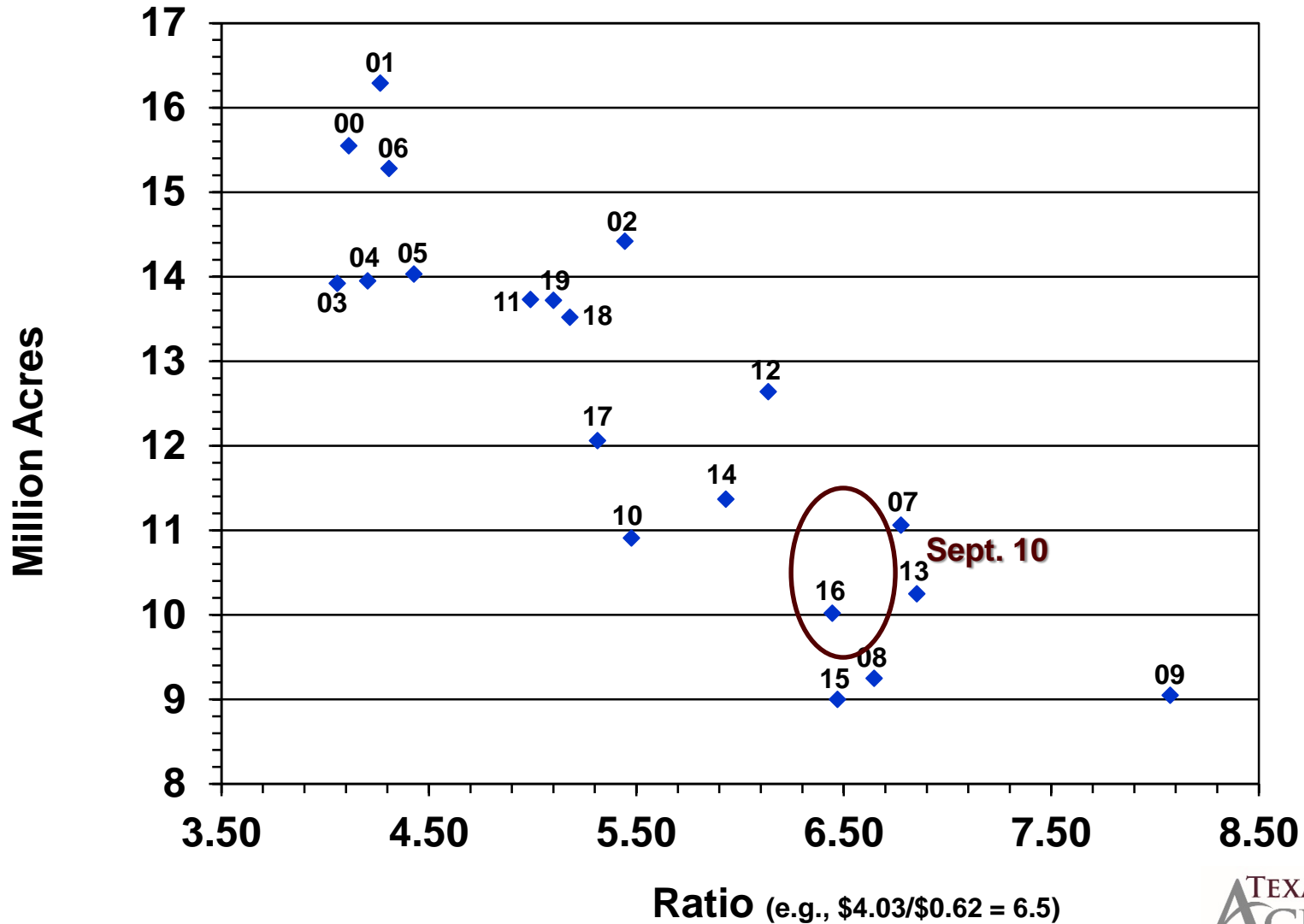
- **The outlook for the 2020 crop involves the same uncertain demand situation**
- **The difference with 2019 is that we might have a smaller '20 crop...**
 - Same or lower ending stocks
 - A supply-influenced market still implies volatility, e.g., weather market effects and acreage reports
 - Implies timely and nimble selling/hedging

