

Cotton Situation & Outlook

Southern-Southeastern

January 20, 2017

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“Market”

- ICE Cotton Futures Market Price
- Basis for Base Grade
- Other Qualities Premiums & Discounts



Basis

Basis

- Base Grade: 41 color, 4 leaf, 34 length,
 - 3.5-4.9 micronaire,
 - Strength. Minimum 26.0 GPT or 28.0 GPT
 - Uniformity. 80.0 Minimum
 - No reduced or remarks

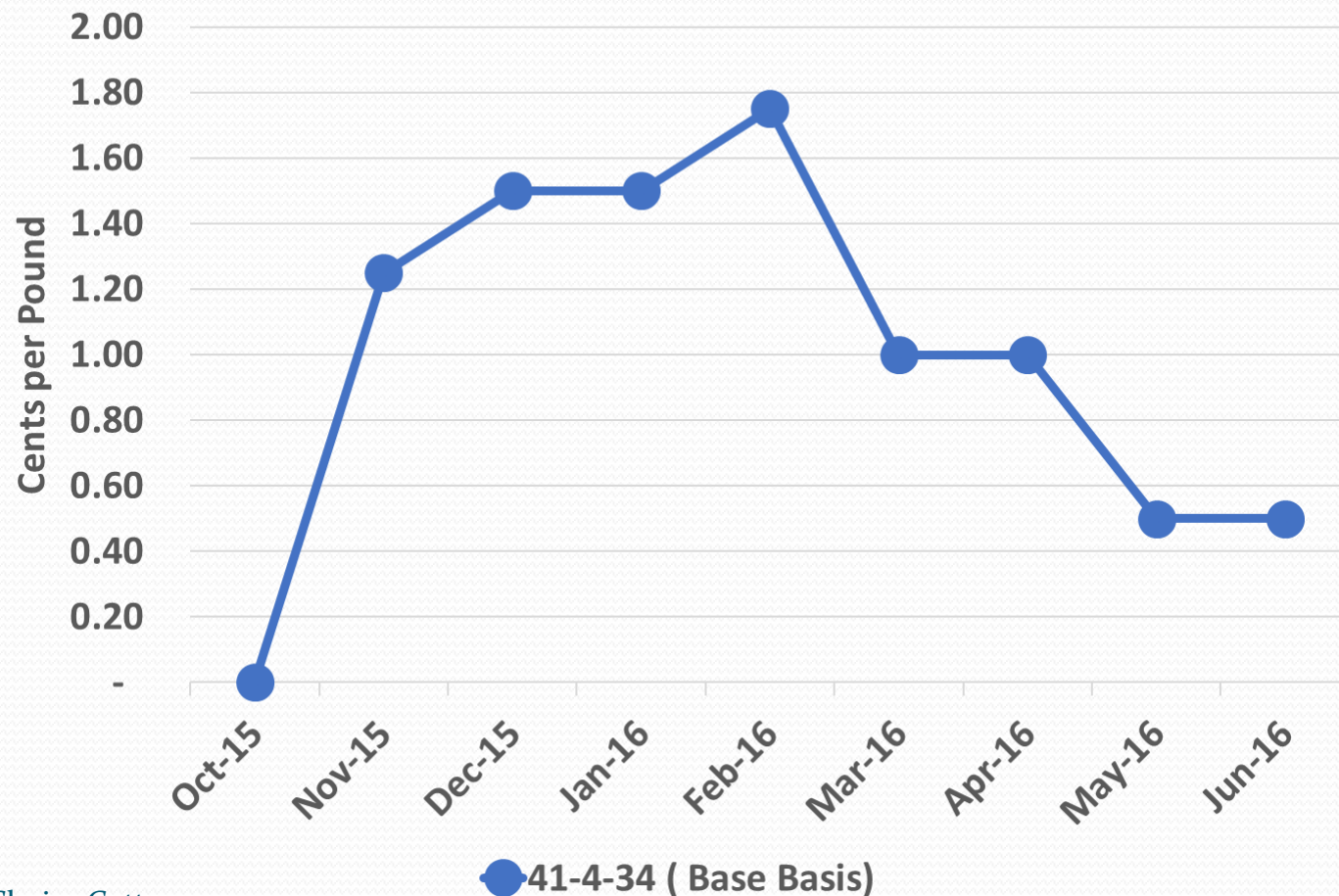


Basis Factors

- Costs
 - Freight to destination
 - Warehouse and Handling
- Terms
- Supply & Demand
 - Total
 - S&D of Qualities

41-4-34 Southeast Basis

USDA Spot Market Quotations



Southeast USDA Classing

	AL	FL	GA	SC	NC	VA	SE
41-4-34 3.5-4.9, 25+	1%	1%	1%	6%	4%	3%	2%

2016 Crop



Choice Cotton

Southeast USDA Classing

	AL	FL	GA	SC	NC	VA	SE
41-4-34 3.5-4.9, 25+	1%	1%	1%	6%	4%	3%	2%
31+3+35+ 3.5-4.9	49%	55%	54%	3%	25%	3%	45%

2016 Crop



Choice Cotton

Southeast USDA Classing

	AL	FL	GA	SC	NC	VA	SE
41-4-34 3.5-4.9, 25+	1%	1%	1%	6%	4%	3%	2%
31+3+35+ 3.5-4.9	49%	55%	54%	3%	25%	3%	45%
31+3+36+ 28+,8 0+	30%	34%	38%	2%	16%	2%	31%

