U.S. Cotton Market Outlook

John Robinson
Professor and Extension Economist-Cotton Marketing
http://agrilife.org/cottonmarketing/

Department of Agricultural Economics
Texas A&M AgriLife Extension Service
Texas A&M University
College Station, Texas

USDA

TEXAS A&M AGRILIFE EXTENSION

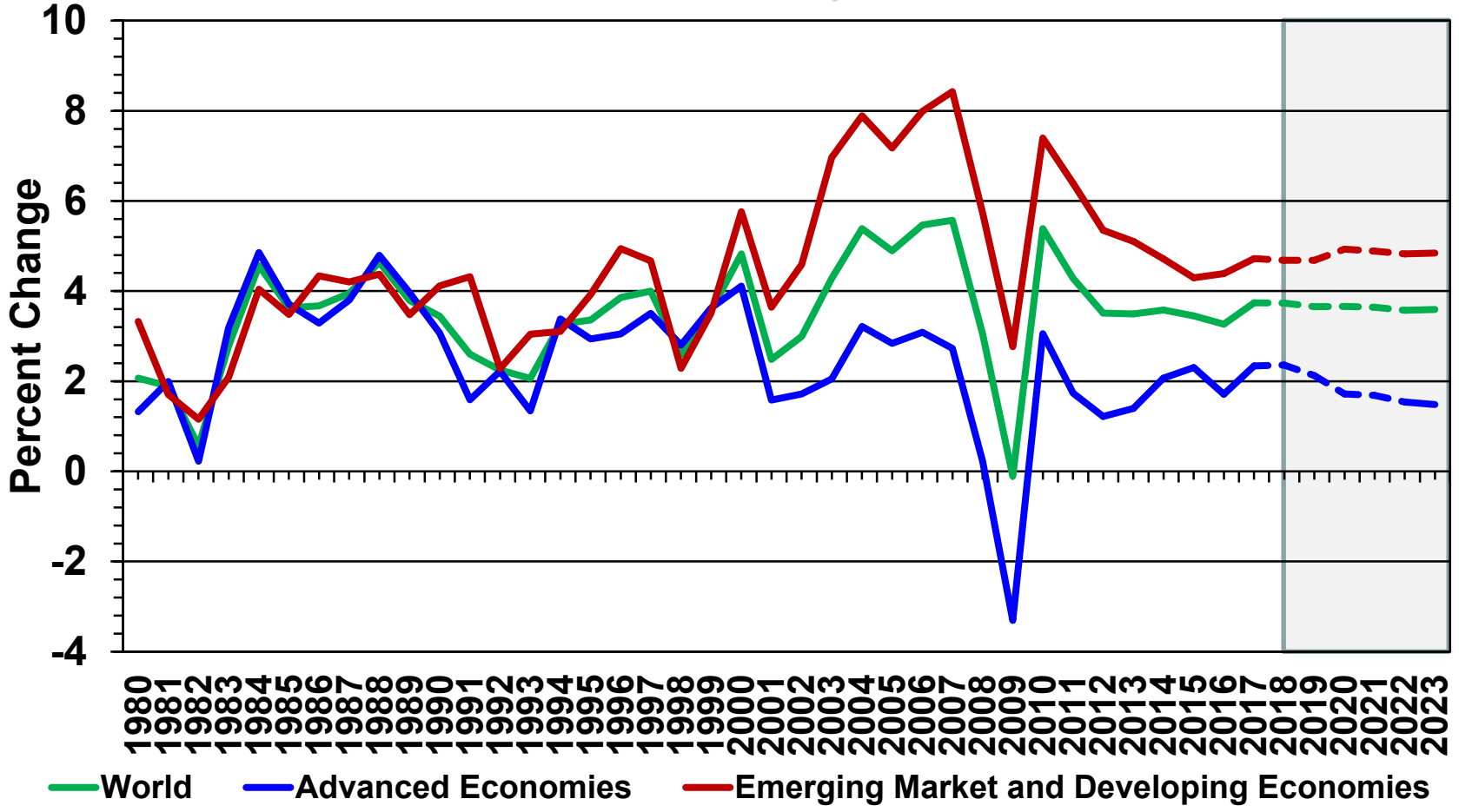
Demand Influences

- U.S. Economic Indicators
- U.S. Exports
- Mill Fixations
- Speculative Money
- Emerging Foreign Issues

