

The Cotton Market & More...

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The opening salvos of the trade war between the U.S. and China have been fired. At midnight last Thursday, the U.S. invoked tariffs on billions of dollars worth of Chinese imported goods. China was quick to retaliate imposing similar tariffs on goods imported from the U.S. including cotton and many other agricultural commodities. Nonetheless, if this faceoff had not been the item of interest in every media outlet imaginable one would have barely noticed. Markets held firm squelching any fear of further sell offs. This was welcomed news to those of us who watch the cotton market daily. Reaffirming our thoughts bullish fundamentals should be enough to offset any trade issue aftereffects.

In fact, since this battle began the cotton market has been trending up, rebounding off a low last week of 81.96. Continued demand for U.S. cotton that could be in short supply is providing underlying support. Over the past two weeks, the U.S. has shipped almost three quarters of a million bales. With only a few weeks left in the marketing year, we are poised to exceed the USDA export estimate. Furthermore, concern over sales cancellations resulting from this trade battle have not materialized. New crop sales have topped a half a million bales in this same two-week period, despite albeit small cancellations from China. This proves what we've said all along; if we don't sell our cotton to China we will

certainly sell it to someone.

Unfortunately, the U.S. crop continues to get smaller as insurance adjusters make their way through West Texas and Oklahoma zeroing out a significant number of dryland acres. Reflective of this is the latest crop progress report whereby the percentage of the U.S. crop rated good or excellent is only 41% compared to 61 % the same time last year. Looking closer the percentage of the crop rated good to excellent in Texas is only 21% while 42% is rated poor to very poor. Similarly, Oklahoma is at 38% and 28%, respectively. It's very possible this region could be off as much as two to three million bales from last year when accounting for reduced acres and limited yields from that carried to harvest.

As we had hoped, USDA agrees as seen in their July WASDE report released today. U.S. production was lowered by a million bales due primarily to increased abandonment. Thus, ending stocks were reduced by 700,000 bales from the June estimate to 4 million bales. Globally, USDA sees a similar supply/demand scenario. Beginning stocks were lowered to 3.3 million bales as adjustments were made for China's consumption. 2018/2019 world consumption was increased by 1.6 million bales with China, Bangladesh, Pakistan, and Vietnam all expected to use more cotton. World production was estimated to decline by 290,000 bales with most of this attributed to the U.S. and Australia. Finally, putting all this together USDA reduced their world ending stock estimate by a very bullish 5.2 million bales from their June estimate. This has given cotton prices a

tremendous shot in the arm. At midday, following the report the December futures contract was up 400 points at 88.54. This is further testament fundamentals always rule in the end eventually outweighing any news of the day. Look for this to provide needed momentum as the market seeks to regain trade war induced losses.

Of course, the trade war now begun could intensify, we would be naïve to think otherwise. The U.S. is already discussing placing tariffs on an additional 200 billion dollars worth of Chinese imports which caused a little market angst yesterday. If so, China will no doubt, retaliate again. However, a few points to keep in mind. First, China exports more product than they import. Thus, with more at stake comes less leverage. Secondly, China's government doesn't have to answer to their people. We know they are laden with cash thus able to assist domestic manufacturers with these tariffs, if they so choose. All of which aids the U.S. at the negotiating table.

If this trade war does escalate, the biggest fear would be a decline in the overall global economy. In an economic downturn, one of the first areas affected is home furnishing and apparel. A reduction in disposable income forces consumers to tighten their belts. In such a situation, those threadbare jeans don't look so bad could last another year or so. Likewise, consumers begin to dig deeper in their closet rather than sort through retail sale racks. It's obvious when it comes to trade the playing field hasn't been level for some time. Though we may feel the sting a little, our trading partners must be held accountable. If this will get them to the negotiating table wherein free trade can be made fair trade, it will be worthwhile.

From the Turnrow...

In the Southwest, insurance adjusters are making their way around the last insurance deadline areas. A large number of acres have been failed over the past five

days. There are, however, pockets where dryland cotton seems to have a fighting chance. Timely rain will be the key to cotton remaining, as the earlier cotton has started to bloom this week.

In the Southeast, we've settled into a normal pattern of summertime showers. As a result, some areas may be getting too much while others not enough. Overall, soil moisture conditions are adequate for now. Cotton is taking advantage of the heat and growing off rapidly. Our older cotton, April and early May planted, has been blooming for weeks and now setting young bolls. It holds great potential looking exceptionally good at this time. Efforts are still underway on our younger cotton to clean up weeds, side dress fertilizer, and control plant bugs. This cotton is beginning to fill out but its full potential hinges on protecting every fruiting site from here on while avoiding an early frost.

As we move into July, our attention must shift to controlling bollworms. Over the past few years, escaped bollworms in double gene cotton has become a major concern, due to resistance. Adult bollworm moths are now coming off corn seeking older blooming cotton. Beginning now and for the next several weeks adult bollworm moths coming off corn will be moving into older cotton depositing eggs throughout the plant on bloom tags, square bracts, and older leaves down the stalk. All of which makes scouting for them difficult and tedious. However, if you are growing one of the double gene varieties, I encourage you to monitor closely every three to four days for bollworm eggs and small worms focusing on your older cotton. The threshold for making an insecticide application is if eggs are found on 20% of the plants or 5% of them are found to contain small larvae. If caught early, an inexpensive pyrethroid will provide adequate control.