2016 Crop

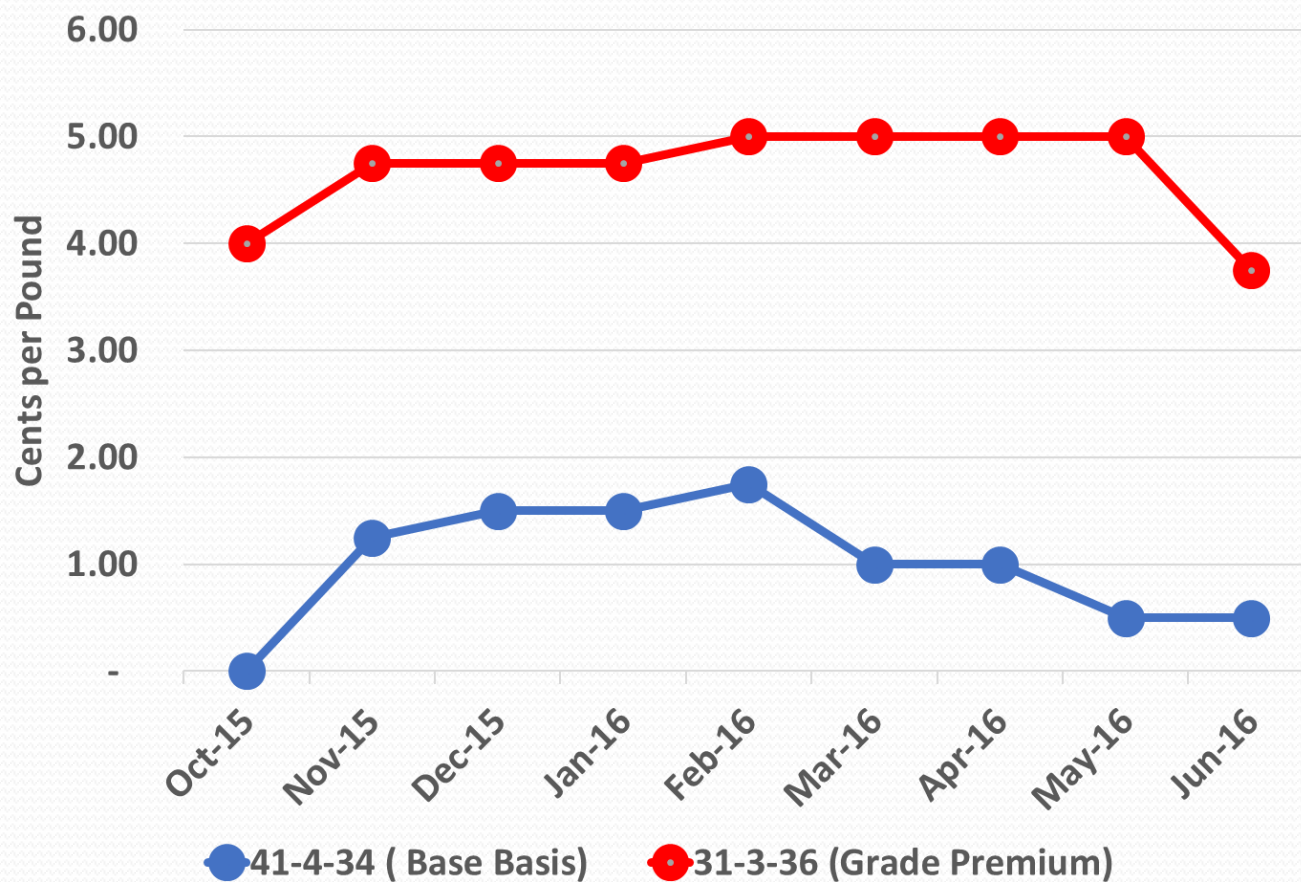


Choice Cotton

Premiums & Discounts

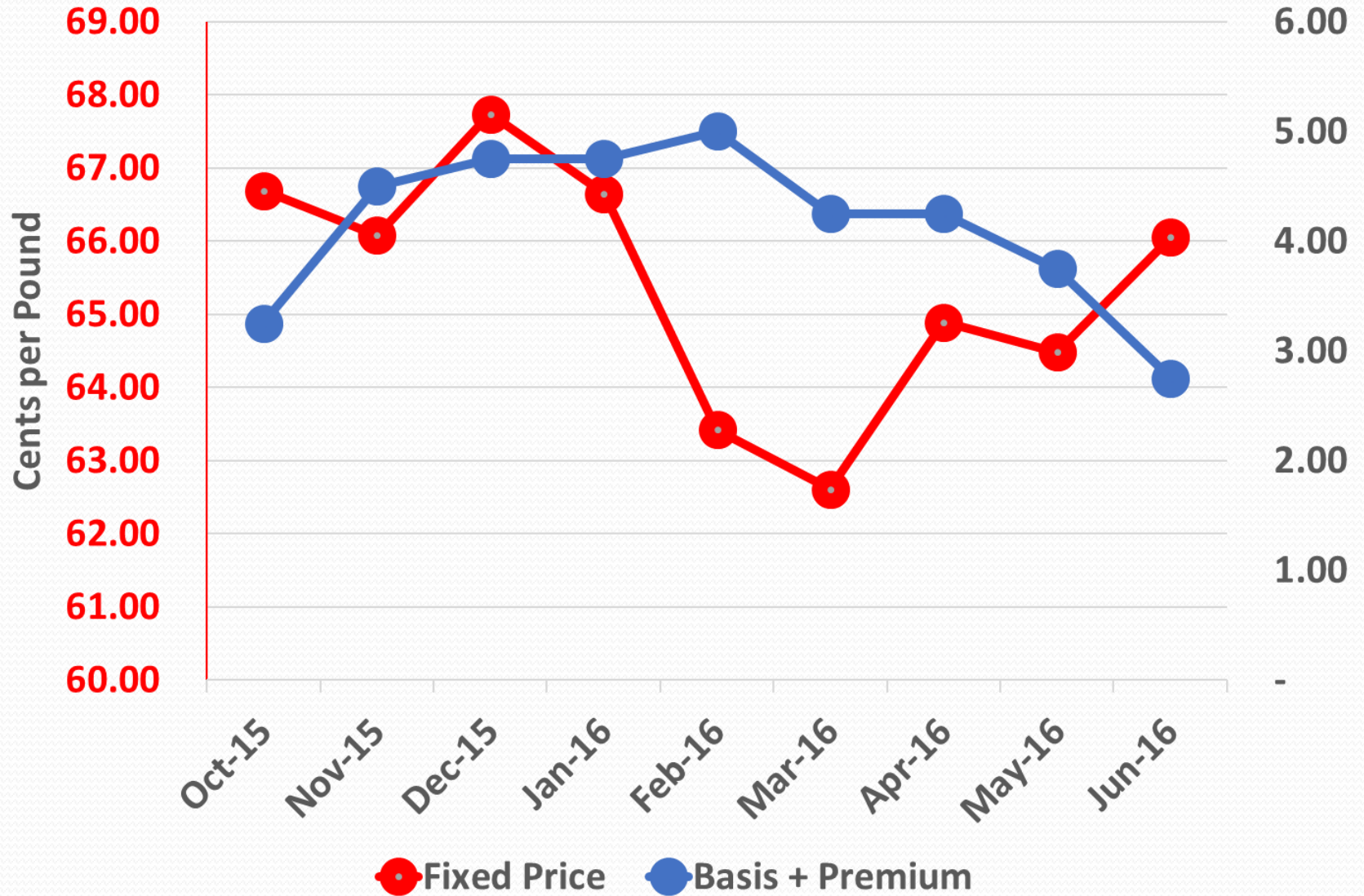
41-4-34 and 31-3-36

USDA Spot Market Quotations



Choice Cotton

USDA Spot Market Quotations



Premium & Discount

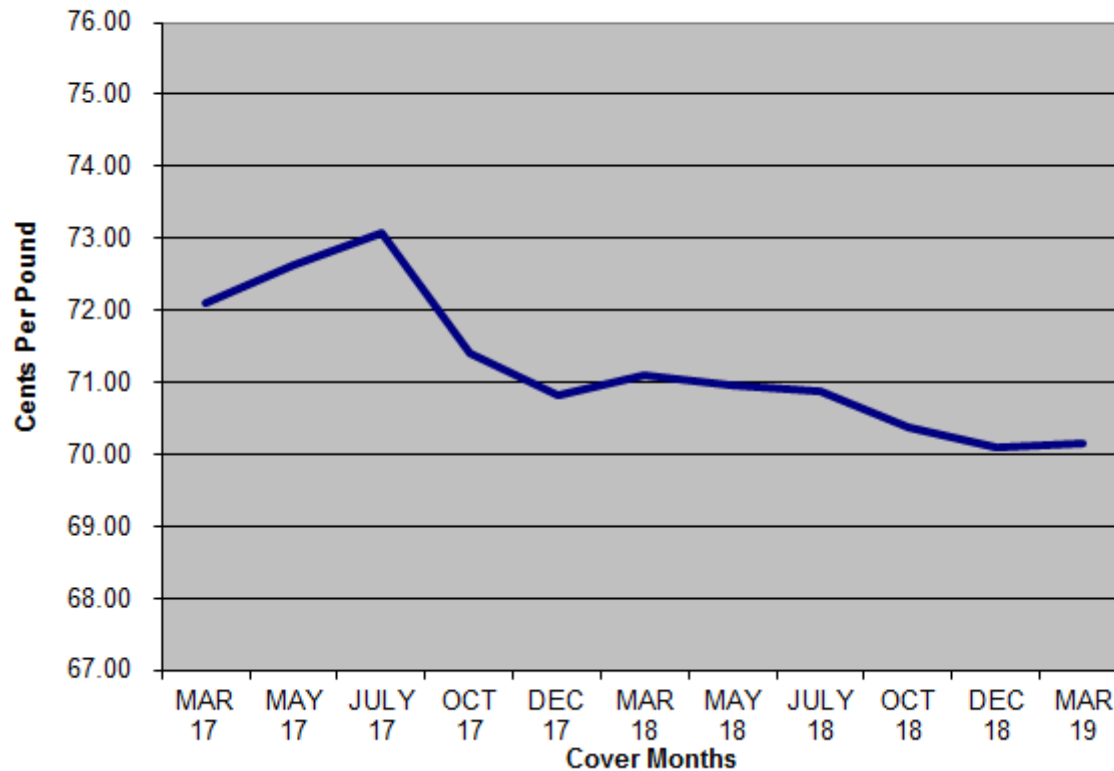
Average Loan Value 2016 Crop