Ratio of Q1 Dec Corn/Dec Cotton Futures, vs. June Cotton Planted Acreage Report

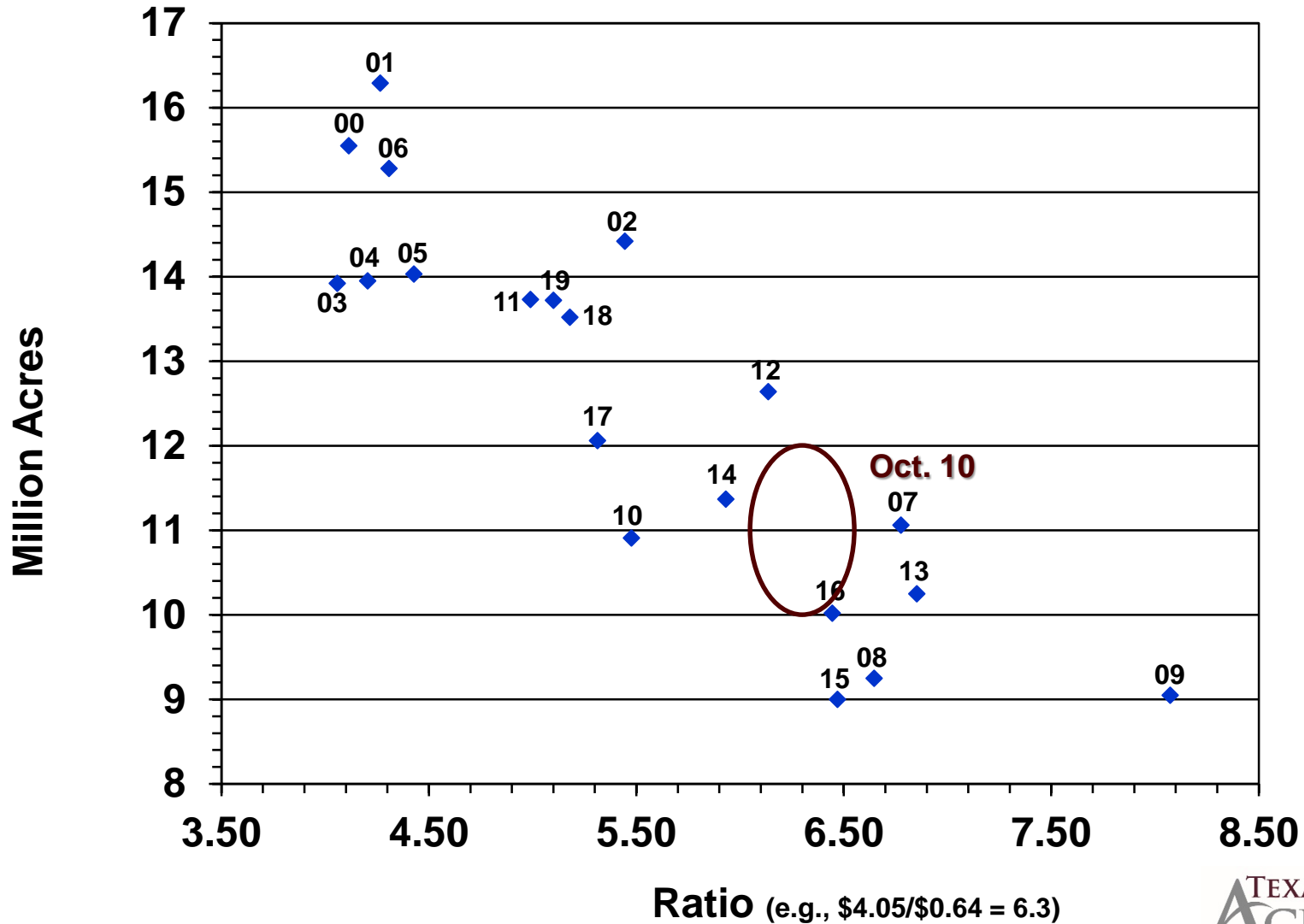


Ratio (hypothetically, \$7 corn/\$0.70 cotton = 10)