Texas A&M AgriLife Extension

30,000 Foot View: Slowing Global Economic Growth

Real GDP Growth, 1980 - 2023

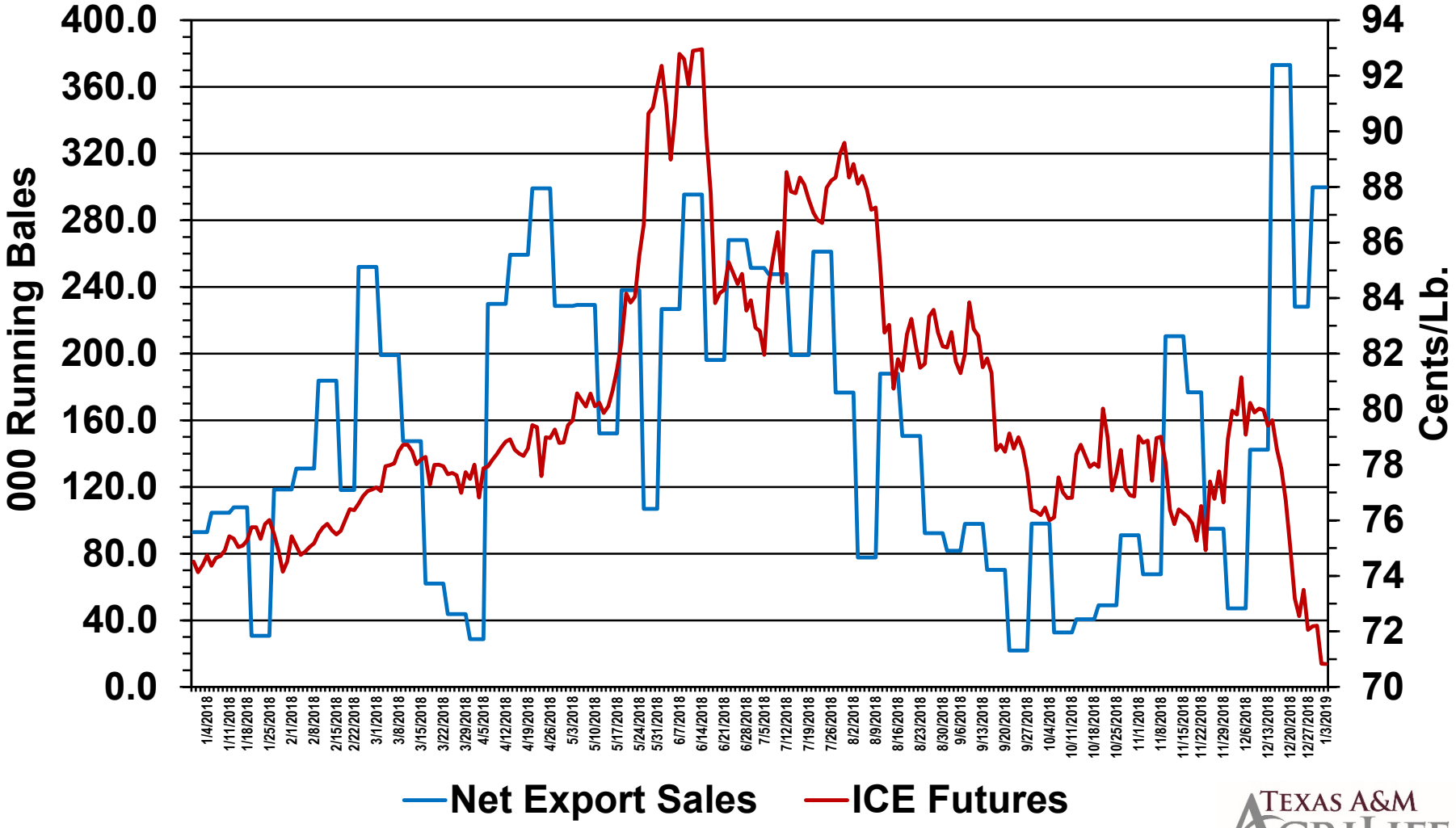


World Economic Outlook, October 2018, http://www.imf.org
http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