AL	FL	GA	NC	SC	VA	SE
54.28	54.51	54.49	50.93	53.53	52.15	53.98



2017 Outlook

Cotton Futures Forward Curve



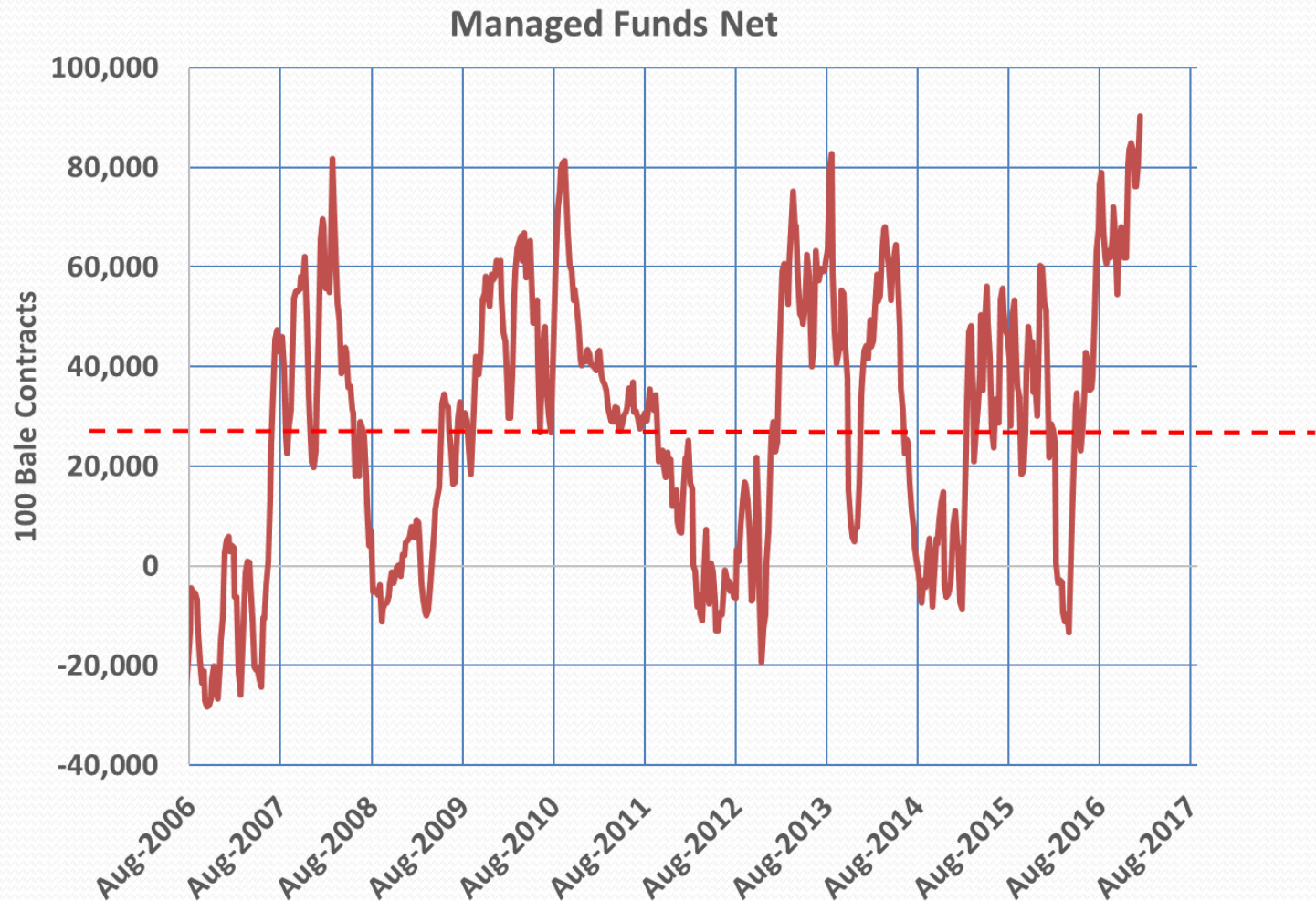
Source: Parkdale Mills – Cotton / Economic News

What's driving prices?

- External
 - Funds & Speculators
 - Macro Economic Forces
 - Technical Indicators
- Fundamentals