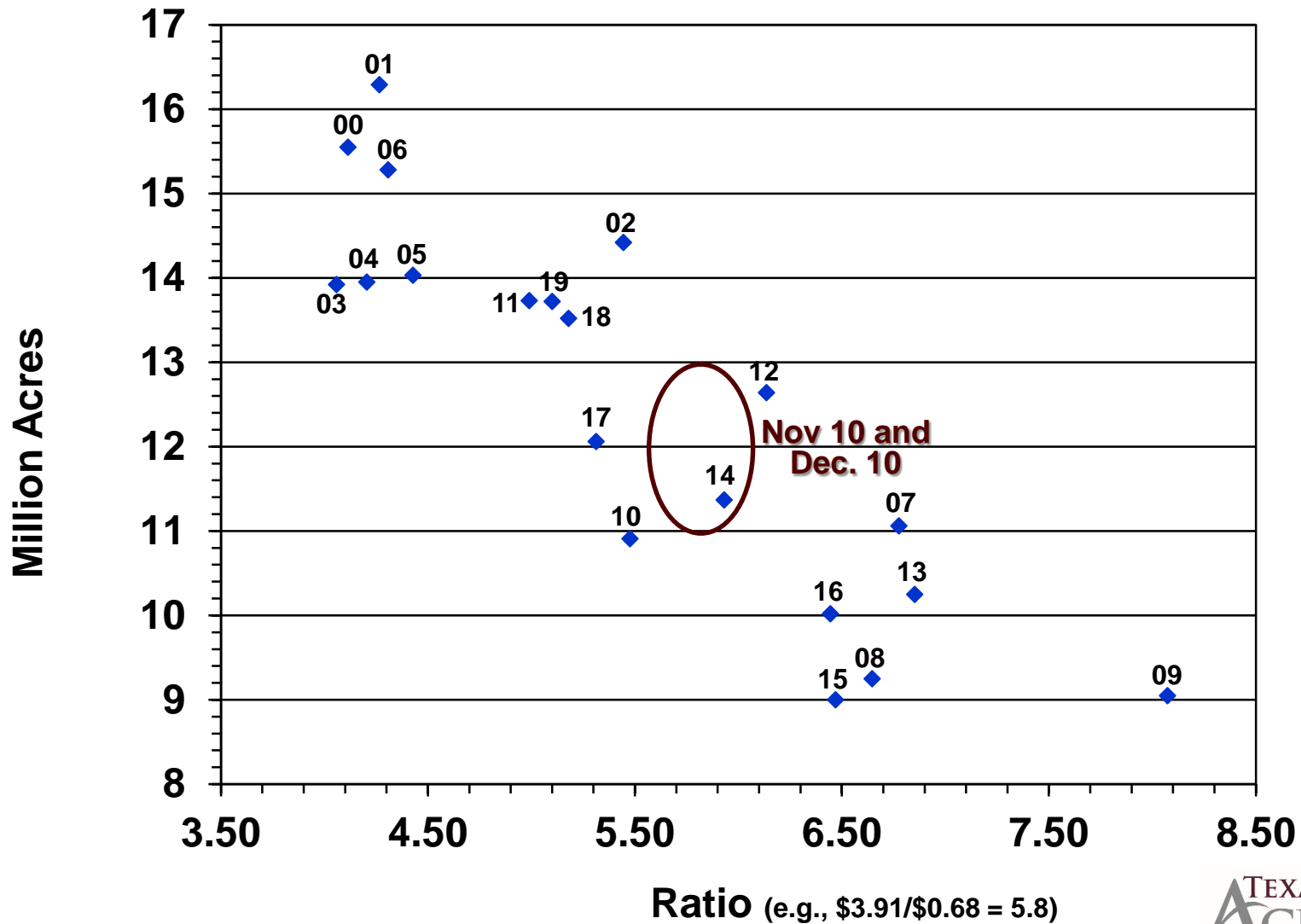
Ratio of Q1 Dec Corn/Dec Cotton Futures, vs. June Cotton Planted Acreage Report