TEXAS A&M AGRILIFE EXTENSION

U.S. 2018/2019 Upland Cotton Net Export Sales and ICE Futures

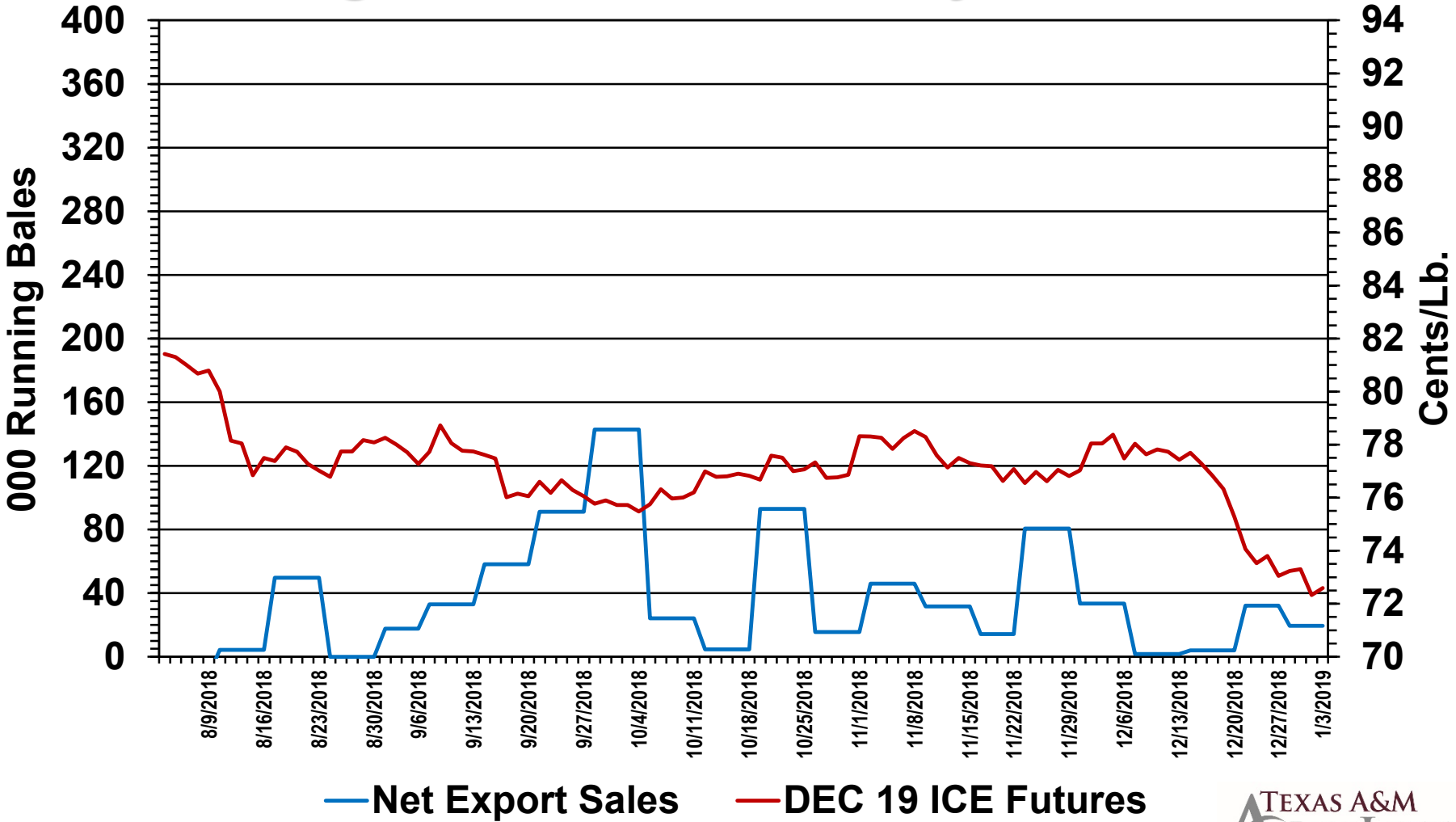
January 4, 2018 – January 3, 2019



TEXAS A&M AGRILIFE EXTENSION

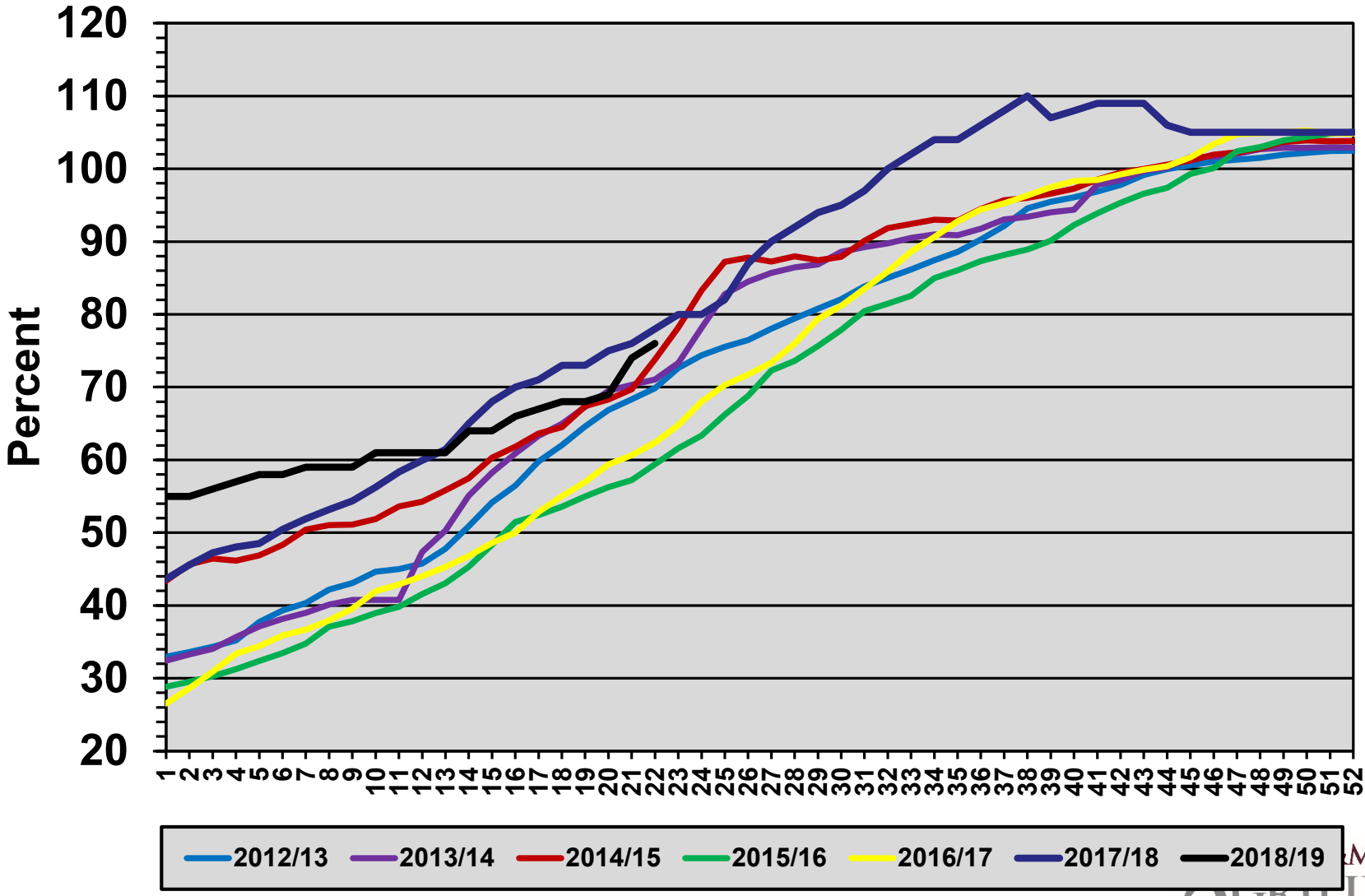
U.S. 2019/2020 Upland Cotton Net Export Sales and Dec. 19 ICE Futures