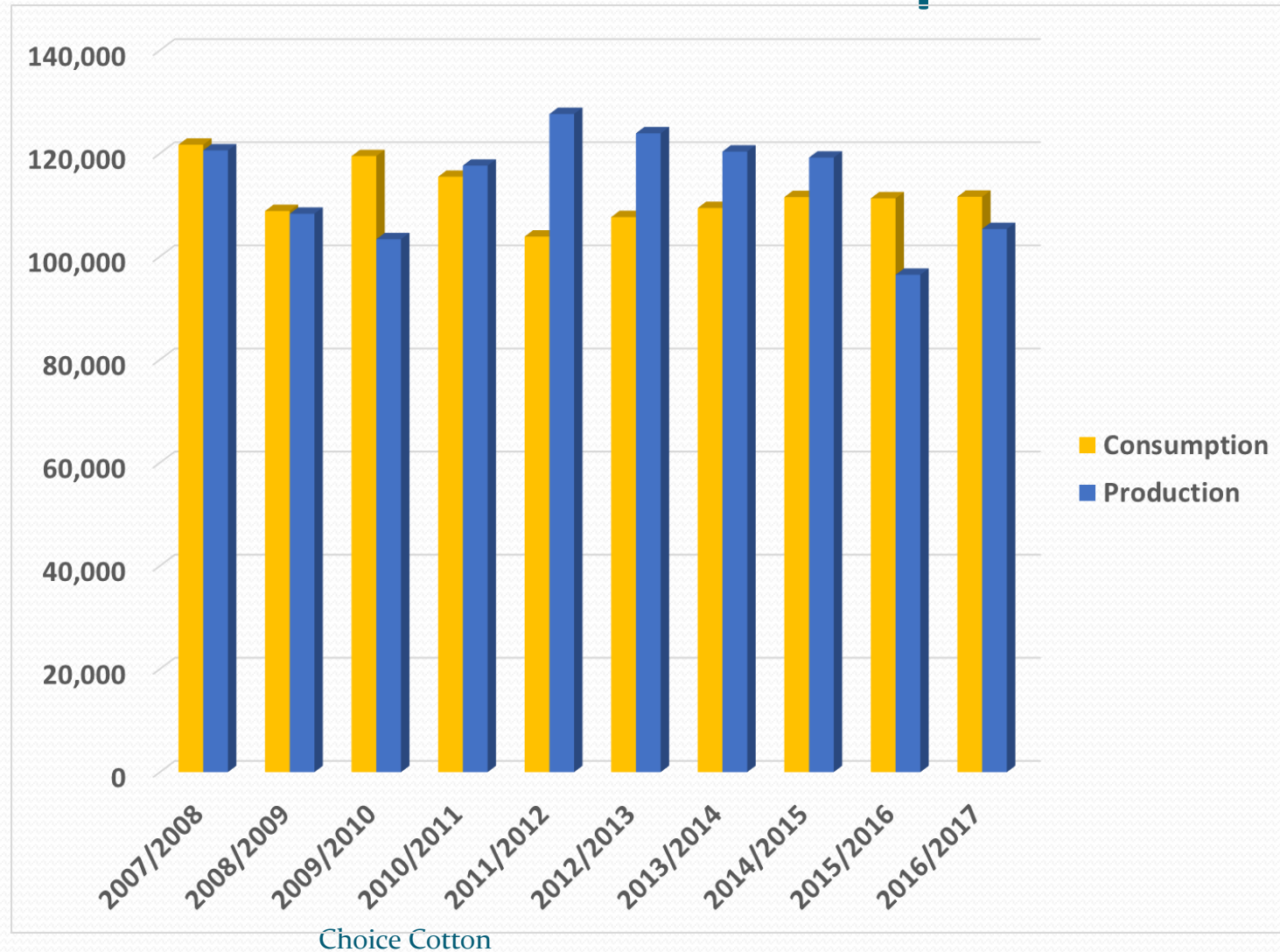
Commitment of Traders - CFTC



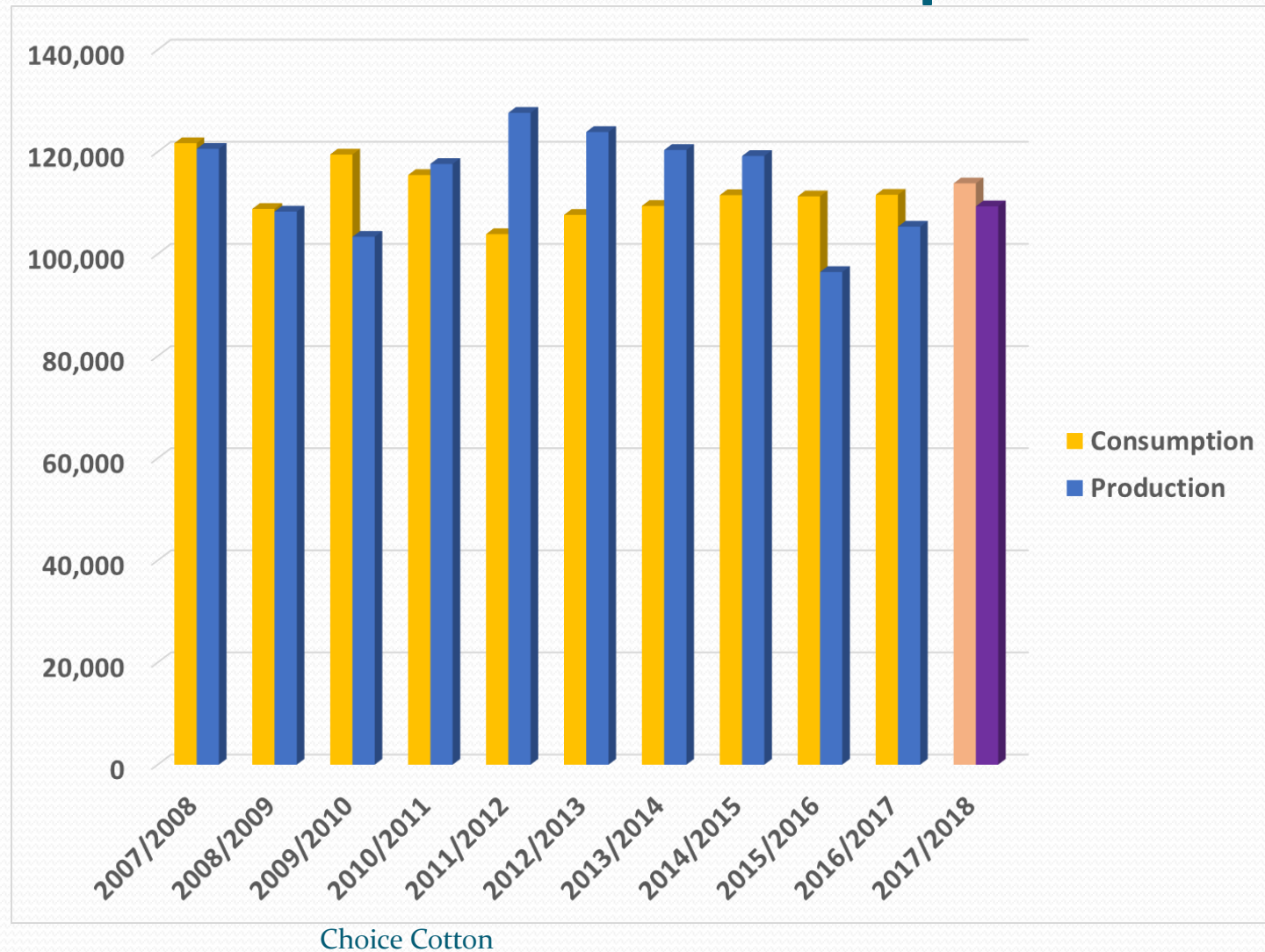
Futures Commitment of Traders Through July Futures

- | | |
|-----------------------|-------------------|
| • Managed Funds long | 8.8 million bales |
| • Index Funds long | 6.3 million |
| • Swaps Traders long | 4 million |
| • Non Reportable long | 1 million |
| • Call Sales (short) | 8 million net |
| • Trade short | 17 million |

