U.S. Cotton Market Outlook

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Demand Influences

- U.S. Economic Indicators
- U.S. Exports
- Mill Fixations
- Speculative Money
- Emerging Foreign Issues
30,000 Foot View: Slowing Global Economic Growth

Real GDP Growth, 1980 - 2023

http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD
U.S. 2019/2020 Upland Cotton Net Export Sales and Dec. 19 ICE Futures
August 9, 2018 – January 3, 2019

000 Running Bales

Cents/Lb.
Cotton Export Total Commitments as a Percent of U.S. Cotton Exports, by Week

Source: USDA/OCE/FAS
## Cotton Demand: Mill Fixations

### U.S. Commodity Futures Trading Commission
Ensuring the Integrity of the Futures & Swaps Markets

### Cotton On-Call

<table>
<thead>
<tr>
<th>Futures Based On:</th>
<th>Call Cotton Based New York</th>
<th>Open Futures Contracts ICE Futures U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unfixed Call Sales</td>
<td>Change From Previous Week</td>
</tr>
<tr>
<td>March 2019</td>
<td>19,878</td>
<td>-2,417</td>
</tr>
<tr>
<td>May 2019</td>
<td>22,134</td>
<td>872</td>
</tr>
<tr>
<td>July 2019</td>
<td>31,228</td>
<td>503</td>
</tr>
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http://www.cftc.gov/marketreports/cottononcall/index.htm
Small Net Short Hedge Fund Position

January 3, 2006 Through January 29, 2018

No. of Contracts

Cents/Lb.

Source: Commitment of Traders Supplemental Report (Futures and Options)
Issues Affecting U.S. Exports:

- U.S. Old Crop Quality?
- Turkish Political Economy
- Indian Stocks?
- Chinese Tariff?

1. Directly on U.S. exports
2. Indirectly on global growth
3. U.S. tariff on Chinese apparel imports?
4. Increasing overall Chinese demand for imports!

REUTERS India’s cotton imports to surge as output hits 9-year low - trade body

MUMBAI (Reuters) - India’s cotton imports are likely to jump 80 percent from a year ago as production could fall to the lowest level in nine years due to low rainfall in key growing region, a senior industry official told Reuters on Thursday.

Higher imports by the world’s biggest cotton producer could support global prices, trading near their lowest in more than a year. The drop in Indian supplies could help rivals such as the United States, Brazil and Australia increase cargoes to key Asian buyers such as China, Bangladesh and Pakistan.

“The production is not sufficient to fulfil local consumption. From March onwards imports will pick up,” said Atul Ganatra, president of the Cotton Association of India (CAI).

The country could import 2.7 million bales in 2018/19 marketing year ending on Sept. 30, up from 1.5 million bales a year ago, he said.
Weekly U.S. Export Shipments of Upland Cotton to China

August 7, 2011 – January 3, 2019

000 Bales

China

August 7, 2011 – January 3, 2019
2019/20 Crop

• Price ratios still favor cotton over wheat and feedgrains in the Southwest

• Early benchmarks indicate more cotton acreage

• Unlike 2018, there is/will be more moisture
  a. Lower abandonment
  b. Higher yields
  c. Potentially excess production and weaker prices
Ratio of CBOT CNZ19/ICE CTZ19 Futures, Three Month Average in First Quarter, vs. June Upland Cotton Planted Acreage

Ratio of CBOT CNZ19/ICE CTZ19 Futures, Three Month Average in First Quarter, vs. June Upland Cotton Planted Acreage

Ratio (=5.4 on Feb 19)

Million Acres

3.50 4.50 5.50 6.50 7.50 8.50

01 00 06 02 04 05 18 13 07 08 09

02 03 11 12 17 10 07 16 08 15 09

01 00 06 02 04 05 18 13 07 08 09

Three Month Average in First Quarter, vs. June Upland Cotton Planted Acreage

Texas A&M AgriLife Extension
U.S. and Texas Net Farm Income

Source: ERS/USDA
Gambling with Cotton
Percent Change of the USDA June Planted Acreage from NCC Planting Intentions (14.45 Million Acres of 2019 All Cotton)

Average positive deviation 7.1%.
Average negative deviation 5.6%.
The CFS.v2 ensemble mean (red line) predicts El Nino through the Northern Hemisphere summer 2019. Issued 28 January 2019

Oceanic Nino Index (ONI)

Actual Measurements

Predicted

Latest actual weekly SST departure

El Niño
Neutral
La Niña

°C
2.0
1.5
1.0
0.5
0.0
-0.5
-1.0
-1.5
-2.0

MAM AMJ MJJ JJA JAS ASO SON OND NDJ DJF JFM FMA MAM AMJ MJJ JJA JAS ASO

El Niño/Southern Oscillation (ENSO) Diagnostic Discussion, January 28, 2019
http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso_advisory/
**El Niño**

Typical Wintertime Pattern

1. **Warm**
2. **Low Pressure**
3. **Wet**
4. **Wet & Cool**

- Persistent, Extended Pacific Jet Stream & Amplified Storm Track

Polar Jet Stream

NWS/NCEP
Climate Prediction Center
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<thead>
<tr>
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<tbody>
<tr>
<td><strong>Area Million Acres</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planted</td>
<td>14.00</td>
<td>14.45</td>
<td>14.25</td>
</tr>
<tr>
<td>Harvested</td>
<td>13.00</td>
<td>12.99</td>
<td>12.93</td>
</tr>
<tr>
<td><strong>Pounds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield/Harvested Acre</td>
<td>850</td>
<td>840</td>
<td>835</td>
</tr>
<tr>
<td><strong>Million 480 Pound Bales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>4.30</td>
<td>4.30</td>
<td>4.30</td>
</tr>
<tr>
<td>Production</td>
<td>23.02</td>
<td>22.72</td>
<td>22.3</td>
</tr>
<tr>
<td>Imports</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
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<tr>
<td>Supply, Total</td>
<td>27.33</td>
<td>27.03</td>
<td>26.80</td>
</tr>
<tr>
<td>Domestic Use</td>
<td>3.25</td>
<td>3.35</td>
<td>3.3</td>
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<tr>
<td>Exports, Total</td>
<td>17.00</td>
<td>17.38</td>
<td>17.00</td>
</tr>
<tr>
<td>Use, Total</td>
<td>20.25</td>
<td>20.73</td>
<td>20.30</td>
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<tr>
<td>Unaccounted</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Ending Stocks</td>
<td>7.08</td>
<td>6.26</td>
<td>6.30</td>
</tr>
<tr>
<td>Ending Stks./Use (%)</td>
<td>34.97</td>
<td>30.20</td>
<td>31.00</td>
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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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