August 9, 2018 – January 3, 2019



TEXAS A&M AGRILIFE EXTENSION

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



Source: USDA/OCE/FAS

AGRILIFE EXTENSION

Cotton Demand: Mill Fixations

U.S. COMMODITY FUTURES TRADING COMMISSION

Ensuring the Integrity of the Futures & Swaps Markets

Cotton On-Call

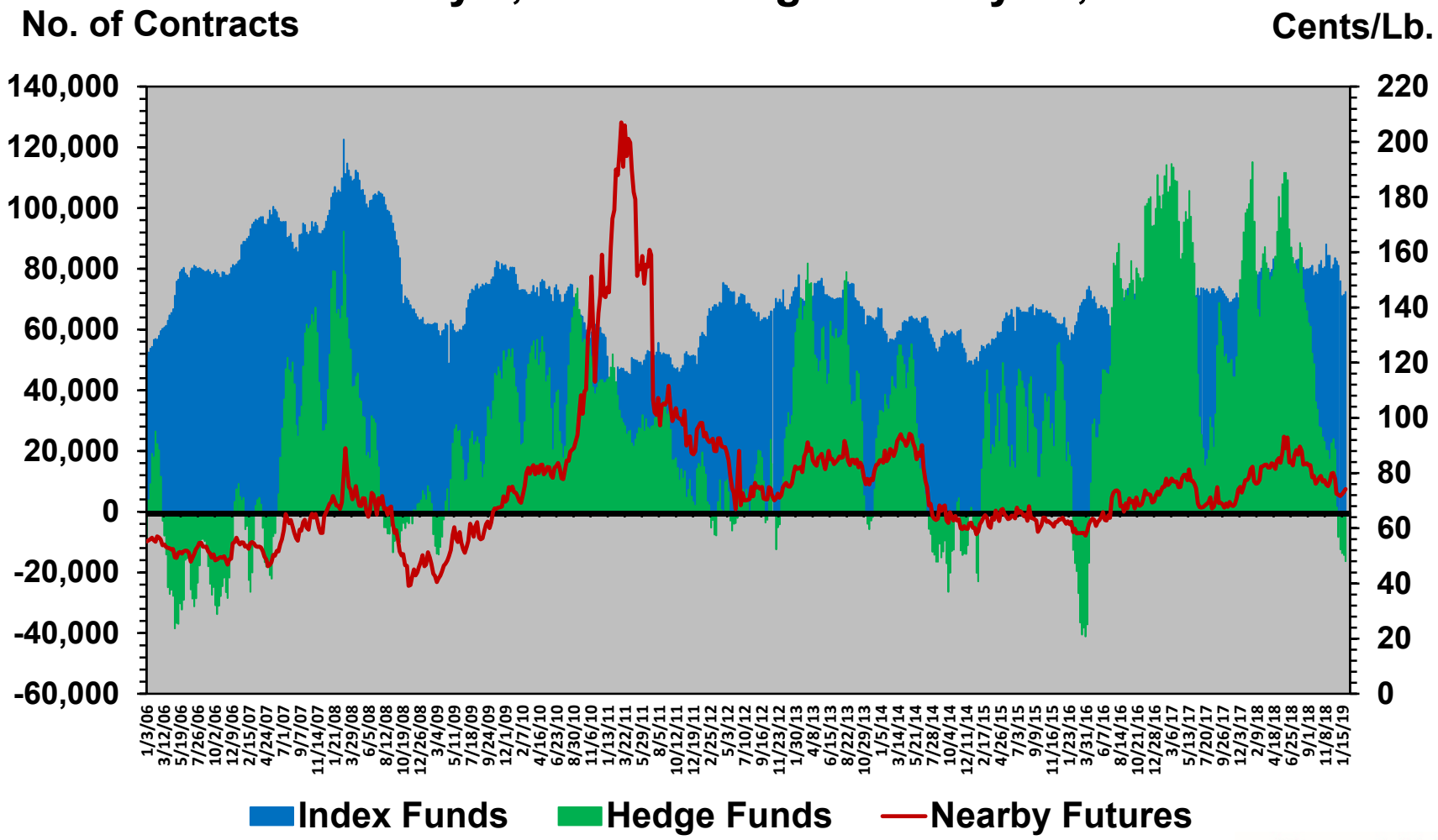
Futures Based On:	Call Cotton Based New York				Open Futures Contracts ICE Futures U.S.	
	Unfixed Call Sales	Change From Previous Week	Unfixed Call Purchases	Change From Previous Week	At Close 01/25/2019	Change From Previous Week
March 2019	19,878	-2,417	15,960	-1,116	115,798	-7,322
May 2019	22,134	872	2,477	188	46,311	3,373
July 2019	31,228	503	2,797	72	28,958	1,105

http://www.cftc.gov/marketreports/cottononcall/index.htm

Texas A&M AgriLife Extension

Small Net Short Hedge Fund Position

January 3, 2006 Through January 29, 2018



Source: Commitment of Traders Supplemental Report (Futures and Options)

Texas A&M AgriLife Extension

Issues Affecting U.S. Exports:

- U.S. Old Crop Quality?
- Turkish Political Economy
- Indian Stocks?
- Chinese Tariff
  1. Directly on U.S. exp
  2. Indirectly on global
  3. U.S. tariff on Chines
  4. Increasing overall C