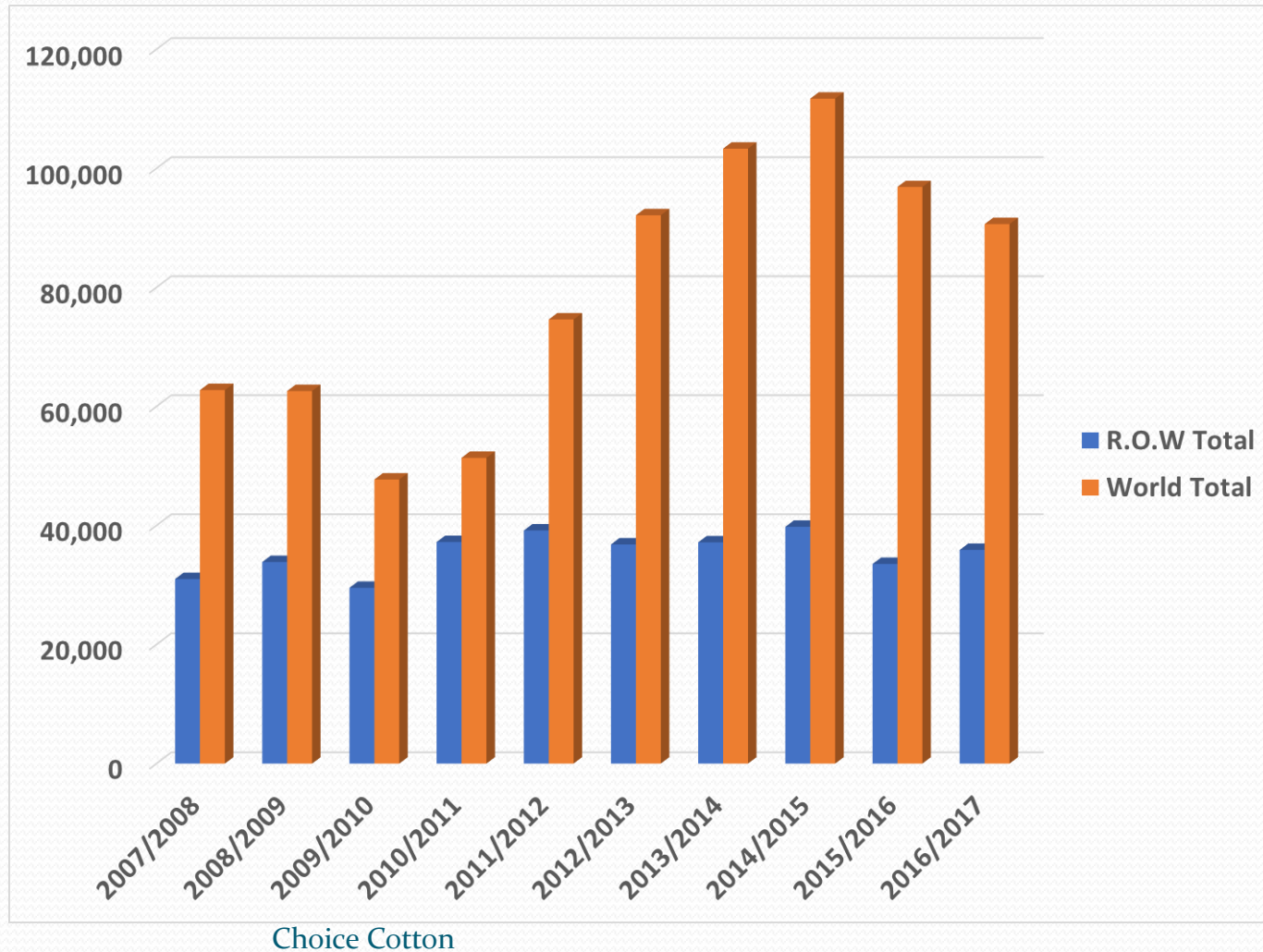
Production v Consumption



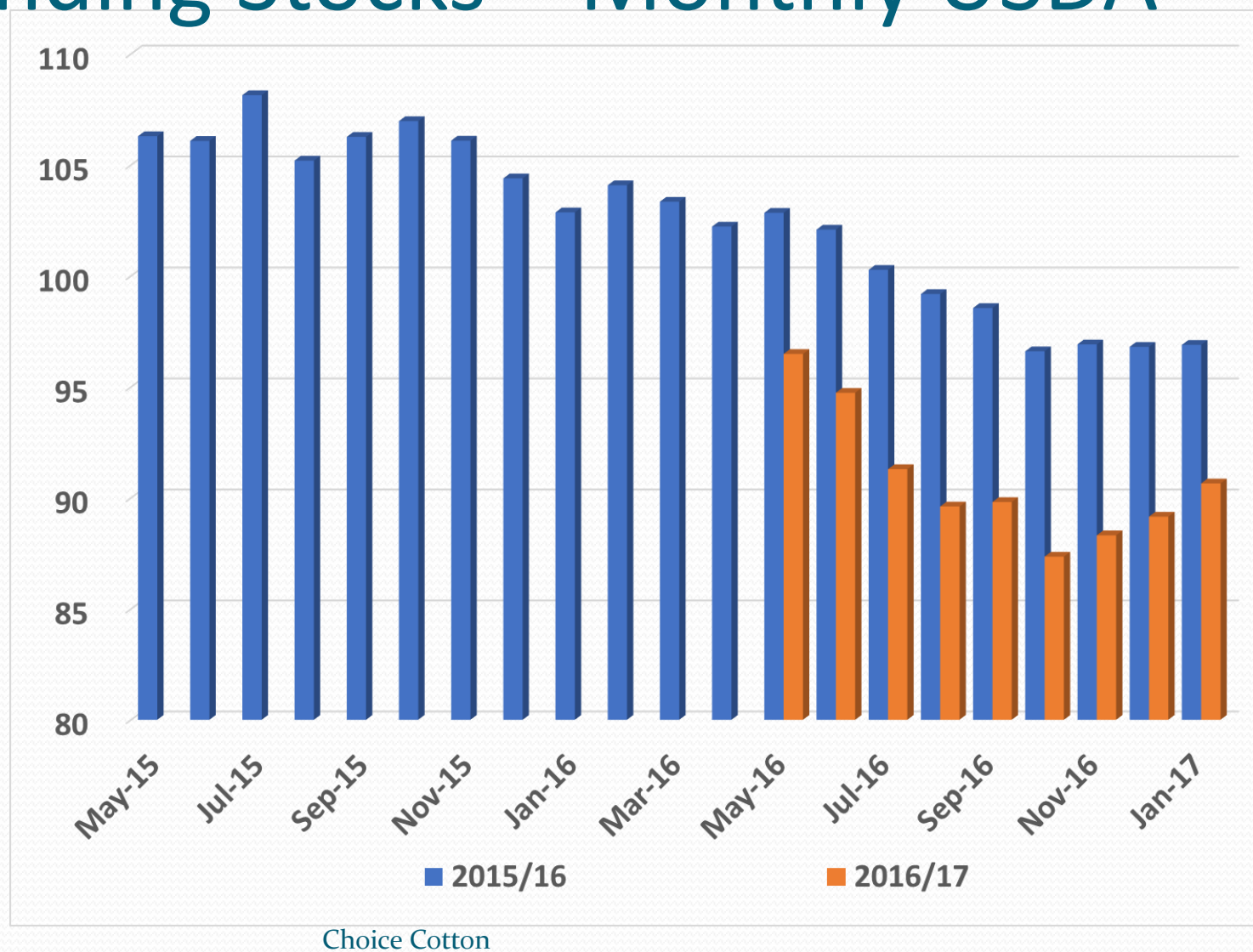
Production v Consumption



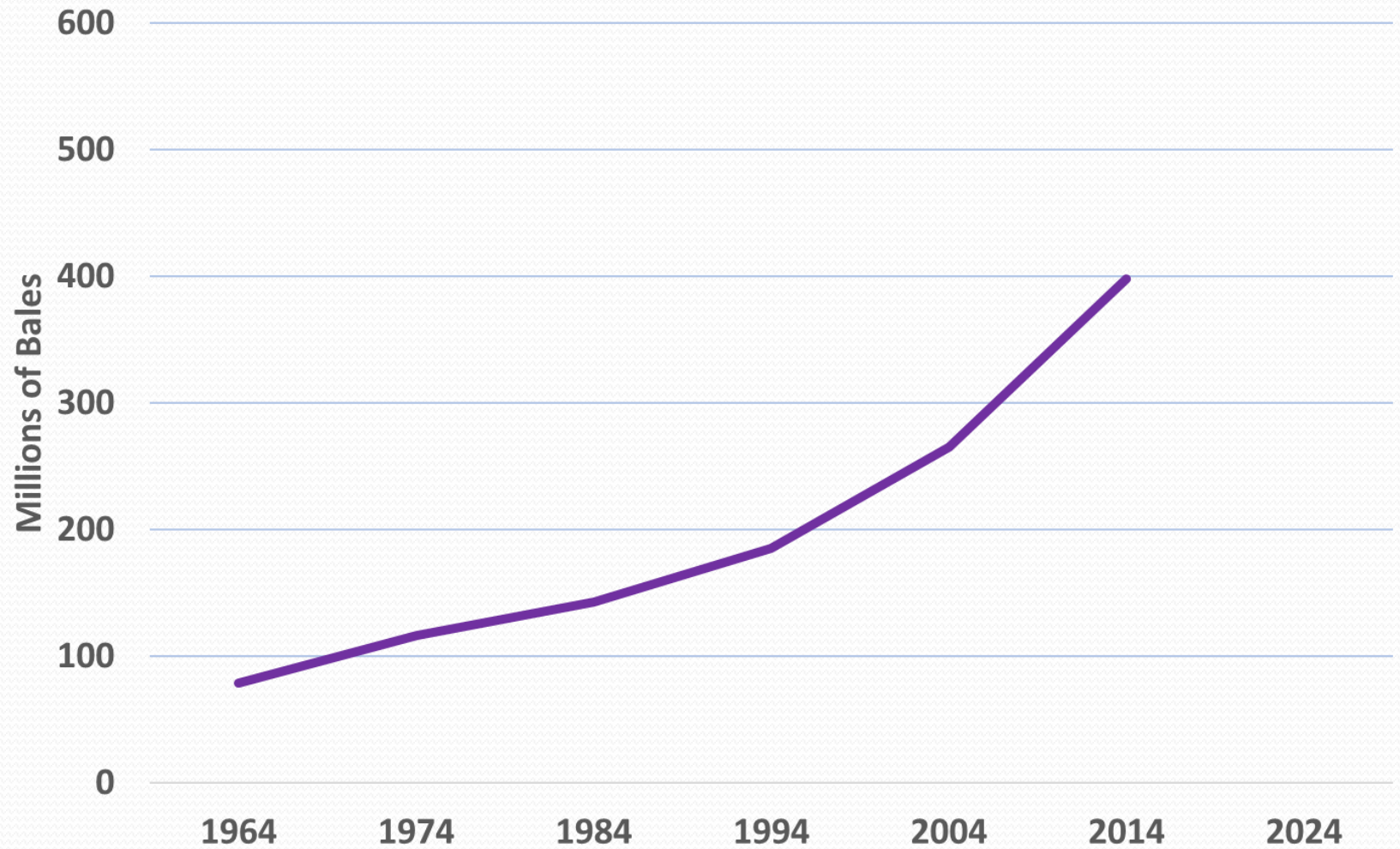