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Ratio of Q1 Dec Corn/Dec Cotton Futures, vs. June Cotton Planted Acreage Report



Acreage Survey: Cotton Acres Rein In Slightly for 2020

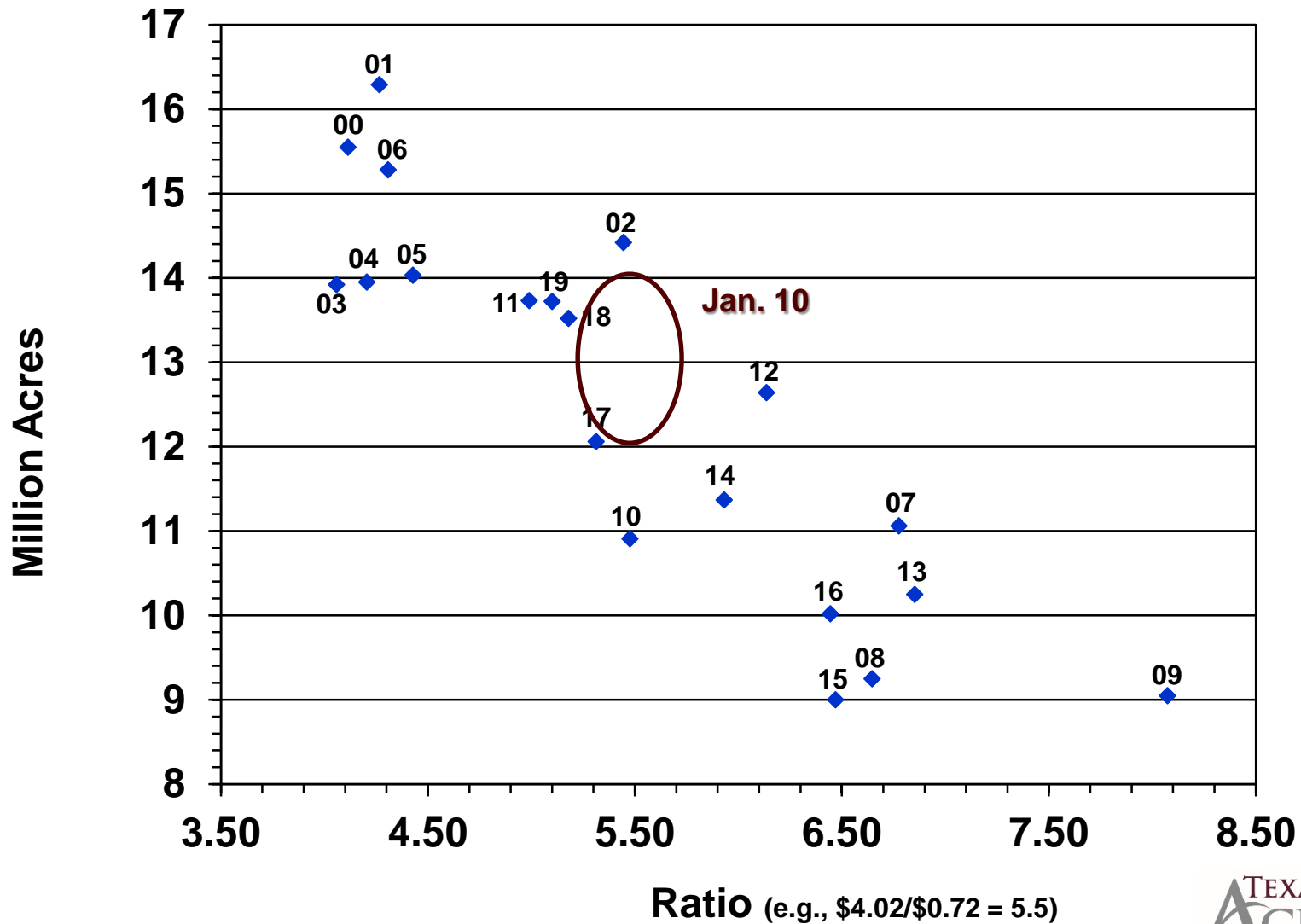


By Beck Barnes | January 6, 2020

As many have predicted, cotton acres across the United States will contract in the 2020 growing season – a reflection of a farm economy that is feeling stress from a number of directions. But that drawdown in planted acres may be less pronounced than many have imagined.

