

The Cotton Market & More...

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After weeks of knocking at the door, new crop cotton prices finally broke through 80 cents last Friday (5/4) and closed above it at 80.57. It appeared market momentum was poised to continue as this week's trading began with December futures hitting a high of 81.50. Instead, prices have traded in a very narrow range for most of the week but still were able to stay above 80 cents. Rather than be alarmed, view this as nothing but a breather as the favorable fundamentals, which have driven prices to these lofty levels, remain intact.

Foremost, demand is showing no signs of tapering off. Export sales number bare witness as combined old and new crop sales topped 421,000 this week with shipments of 510,500. Furthermore, the May WASDE report issued yesterday estimates world consumption to increase by 3.9 percent this year, a new record high. This comes as thriving global economies continue to drive mill use. In turn, world ending stocks are estimated to decline by more than 4.5 million bales during the same period, as consumption will once again exceed production.

Growing demand in the face of production uncertainties and already short supply has this market sitting on a powder keg simply waiting for a match to strike. Despite an increase in U.S. planted acres for 2018, USDA estimates production to be 19.5 million bales off 7 percent from last year due to greater abandonment in the Southwest as droughty conditions remain in effect. This could very well be the match! The next few weeks will shed greater light on dryland abandonment, but keep in mind that irrigated acreage potential will be adversely affected as well if weather conditions do not improve. The Southeast is experiencing some dry conditions of its own though not near to the extent of their western neighbors. It has, however, brought a halt to cotton planting until soil moisture returns. One gets an uneasy feeling as these weather patterns often are slow to change.

Considering all this, our market recommendations remain unchanged. To those who haven't priced anything, don't tempt fate, fix a portion of your crop. How often have you had an opportunity to do so at 80 cents at planting? Not very often. Those that have already done so can better afford to sit back and see if the match gets lit. Under current conditions, upside potential far exceeds any downside risk.

Dry Weather on Planted Cotton

There are a couple of things to keep in mind concerning young cotton as soils dry out. Seed treatments used for thrips control will be less effective as their uptake in the plant will be reduced. Monitor for this pest closely as plant growth will be restricted, as well. Foliar insecticides may become necessary under such conditions, especially if immatures are being found in the field.

Also, most premerge herbicides are dependent on rainfall for activation. Rainfall within 10 to 14 days after application is needed to get optimum weed control from these products. In the absence of moisture, more pressure will be put on our post materials. Be aware of this when timing and selecting rates for post applications.

Until next time,