Ending Stocks



Ending Stocks – Monthly USDA



Global Fiber Use

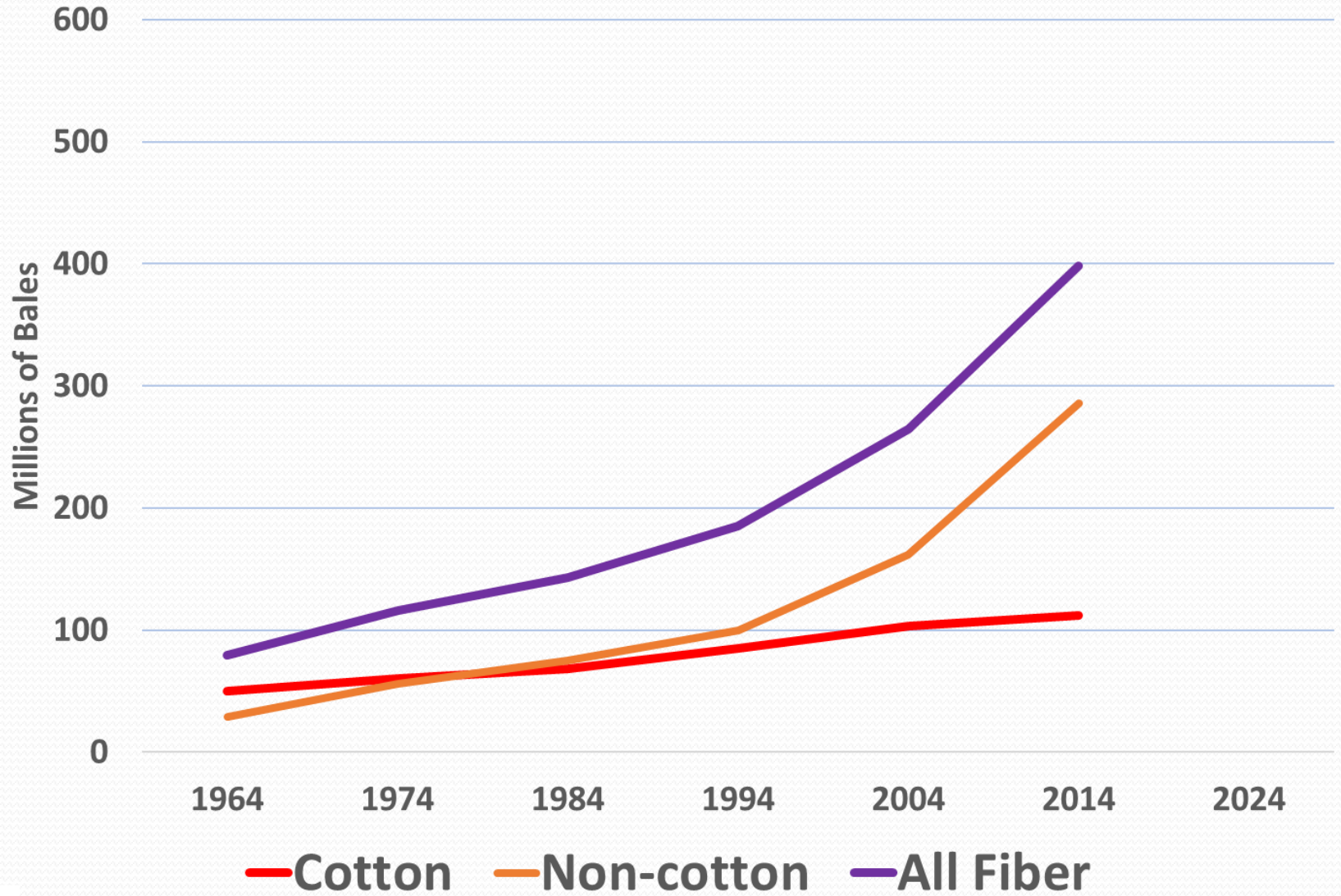


(Source: ICAC, November 2014 World Textile Demand Report)