American cotton producers will plant **12,082,000 acres** of cotton – upland and ELS combined – in 2020 according to results from the annual *Cotton Grower* Acreage Survey. That number represents a roughly 12% decrease from the 13,720,000 acres they planted in 2019.

Ratio of Q1 Dec Corn/Dec Cotton Futures, vs. June Cotton Planted Acreage Report





NCC Survey Suggests U.S. Producers to Plant 13.0 Million Acres of Cotton in 2020

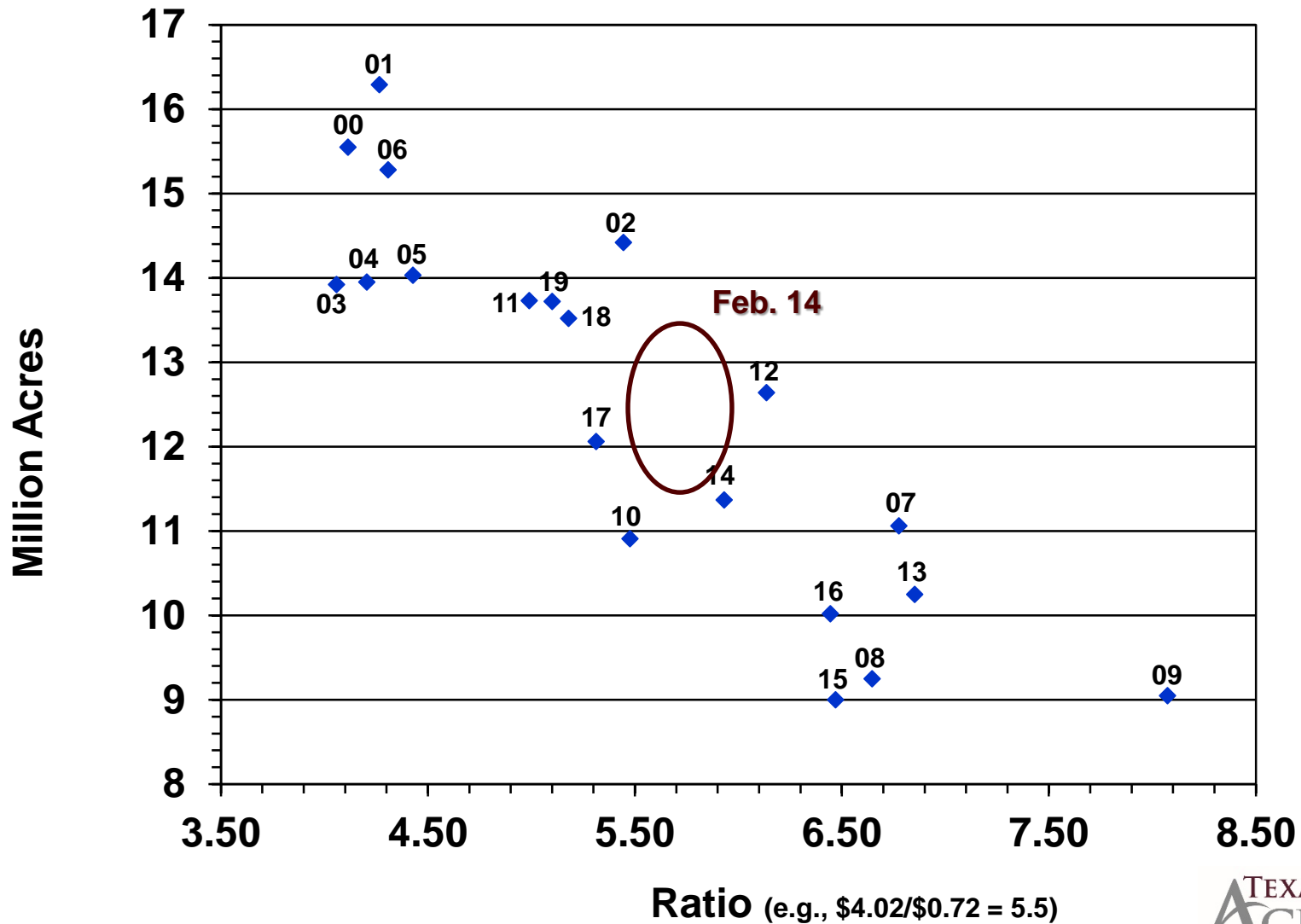
February 15, 2020

**Contact: Marjory Walker or T. Cotton Nelson
(901) 274-9030**

