Southern Cotton Growers, Inc.

REPRESENTING COTTON GROWERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA, AND VIRGINIA

COTTON MARKETING NEWS

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Prices Get a Bounce, Now What?

Prices (Dec23 futures) have made a nice run and currently stand just over 85 cents. This is the highest level since early March. Price has improved for 3 consecutive weeks—increasing 3.26 cents last week and 4.79 cents thus far the month of July.

At the 85 cents level, price has now reached the upper level of earlier expectations. Further upside to 86 is possible *(NOTE: Dec closed at 87 cents today).* But without solid and sustained economic support (supply/demand factors), downside risk (retraction) may be increased. So, what can we expect next?

USDA's July production and supply and demand estimates were mostly bearish. Prices have improved nevertheless due to other factors. Here's a summary of major points from the July report:

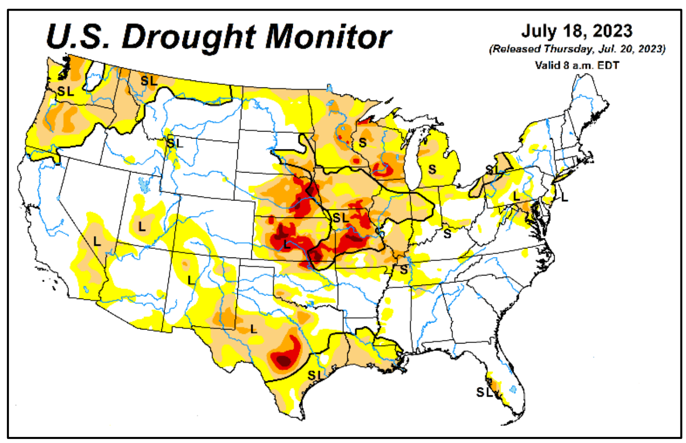
- The projected 2023 US crop was unchanged at 16.5 million bales although acreage planted was lowered, abandonment was reduced, and expected yield was lowered.
- Exports for the soon-to-end 2022 crop year were lowered 100,000 bales.
- Exports for the 2023 crop year lowered 250,000 bales.
- World Use for the 2023 crop year was lowered 550,000 bales—reductions for China, Turkey, Bangladesh, and Vietnam.

The July USDA estimates may begin to cast doubts about the strength of the demand side. There has been slight improvement but there continues to be concern over US crop conditions and the supply side. This month's adjustments down in exports supported by recent weekly export reports provide some evidence for demand uncertainty.

The most recent weekly export numbers (for the week ending July 13) showed very poor sales. Shipments were also weak and have not been on pace to meet USDA's earlier export projection for the 2022 crop year. Thus, the July report lowered the projection 100,000 bales from 13.0 to 12.9 million bales. But we are not on pace to meet even the 12.9 number. So, exports will likely be lowered again.

The most recent crop condition report (for July 23) shows the crop 24% poor to very poor and 47% good to excellent. This compares to 28% and 45% respectively for the prior week. The Texas crop is rated 40% poor to very poor (July 23) compared to 45% (July 16).

The drought monitor map shows conditions improved in the Southeast and improved in some areas in Texas while worsened in others. Drought continues to persist in the middle of the country. This has added strength to markets and prices for corn and soybeans and cotton price has been pulled up with it.



The move to 85+ cents provides an opportunity worth considering. Especially with the additional gain to 87 cents today and with the strong basis here in the Southeast, this may provide a contract opportunity close to 90 cents on some portion of expected production.

How prices track from here on will depend on 1-How far does this current ride take us before bullish forces subside? 2-How will the US crop end up and what about any foreign crop concerns? 3-Will demand be good or will weakness settle in?

Don Shurley
Cotton Economist-Retired
Professor Emeritus of Cotton Economics
Department of Agricultural and Applied Economics
College of Agricultural & Environmental Sciences
UNIVERSITY OF GEORGIA