



Southern Cotton Growers, Inc.

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

# COTTON MARKETING NEWS

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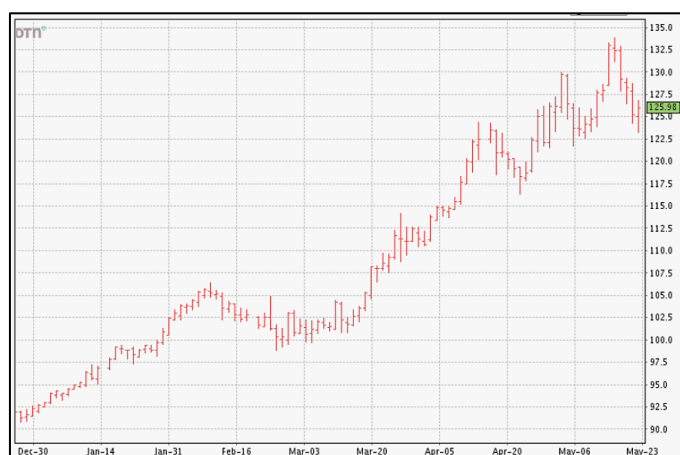
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## Has New Crop Met its Pre-Harvest High?

Maybe. But it's not 100% certain. So, maybe not. No one can say. So, make decisions and manage price risk accordingly.

Dec futures reached a contract new high close at roughly \$1.33 last week (Monday) but then lost almost 8 cents for the remainder of the week. We must understand why.



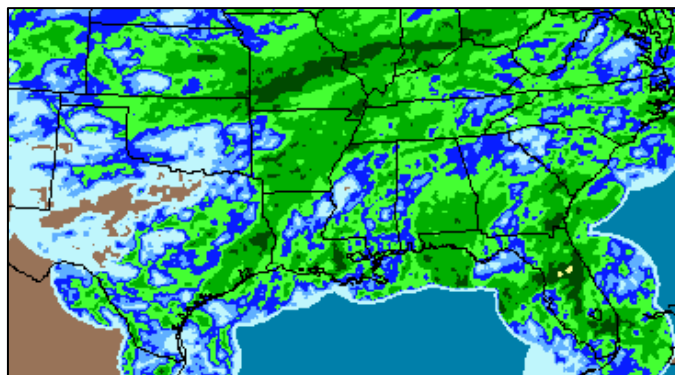
Today's gain could signal a reprieve—or at the very least, an attempt by the market to “settle down” after a tumultuous prior week. But last week provides some important insights and information that we must consider.

**Demand Concerns.** This market is, in part, built on strong demand. The Dow had a nice recovery today and that helps—but there are beginning to be concerns about the US economy and a possible recession. Also, news is that ports in China have been closed due to COVID. Ports are reportedly to begin opening back up. That will help—provided that demand for cotton is still good (purchase and shipment of US exports).

**US Exports.** USDA's current forecast for exports in the 2021 crop year is 14.75 million bales. With a little over 11 reporting weeks remaining, shipments must average roughly 465,000 bales per week to meet the projection. By comparison, shipments over the past 4 weeks have averaged 403,000 bales. At this pace, exports come up about 680,000 bales short.

**Crop Condition and Progress.** The weakness of last week was,

in part, due to west Texas getting rainfall. Rainfall was light, however, and not sufficient to make a marked difference in the drought conditions. But, the market will react to any so-called “relief”. More rainfall is expected this week. The Southeast also received rain and more is expected this week.



Today's USDA crop progress report shows that we are now ahead of average in planting. Planting advanced 17 percentage points last week. Twelve of 15 states, including Texas and Georgia, are ahead or at average/normal pace.

**US Ending Stocks.** If the 2022 crop estimate increases and if exports come in below projection, ending stocks to carry in to the 2022 crop year beginning August 1 would increase. This would likely dampen prices especially if demand concerns are also realized.

**Outlook and “Targets”.** I'm not necessarily trying to paint a pessimistic picture. I am trying to draw the growers attention to possible scenarios. Anything is possible. Despite recent rains and the markets downward reaction, if the Texas drought situation continues to haunt the market and demand remains on a positive tone, higher prices are possible.

New crop “targets” can be gauged by looking at what happened to old crop. Where did old crop go and has new crop been there yet? \$1.20- check. \$1.30- check. \$1.40- no. \$1.50- no. These unrealized “targets” can become realized if supply and demand dictate. If not and prices weaken, there should be support first at \$1.20 and then \$1.10 to \$1.15 below that.

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