



PLAINS COTTON
COOPERATIVE ASSOCIATION



Cotton Market Weekly

APRIL 14, 2023

COTTON FUTURES STAYED IN FIVE-MONTH TRADING RANGE

- Outside Markets Boosted by Signs of Easing Inflation
- Export Demand Held Steady for Week Ending April 6
- South Texas Drought Conditions Improved Over the Week but West Texas Remains Dry

Although it was a shortened trading week, cotton futures were marked by another week of sideways trading. The cotton market had a busy start to the week between the Goldman Sachs Commodity Index (GSCI) roll period beginning on Monday and the release of the WASDE on Tuesday. Prices were pressured slightly on Monday, dropping 75 points from the close of last week, but staying within the five-month trading range. Broader

economic news, the WASDE report, and the Export Sales Report helped boost prices to finish the week with marginal gains. For the week ending April 13, May futures closed at 83.35 cents per pound, up just 15 points for the week. With May futures entering their notice period soon, market coverage will switch to the July contract going forward. July futures closed at 83.19 cents per pound, down 28 points for the week. Total open interest continued to decline, dropping 10,304 contracts in four sessions to finish at 181,870.

Outside Markets

It was a busy week for outside markets with the release of economic data showing signs that inflation is slowly beginning to ease. To start the week off, the U.S. Labor Department showed employers added 236,000 workers in March. Historically, this is a strong gain, but it is the smallest increase in over two years, hinting that the hot job market is starting to slow. The Consumer Price Index (CPI) was released on Wednesday and came in softer than expected, rising 0.1% month-over-month, with overall CPI up 5% year-over-year. Although this was good news for stocks, the minutes from the last Federal Open Markets Committee (FOMC) meeting were released that same day and implied that another 25-basis point interest rate increase is not out of the question when the FOMC convenes for its May meeting. On Thursday, the Producer Price Index (PPI) showed a 0.5% decline since February and increased 2.8% since last year. This was the biggest monthly decrease of the PPI since 2020. Markets also found support from U.S. initial jobless claims, which rose unexpectedly to 239,000 claims. While the thought of rate hikes ending soon was bullish for stocks, the dollar was pressured by the data and fell to a 10-week low. The lower dollar helped boost commodities throughout the week.

WASDE

The World Agricultural Supply and Demand Estimates (WASDE) report released on Tuesday, April 11 captured traders attention early in the week. The report held a neutral tone for cotton, keeping prices trading next to unchanged upon its release. Besides a raise in exports, which also lowered ending stocks, the U.S. side of the balance sheet was kept the same. U.S. exports were raised 200,000 bales to 12.2 million bales, an expected change given the current environment of sales and pace of shipments. Since more cotton will be leaving the U.S., ending stocks were also lowered 200,000 bales to 4.1 million bales. Production was kept at 14.68 million bales and domestic consumption unchanged at 2.1 million bales.

The world side of the balance sheet saw a few changes, but no major modifications were made. Global ending stocks were raised to 92.01 million bales, up 860,000 bales. Production was raised 830,000 bales to 115.92 million bales, with most of the raise stemming from a 1 million bale increase in China. Additionally, global consumption was raised 60,000 bales to 110.17 million bales, the first increase in consumption in over a year.

Export Sales

Demand for U.S. cotton has continued to be solid, helping boost the futures market for the week ending April 6. Net sales of 143,200 Upland bales were made for the 2022/23 crop year and 11,100 bales were booked for the 2023/24 crop year. While sales were down slightly from the week prior, they are still respectable given the current market conditions. The biggest buyer for the current crop year was China, booking 22,300 bales, followed by Turkey with 18,700 bales, India with 17,700 bales, El

Salvador with 15,100 bales, and Bangladesh 13,700 bales. Shipments were up this week, with a total of 334,600 bales exported. Even with USDA raising exports to 12.2 million bales, the number of bales shipped this week is above the pace needed to reach the newest projection. Pima sales and shipments both made marketing year highs. Pima sales of 32,300 bales were made and a total of 8,900 bales were shipped for the week. The massive increase in sales likely has to do with the American Pima Competitiveness Payment that went into effect this week.

Weather and Crop Progress

Areas in West Texas received welcome rain over the past weekend, but it did little to help the persistent drought conditions in the area. Drought conditions in West Texas, Oklahoma, and Kansas will be at the front of many producers' minds as the time to plant draws nearer. While the transition from La Nina to El Nino has started, the chances of the switch happening to help early season conditions have not been encouraging. South Texas, on the other hand, has received a good amount of moisture in the past week. This moisture was beneficial, and fields quickly absorbed the rain. This week's Crop Progress report showed that planting is on schedule in Texas, with 11% of the expected acreage now planted, which is right in line with the five-year average of 12%.

The Week Ahead

Next week marks the last full trading week before first notice day on April 24, meaning all producer and mill price fixations must be completed. Many traders are out of their May positions now, but May futures will still be watched as they enter their notice period. Other than that, there will be little cotton specific news in the

coming week outside of the weather, the Crop Progress Report, and the Export Sales Report.

- Friday at 2:30 p.m. Central – Commitments of Traders
- Monday at 3:00 p.m. Central – Crop Progress and Condition
- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton On-Call