U.S. cotton producers intend to plant 13.0 million acres this spring, down 5.5 percent from 2019 (based on USDA's February 2020 estimate), according to the National Cotton Council's 39th Annual Early Season Planting Intentions Survey.

Upland cotton intentions are 12.8 million acres, down 5.6 percent from 2019, while extra-long staple (ELS) intentions of 224,000 acres represent a 2.7 percent decline. The survey results were announced today at the NCC's 2020 Annual Meeting in New Orleans, Louisiana.

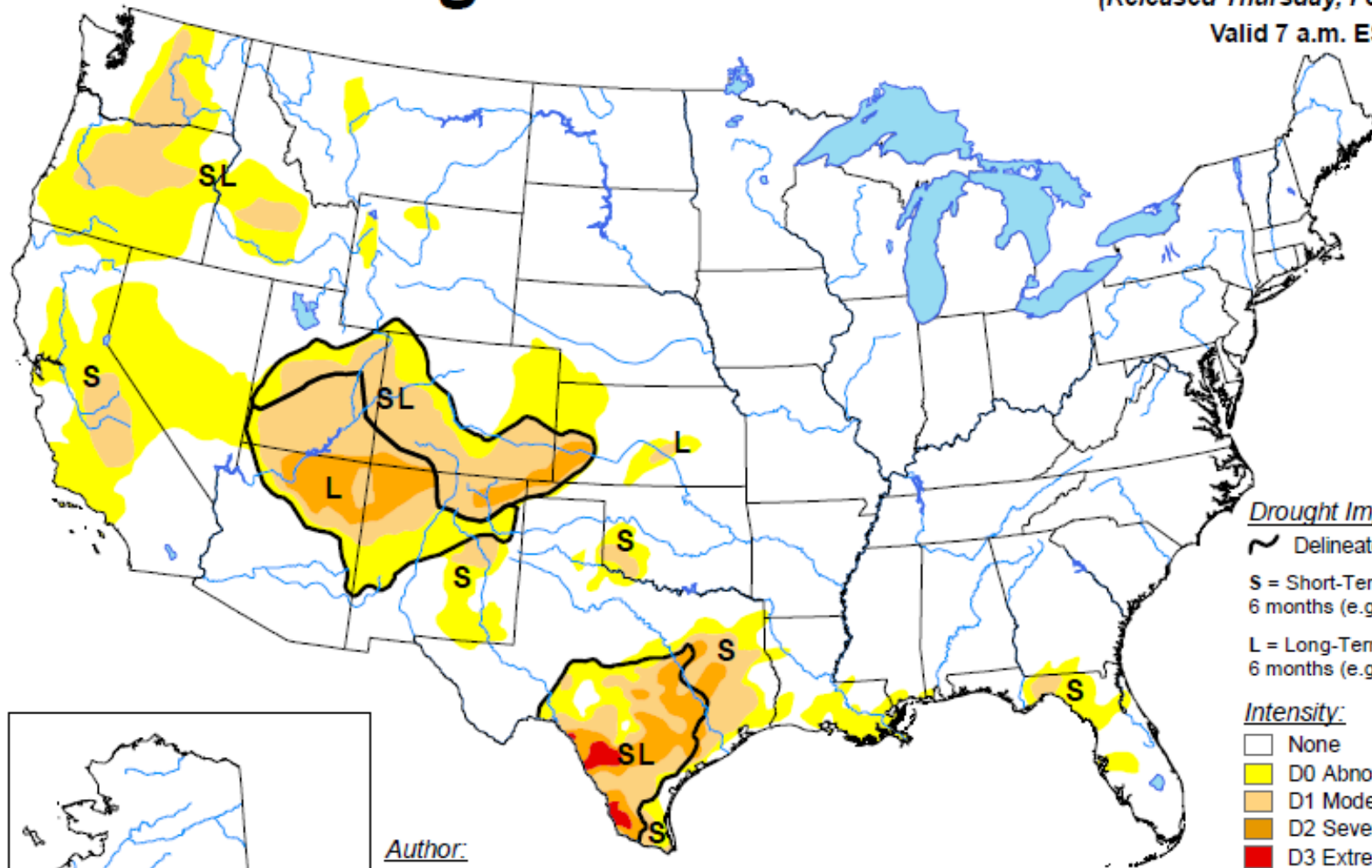
Ratio of Q1 Dec Corn/Dec Cotton Futures, vs. June Cotton Planted Acreage Report