REUTERS

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

Rajendra Jadhav

FEBRUARY 7, 2019

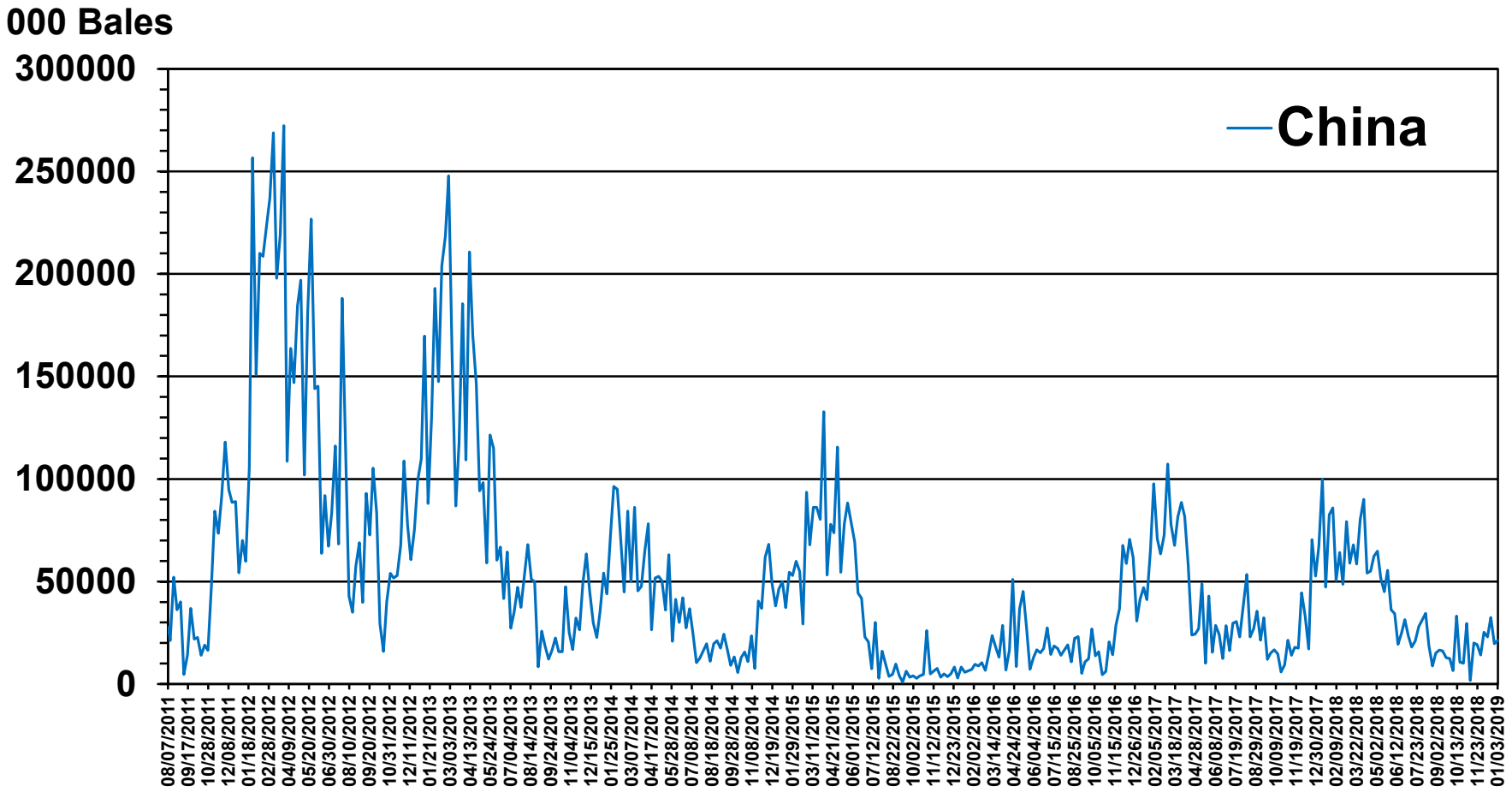
MUMBAI (Reuters) - India's cotton imports are likely to jump 80 percent from a year ago as production could fall to the lowest level in nine years due to low rainfall in key growing region, a senior industry official told Reuters on Thursday.

