



**Southern Cotton Growers, Inc.**

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

# COTTON MARKETING NEWS

Volume 19, No. 16

August 12, 2021

Sponsored by



## Reports Continue to Feed Optimism

Today's monthly USDA numbers were a bit of a surprise and the weekly export report was good. As a result, December futures gained over 2 cents today—pushing us to over 93 cents.

Don't be surprised if the market adjusts down a bit but optimism continues to reign and bullish eyes will now target 95 cents.



In summary of today's USDA crop production and supply/demand numbers:

- The projected US crop for 2021 was lowered over ½ million bales. Harvested acres and expected average yield were both lowered from the July estimates.
- Exports (final estimates) for the 2020 crop were lowered from 16.4 to 16.35 million bales. This raised the carryover to the 2021 crop year by 50,000 bales.
- Projected exports for the 2021 crop year were cut 200,000 bales to 15 million bales—likely just a function of the smaller US crop.
- The ½ million cut in the crop but 200,000 less in exports results in a net 300,000 reduction in US ending stocks.
- World production for 2021 was cut by the ½ million bales of the US crop.
- Compared to the July estimates, projected production was lowered in the US and Brazil but raised for Australia. China and India were unchanged.
- World Use for the 2021 crop year was increased slightly by 170,000 bales from the July estimate.
- Projected imports were unchanged for China, Turkey, Bangladesh, and Vietnam.
- Projected World ending stocks for the 2021 crop year were trimmed ½ million bales.

So, the report lowers World production, continues to support the optimism of strength in demand growth, and tightens the overall supply/demand picture. This should be supportive of price.

If future reports should increase the US crop and/or lessen the outlook for demand, lower prices would result. Remember, a smaller US crop estimate was a bit of a surprise because overall crop condition has been good and improving for weeks. Future reports could be an adjustment if a better crop is actually there.

The most recent crop conditions (as of August 8) show 65% of the crop in good to excellent condition and only 7% poor to very poor. Overall, the Texas crop is 63% good to excellent. As of August 8, the overall crop condition index is 3.74 (5.0 = all Excellent). The crop is a little behind normal in development, however.

The most recent export report (for the week ending August 5) shows sales of 363,000 bales and shipments of 204,000 bales—both very good levels. Sales of the 2021 crop total 5.2 million bales—35% of USDA's projection for the marketing year. Top buying destinations thus far are Pakistan, Mexico, China, Turkey, and Vietnam.

Demand is expected to remain strong. Strong demand along with a smaller than anticipated US crop are fueling the push over 90 cents. It's early but as we move through the season, weekly export sales and USDA's monthly projections will be among the barometers to gauge how demand is doing.

The US crop is currently projected at 17.26 million bales. That's up 18% from last year but less than the July estimate and less than what market observers were expecting. The crop situation is fluid and still largely unknown. What I'm saying is this—the market has already reacted to somewhat "smallish" crop news. Tropical storms and hurricanes will fuel this sensitivity even more depending on severity and the development stage of the crop in the areas impacted.

This looks to (hopefully) be a year with both a good crop and good price. Producers should be at least 50% priced/protected already and I know many are. Continue to increase your pricing if the market goes higher.

FYI, the 2020 crop seed cotton PLC payment rate is currently projected at 2.94 cents/lb (FSA, 7/30/2021). Payment is received on seed cotton payment yield times 85% of base acres.



Don Shurley

Cotton Economist-Retired / Professor Emeritus of Cotton Economics



**Department of Agricultural  
and Applied Economics**  
College of Agricultural & Environmental Sciences  
**UNIVERSITY OF GEORGIA**