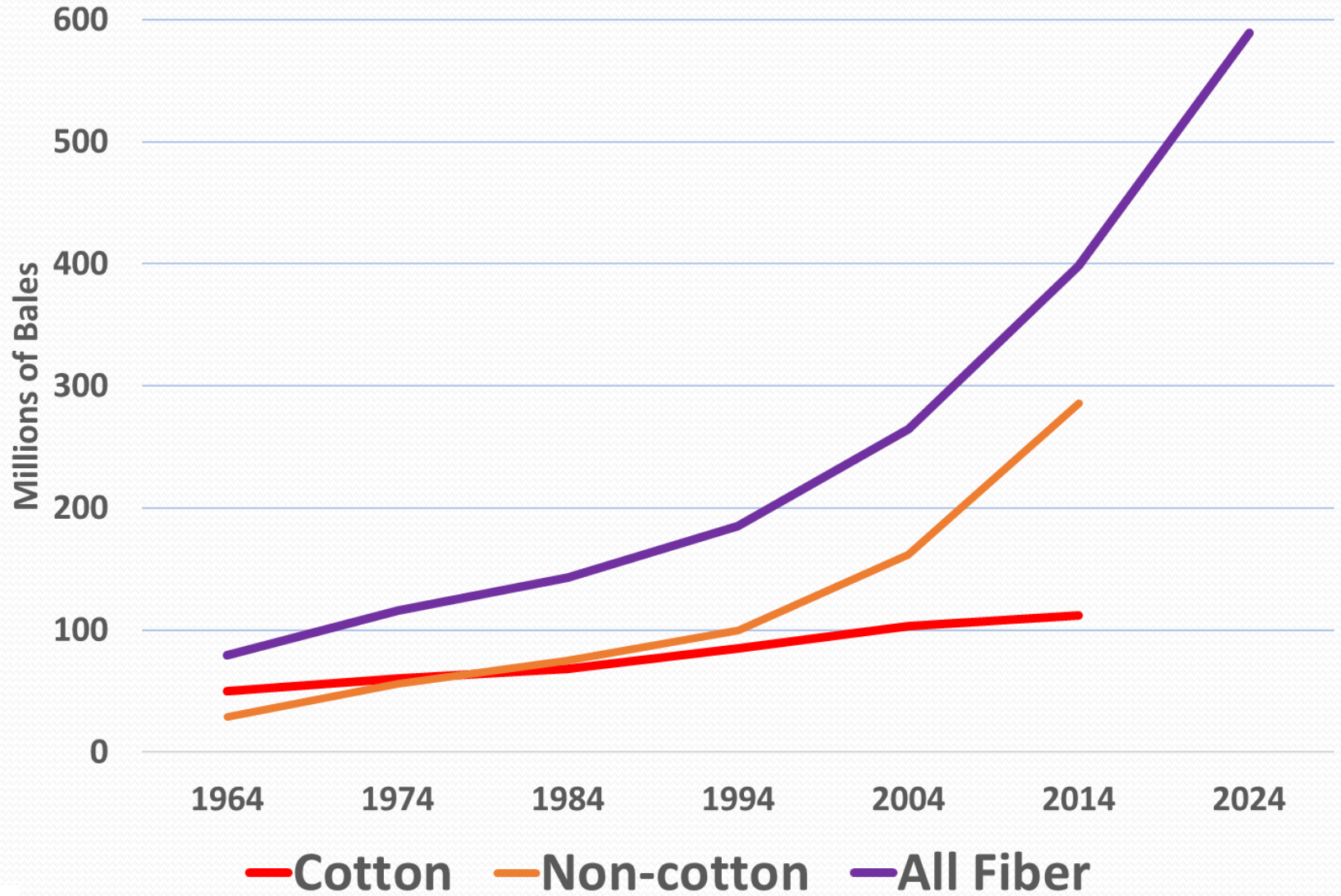


Choice Cotton

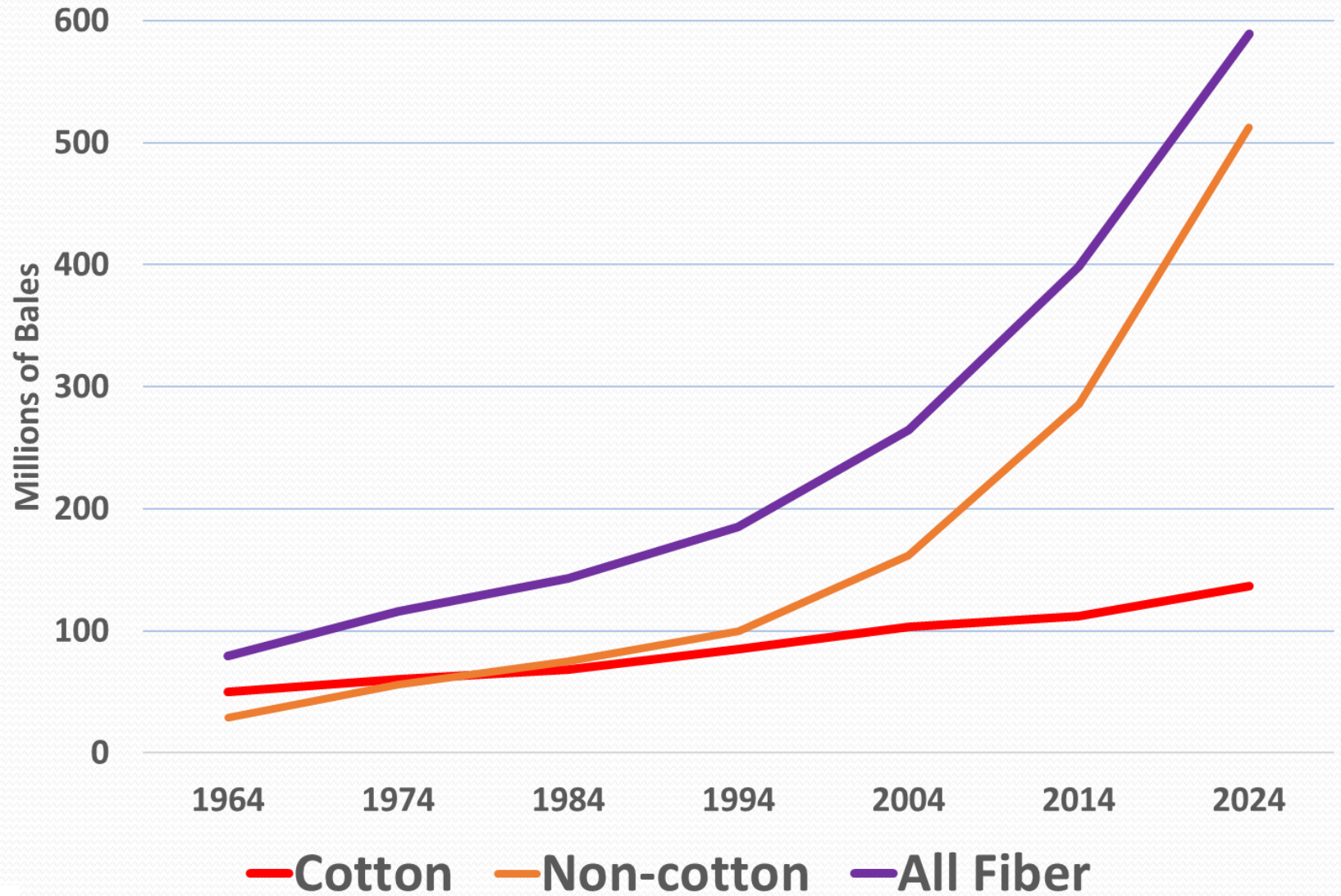
Global Fiber Use



Global Fiber Use

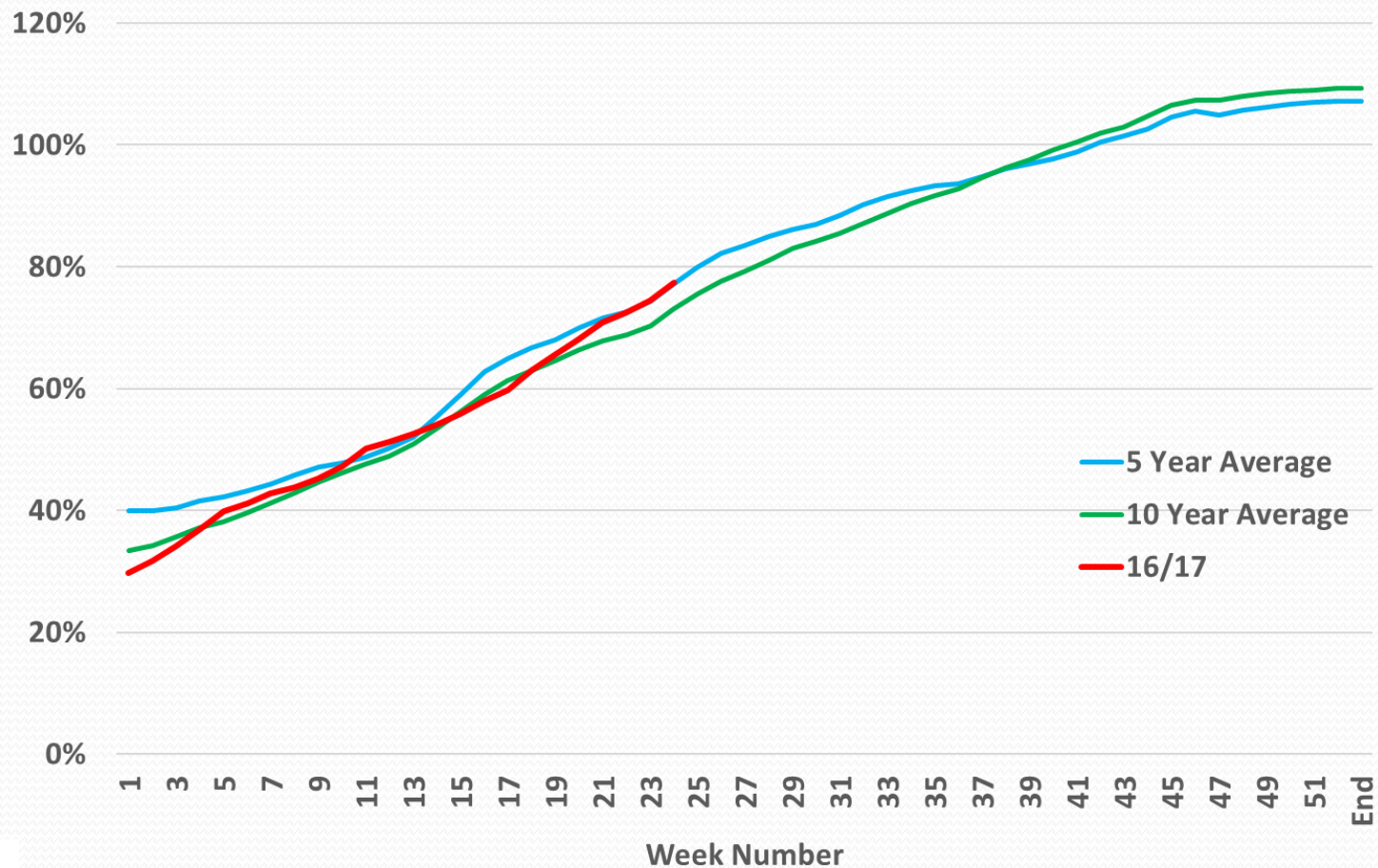


Global Fiber Use



Weekly Export Sales

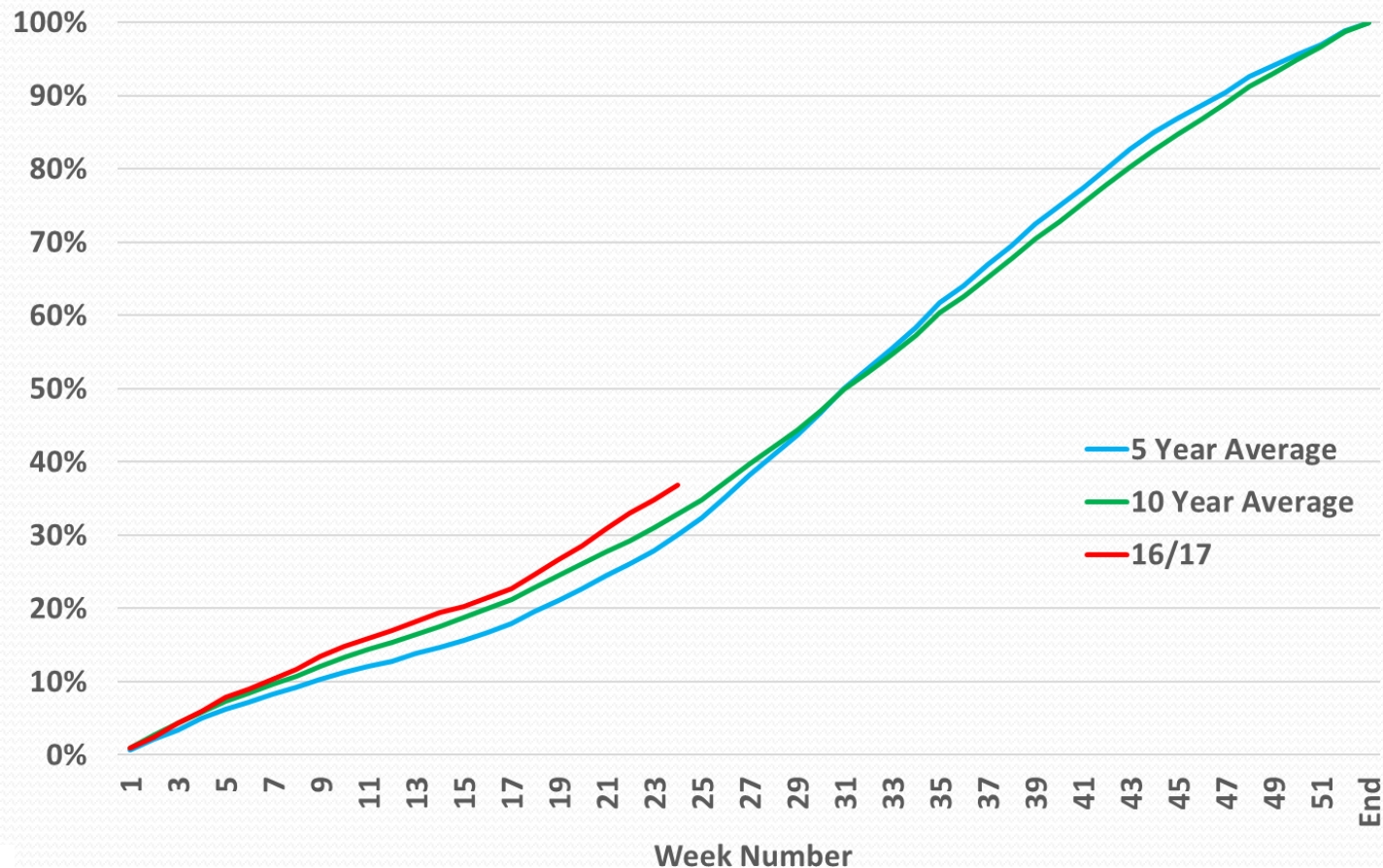
2016/2017 vs. Sales Average
% of Final for Year



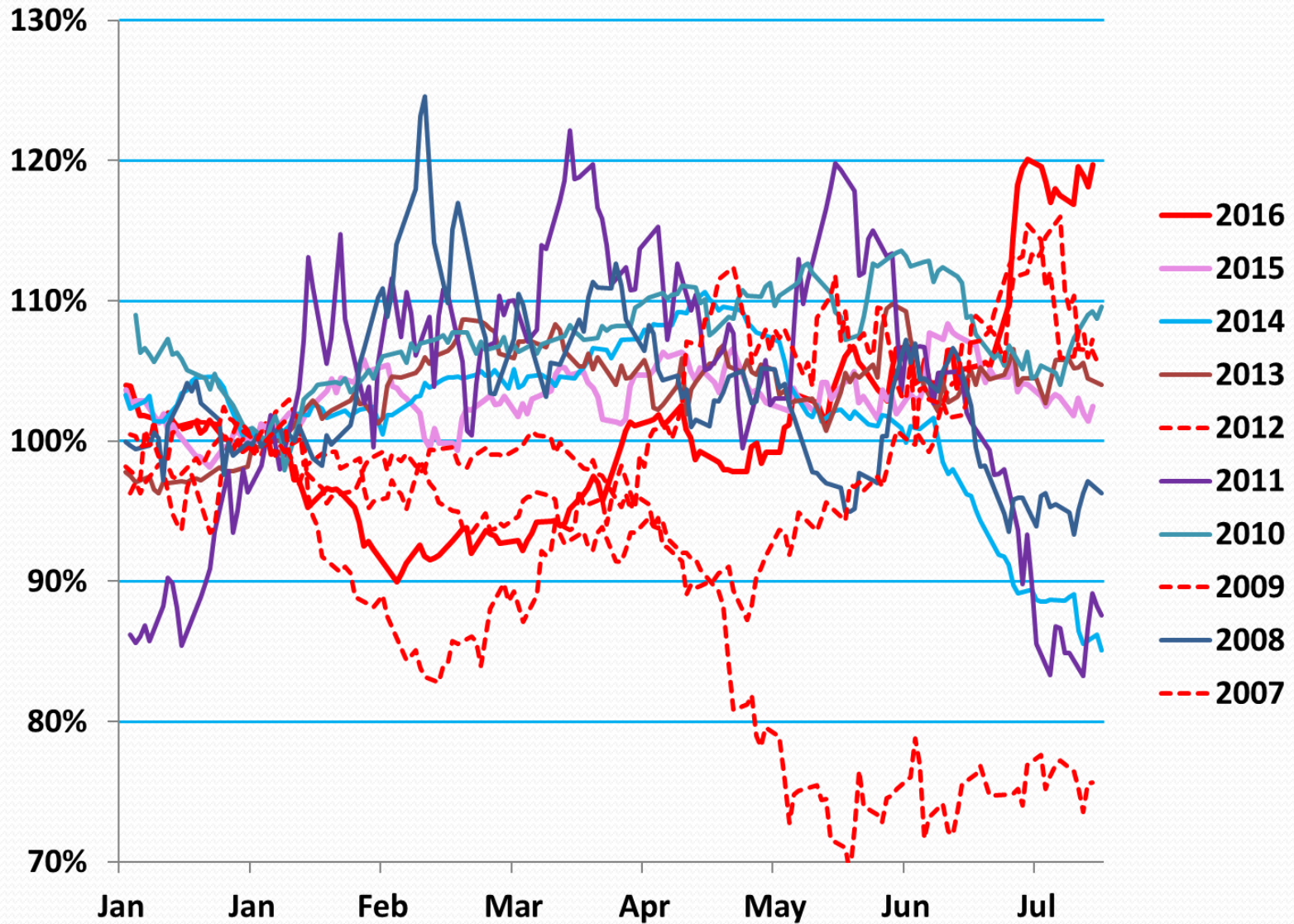
Choice Cotton

Weekly Export Shipments

Export Shipments Average vs. 2016/2017
% of Final for Year



December Contracts – Feb 1st = 100%



Conclusion 2017 Crop

- 10% rise (Dec = 78.00¢) is rare from February 1st.
- 5% rise (Dec = 74.50¢) is reasonable. And a good place to start pricing. GTC is a great idea.
- If a current crop sell off does drag December 2017 down, current S&D favors a recovery before Summer .

2017 Calendar

- Chinese New Year – January 27 – February 2
- USDA Crop Report – February 9
- NCC Planting Intentions – February 11
- USDA AG Outlook Forum – February 23
- **China Auctions Resume early March**
- USDA Planting Intentions – March 31
- USDA First 2017/18 Projections - May 10, 2017
- USDA Planted Acres estimate – June 30
- 2017 loan 49.49¢. LDP 7¢ below current futures.

Sources

- Choice Cotton <http://www.choicecotton.com/>
- USDA <https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery>
- Parkdale <https://www.parkdalemills.com/cotton-economic-news/>
- CFTC <http://www.cftc.gov/MarketReports/CommitmentsofTraders/HistoricalCompressed/index.htm>
- FAS Exports <https://apps.fas.usda.gov/export-sales/wkHistData.htm>