



PLAINS COTTON
COOPERATIVE ASSOCIATION



MARCH 31, 2023

COTTON FUTURES FINISHED WEEK ON A HIGH NOTE

- Outside Markets Had a Mixed Week
- Weekly Export Sales Report Showed Healthy Demand and Strong Shipments
- Little Change in Drought Conditions Across Texas, Oklahoma, and Kansas
- 2023/24 USDA Prospective Plantings Showed U.S. Cotton Acres at 11.256 Million Acres

After hitting a five-month low, cotton futures bounced back to finish the week on a high note. Cotton futures continued last week's sell-off going into the weekend but recovered upon slightly more optimistic macroeconomic news and a weaker

dollar. May futures went limit up two days, posting strong gains early on. Although prices flip-flopped to finish the week, cotton futures closed higher for four consecutive sessions. For the week ending March 30, May futures closed at 83.50 cents per pound, up 592 points from the week prior. Total open interest continued to increase, gaining 1,702 contracts to finish at 198,792.

Outside Markets

The ever-present concerns about the overall global economy and the Fed pausing interest rates kept financial markets mixed throughout the week, a pleasant change from the recent extreme volatility witnessed. Despite the strong economic data received throughout the first quarter, outside markets performed better than anticipated. The S&P 500 rose 5.5% in the first quarter, the NASDAQ climbed 15%, while the Dow fell just 0.9%. The Dollar Index was down most of the week, helping boost commodities in general.

Export Sales

The Export Sales Report ending March 30 showed another week of healthy demand for U.S. cotton. A net 281,300 Upland bales for the current crop year and 12,300 for the new crop year were booked for the week. The biggest buyers for the week were led by China, who purchased 85,000 bales, followed by Vietnam with 78,200 bales, Bangladesh with 38,300 bales, Pakistan with 24,900 bales, and Turkey with 19,000 bales. Shipments continued at a steady pace, with 341,000 bales exported, staying above the average pace needed to reach the USDA export estimate of 12.0 million bales. Pima sales were solid for the week, with 10,100 bales sold for the 2022/23 crop year. Shipments increased slightly to show exports of 7,400 bales.

Prospective Plantings and New Crop Outlook

Where the weather is concerned, not much has changed across Texas, Oklahoma, and Kansas this past week. There were scattered storms throughout West Texas, Kansas, and Oklahoma but the typical dry, windy conditions prevailed. South Texas, on the other hand, received precipitation throughout the week. It was not necessarily an adequate amount, but we will never turn down rain. Scattered storms are forecasted in the coming week, which will hopefully bring along much needed moisture.

The release of USDA's Prospective Plantings report dominated many traders focus this week. The report is based on survey responses taken in early March and help give a much-anticipated view of what the upcoming crop year will look like acreage wise. For 2023/24, total planted cotton acreage is set to decrease 18% from the year prior, totaling 11.256 million acres. Texas will plant 6.2 million acres of Upland cotton and 35,000 acres of Pima. Oklahoma planting intentions showed 530,000 acres and Kansas showed 115,000 acres. This brings the Southwest to a total of 7.195 million acres of cotton intended to be planted.

The Week Ahead

Now that we have the first USDA estimate of what cotton acreage in the U.S. will look like next season, it is back to the usual business. It is about time for traders to begin rolling their positions from May to June, so heavier position flows are expected in the coming weeks. Other than that, the normal Export Sales Report and macroeconomic data will continue to be monitored.

- Friday at 2:30 p.m. Central – Commitments of Traders

- Thursday at 7:30 a.m. Central – Export Sales Report
- Thursday at 2:30 p.m. Central – Cotton On-Call