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

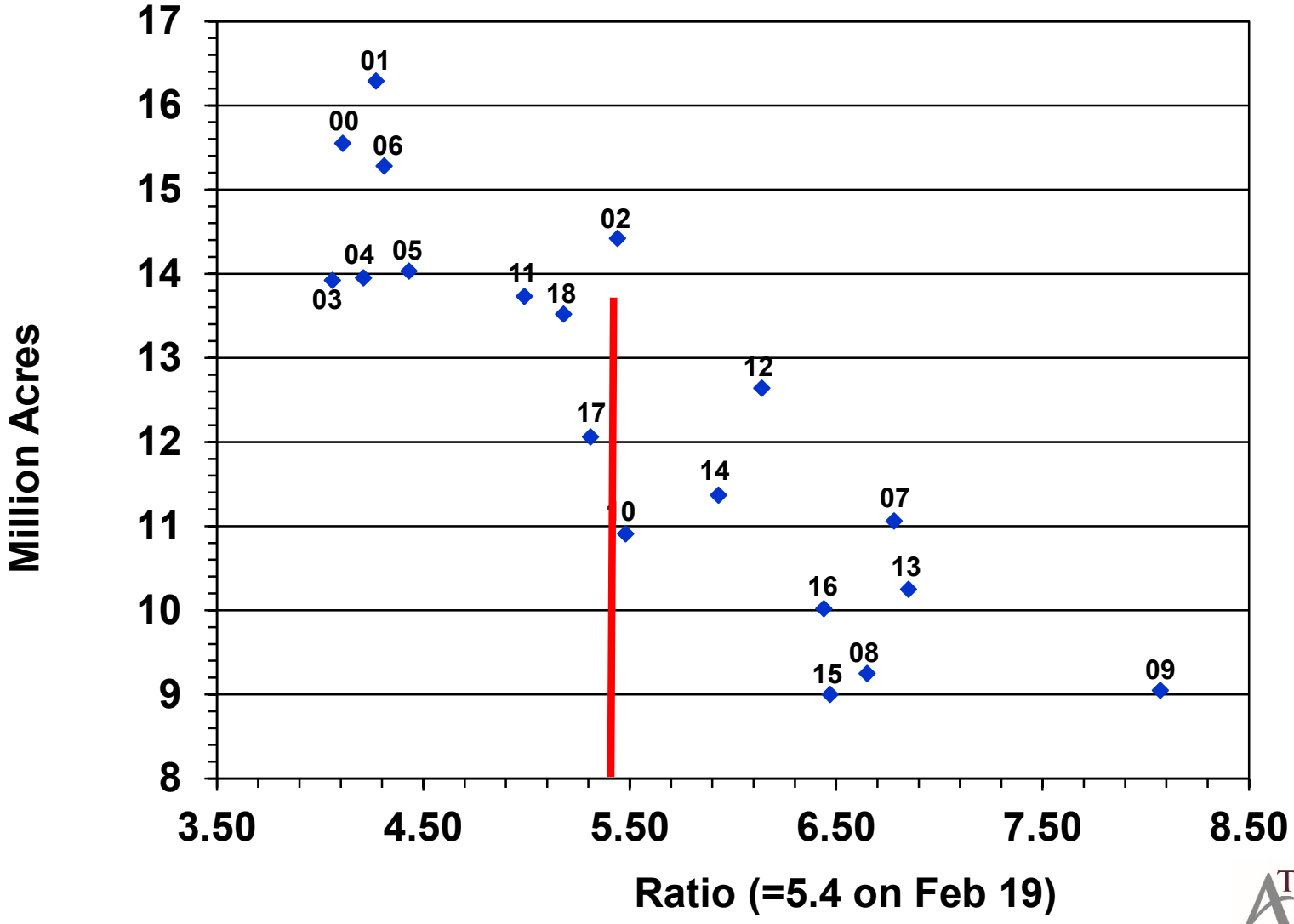
Texas A&M AgriLife Extension

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**

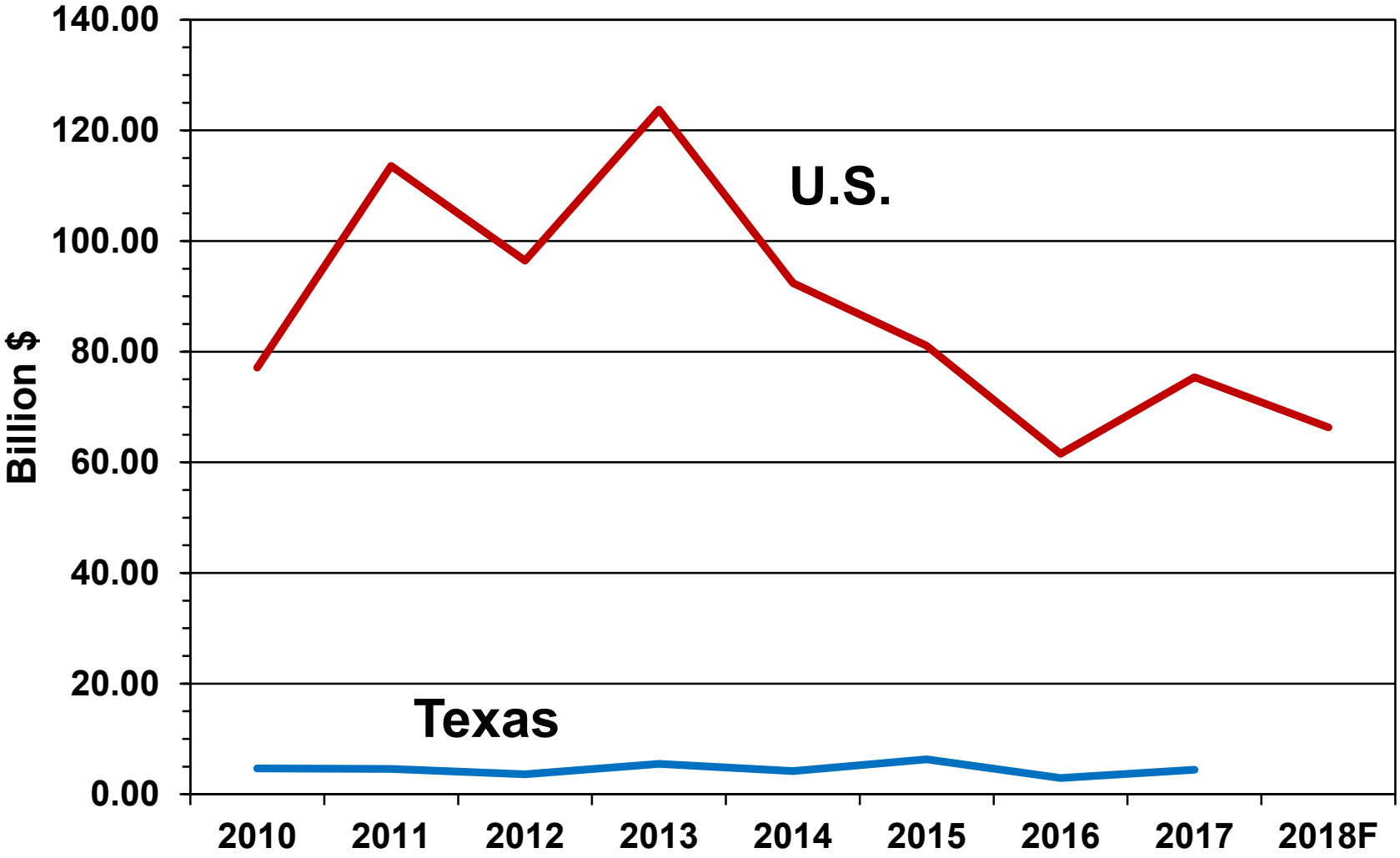
TEXAS A&M AGRILIFE EXTENSION

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



Texas A&M AgriLife Extension

U.S. and Texas Net Farm Income



