

WEEKLY MARKET REPORT

WEEK ENDING FEBRUARY 10TH



Unforeseen events, often called Black Swans, can be a market's worst nightmare. Such was the case last week, when news broke of a devastating earthquake in the country of Turkey. The heaviest destruction centered around an area highly involved in cotton commerce. Thus, fearing an impact on world trade, the market reacted as one might expect, selling off over 200 points. We ask each of you to include those affected in your prayers for the loss of life, which now exceeds 30,000, and the chaos caused by such a catastrophe is tragic.

Going forward, the market rebounded and spent the remainder of the week hovering around 85 cents. Quite surprising considering the mixed signals it received from a host of data last week. The first being the February WASDE report where the biggest surprise came as U.S. ending stocks were increased by 100,000 bales as production and exports remained unchanged but domestic consumption was lowered by said amount. This was offset, however, by world ending stocks being reduced by 800,000 bales due to lower consumption in countries which normally buy from us. In either case, the market viewed this report as neutral and reacted accordingly.

Following two consecutive weeks of improved export sales, last weeks were the best of the marketing year. Better yet, the best since May of 2022. When combining crop years, sales totaled 268,940 bales. Though China was the primary buyer, Turkish mills purchased almost a third. The troubles currently bestowed upon this country may call these purchases into question. Shipments, the best indicator of demand, were 74 percent of the pace needed to meet estimates. So, despite high expectations from China, current demand still appears weak.

The most highly anticipated numbers of the week were NCC's annual planting intentions survey results. With corn and soybean prices, at their most competitive since 2009, a reduction in planted acreage to cotton was all but assured. The looming question was just how severe it would be. According to the survey, 11.4 million acres will be planted to cotton in 2023, down 17 % from last year. As was the case last year, it's not so much planted acres but rather harvested acres that most interests the market. Thus, applying an average abandonment rate of 22.6% and an average yield by state this translates into a 15.2 million bale crop, a half a million bales larger than that of 2022. So despite a significant reduction in planted acres, just an average crop out of Texas will necessitate stronger demand if prices are to significantly advance. Of course, these are only projections and much can happen between now and when a stand is obtained. The adjacent chart further breaks down intended planted acreage by region.

Where to from here? Prices for both old and new crop remain firmly entrenched in the 80's as they have been for over three months. Being able to hold here is rather remarkable considering all the uncertainties surrounding cotton. China may be the biggest concern. Though their economic recovery should lead to an increase in commodity imports, growing political tensions between the two of us could hinder our share of this. The tragedy in Turkey will certainly influence world cotton trade, though long term it could be minimal as their purchases most likely will shift to other countries. This early in the year, world production remains a mystery. Not only are planted acres unknown, but a reversing of El Nino weather patterns could boost production unlike in recent years.

Until these and other questions can be better answered look for prices to remain range bound where they currently are. The managed funds/specs will have to be drawn back into the market to experience any price momentum. Of course, we are flying blind as to where they are because we've gone two weeks without a CFTC report due to cyber issues. Technically, upon a breakout if it's a break of the 90 cent upside resistance look for prices to retest the 200 DMA at 95.25. Conversely, a break in support at 80 cents could lead to a retest of its low of 70.10.

MARCH 2023 FUTURES

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Cotton #2 Mar '23 Futures Interactive Chart - Barchart.com



2023 U.S. Cotton Acreage

	2022	2023	Percent
Region	Actual	Intended	Change
Southeast	2,662	2,410	-9.5
Mid-South	2,060	1,727	-16.2
Southwest	8,685	6,984	-19.6
West	173	115	-33.7
All Upland	13,580	11,235	-17.3
All ELS	183	184	0.5
All Cotton	13,763	11,419	-17.00

* in thousands of acres

https://www

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WEEKLY COMMODITY PRICES

CROP	10TH-FEB	WKLY CHNG	% CHNG
MAR23COTTON	85.27	-0.16	-0.01%
DEC 23 COTTON	84.86	-0.29	-0.03%
DEC 23 CORN	6.11	0.02	0.32%
NOV 23 BEANS	14.16	0.47	0.33%

THE WEEK AHEAD

Tuesday- CPI. 7 30 AM

Wednesday- Retail sales 7 30 am

Thursday- PPI. 7 30 am

Thursday- Export sales 7 30 am