



Southern Cotton Growers, Inc.

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

COTTON MARKETING NEWS

Volume 19, No. 24

December 9, 2021

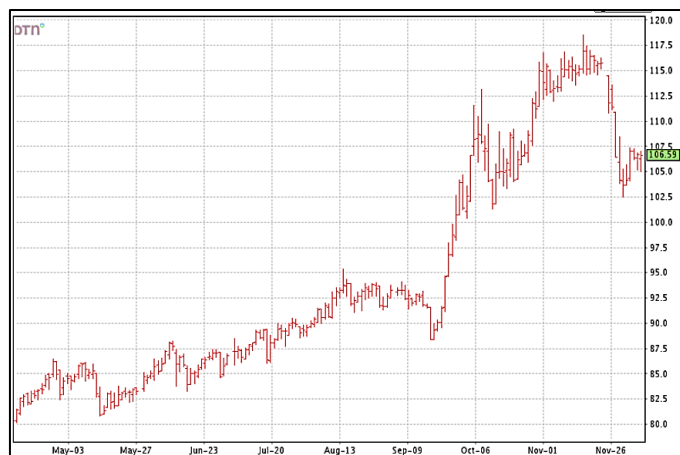
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Cotton Fundamentals Provide Some Reason For New Hope and Support

Uncertainty and panic over the OMICRON variant caused the cotton market, along with many other commodities, to drop significantly in price over the past 2 weeks.

Cotton began this week to stabilize and try to “correct” to the possible over-reaction in prices. The “slide” halted on Dec 3rd and since then has gained 289 points (2.89 cents) including a small -13 points today (March futures). The big gain was on Tuesday this week (281 points) and the market has varied around that level ever since. March futures closed at 106.59 today. New crop Dec22 is currently at just under 90 cents (89.84 today).



As I said in this space last time, the market needed something else (something good price-wise) to refocus on and let this OMICRON situation work itself out over time with more fact than emotions and uncertainty. Prices (March futures) now seem to be working mostly in the \$1.04 to \$1.10 area.

Today's monthly USDA supply/demand report was neutral to slightly bullish for the price outlook. In summary:

- The US crop was raised slightly to 12.28 million bales.
- US exports and ending stocks for the 2021 crop year were unchanged from the November estimate.
- World beginning stocks and production were lowered. The production forecast was lowered for Pakistan, raised for Turkey, China was unchanged from last month's estimate.
- World Use was raised slightly—raised for Vietnam and Turkey, lowered for Pakistan, unchanged from last month for China and Bangladesh.

- Projected imports for the 2021 crop year were lowered for China and Bangladesh; increased for Pakistan and Vietnam.
- World ending stocks for the 2021 crop year were lowered 1.2 million bales—lowered for Brazil, India, China, and Pakistan.

In summary, the US crop was raised slightly (80,000 bales) but there was no change in the projection for exports. Production for China was unchanged but imports were lowered 250,000 bales. World Use/demand was raised slightly (170,000 bales) but Use for China was unchanged. World ending stocks for the 2021 crop marketing year were tightened by 1.2 million bales.



These numbers shouldn't hurt the market and should be supportive. But, the numbers also aren't going to cause a return to a strong bullish outlook. These numbers should support cotton's recent recovery but the outlook for anything much higher is still guarded. We must remember that the run-up in price was largely speculatively driven. That bullish speculative buying has been eroded by OMICRON and demand uncertainty.

Today's weekly export report (for the week ended Dec 2) showed strong net sales of 401,400 bales. China and Vietnam were the major buyers. Shipments were 127,200 bales—up from previous weeks but still a relatively low level. Despite 2 neutral to slightly positive reports today, March futures closed slightly down. Both reports, however, should be supportive in the short term.

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