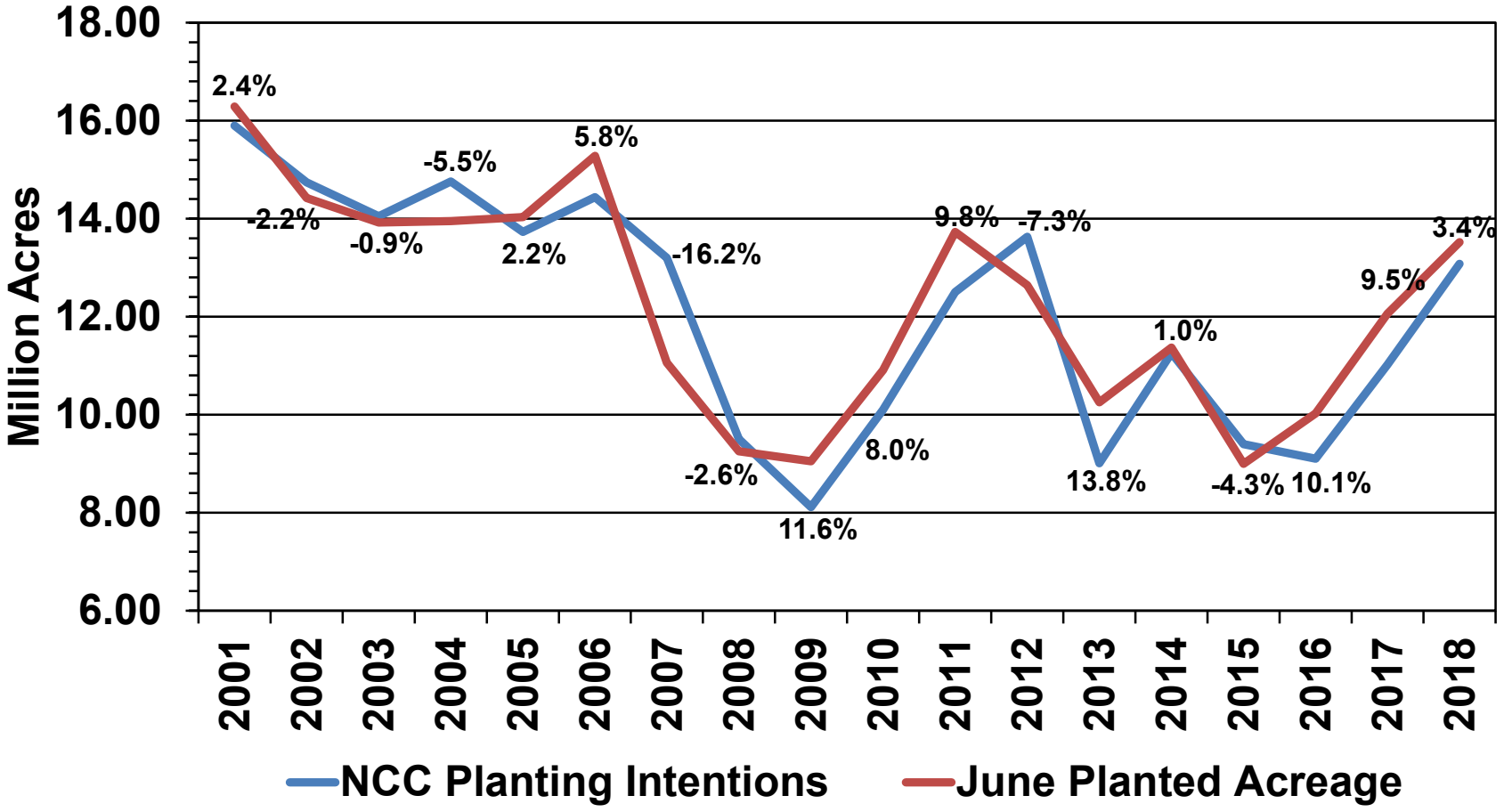
Source: ERS/USDA

Texas A&M AgriLife Extension

Gambling with Cotton

Texas A&M AgriLife Extension

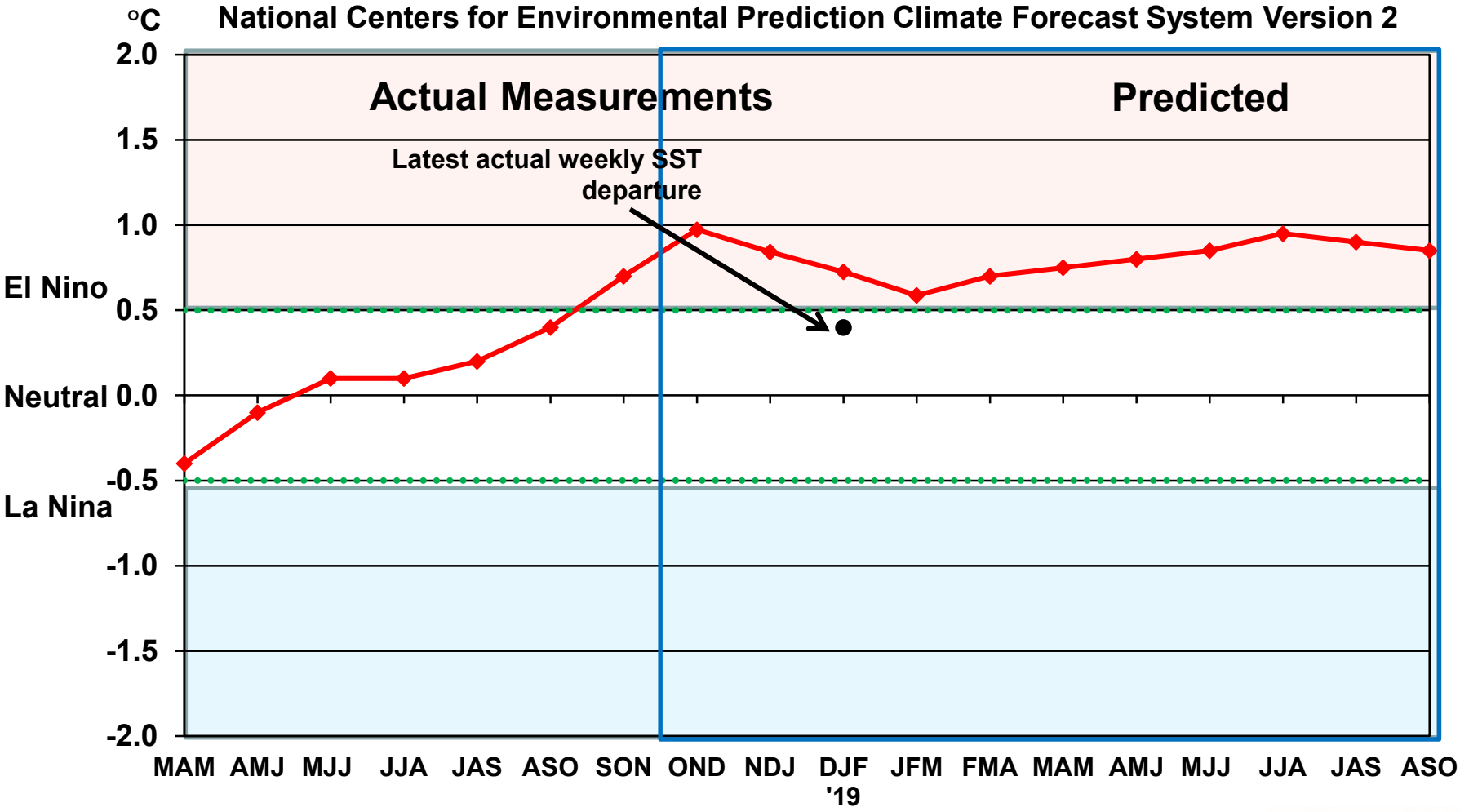
Percent Change of the USDA June Planted Acreage from NCC Planting Intentions
(14.45 Million Acres of 2019 All Cotton)



Average positive deviation 7.1%.
Average negative deviation 5.6%.