U.S. Drought Monitor

February 11, 2020
(Released Thursday, Feb. 13, 2020)

Valid 7 a.m. EST

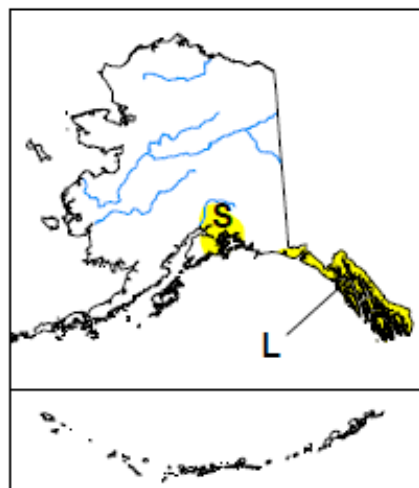


Drought Impact Types:

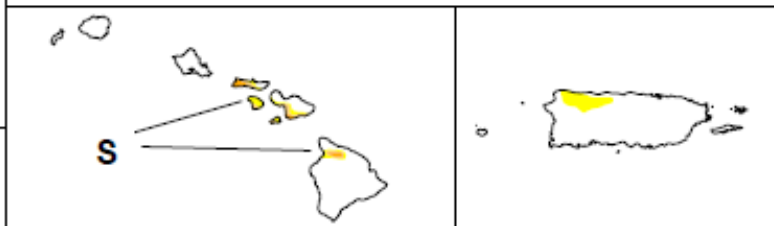
- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