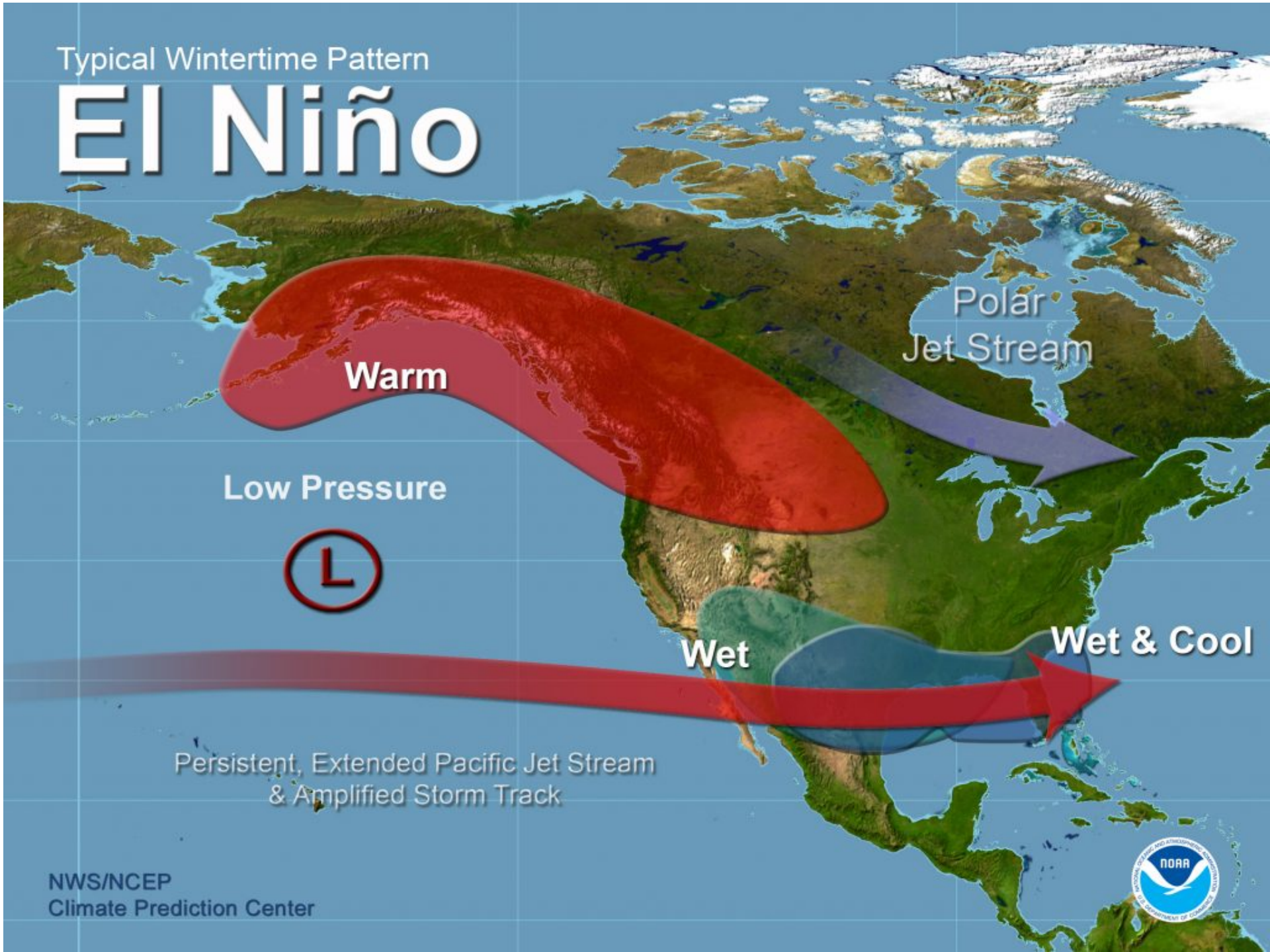
Oceanic Nino Index (ONI)

The CFS.v2 ensemble mean (red line) predicts El Nino through the Northern Hemisphere summer 2019. Issued 28 January 2019



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

TEXAS A&M AGRILIFE EXTENSION


Typical Wintertime Pattern
El Niño
Warm
Polar
Jet Stream
Low Pressure
L
Wet
Wet & Cool
Persistent, Extended Pacific Jet Stream
& Amplified Storm Track
NWS/NCEP
Climate Prediction Center
NOAA

NEW CROP BALANCE SHEETS	2019/20 Proj. by JR	2019/20 Proj. by NCC	2019/20 Proj. by USDA
	Area Million Acres		
Planted	14.00	14.45	14.25
Harvested	13.00	12.99	12.93
	Pounds		
Yield/Harvested Acre	850	840	835
	Million 480 Pound Bales		
Beginning Stocks	4.30	4.30	4.30
Production	23.02	22.72	22.3
Imports	0.01	0.01	0.00
Supply, Total	27.33	27.03	26.80
Domestic Use	3.25	3.35	3.3
Exports, Total	17.00	17.38	17.00
Use, Total	20.25	20.73	20.30
Unaccounted	0.00	0.00	0.00
Ending Stocks	7.08	6.26	6.30
Ending Stks./Use (%)	34.97	30.20	31.00

CONTACT INFO
Phone: 979-845-8011
Cotton: jrcr@tamu.edu
Grain: jmwelch@tamu.edu

"Cotton Spin" Column, Southwest Farm Press
http://southwestfarmpress.com/author/john-robinson

The Cotton Marketing Planner Newsletter
http://agrilife.org/cottonmarketing/

Twitter: @aggie_prof
Facebook: https://www.facebook.com/AgriLifeMasterMarketer

USDA

Texas A&M AgriLife Extension