Author:
Richard Tinker
CPC/NOAA/NWS/NCEP



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



droughtmonitor.unl.edu

Cotton Balance Sheet Projections

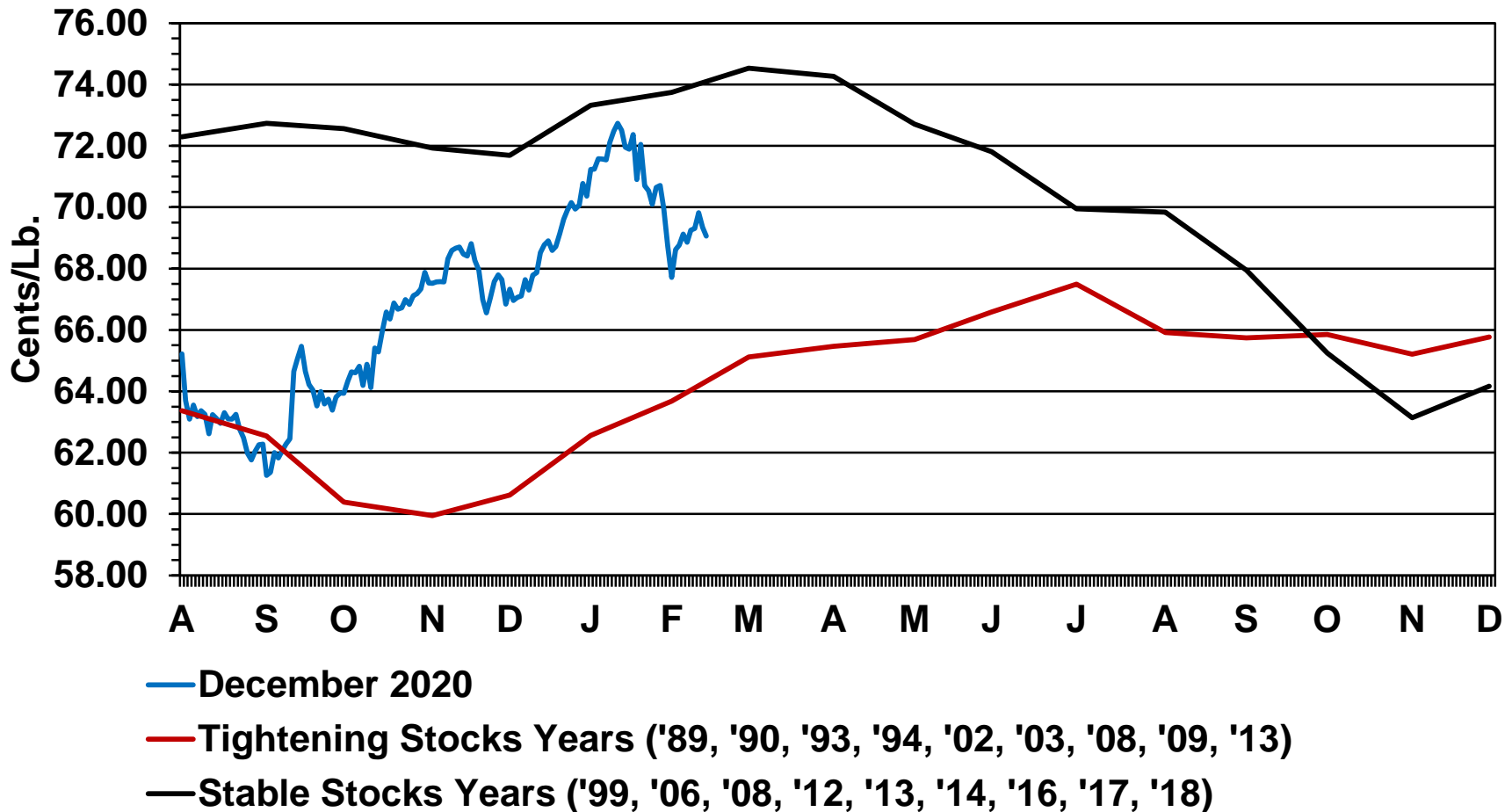
	2018/19 Est.	2019/20 Proj. by USDA	2020/21 Proj. by JR
	<i>Area Million Acres</i>		
Planted	14.10	13.74	12.50
Harvested	10.21	11.80	10.63
	<i>Pounds</i>		
Yield/Harvested Acre	864	817	825
	<i>Million 480 Pound Bales</i>		
Beginning Stocks	4.20	4.85	5.40
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Supply, Total	22.57	24.96	23.68
Domestic Use	2.98	3.00	3.00
Exports, Total	14.76	16.50	15.50
Use, Total	17.74	19.50	18.50
Unaccounted	-0.02	0.06	0.00
Ending Stocks	4.85	5.40	5.18
Ending Stks./Use	27%	28%	25%

For now, assume 15% abandonment and an average yield.

Combined with 5.4M bale carry-in gives a 18M bale crop and a 23+M bale supply. (S little smaller than NCC or USDA).

Similar to last year's ending stocks (NCC and USDA similar).

The Seasonal Pattern of Dec Futures Prices Is Different in Tightening v. Stable Stocks Years. Which Path Will Dec'20 Take?



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“Cotton Spin” Column, Southwest Farm Press

<http://southwestfarmpress.com/author/john-robinson>

The Cotton Marketing Planner Newsletter

<http://agrilife.org/cottonmarketing/>

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