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MARKETS | COMMODITIES

# Cotton Prices Rise as Lack of Rain Shrinks Crop

Weakened dollar and ban on Chinese cotton stoke demand for supply in U.S., where growers contend with adverse weather



A lack of rainfall has lowered output expectations for cotton, shown being harvested in Minter City, Miss., in October.

PHOTO: RORY DOYLE/BLOOMBERG NEWS

By [Kirk Maltais](#)

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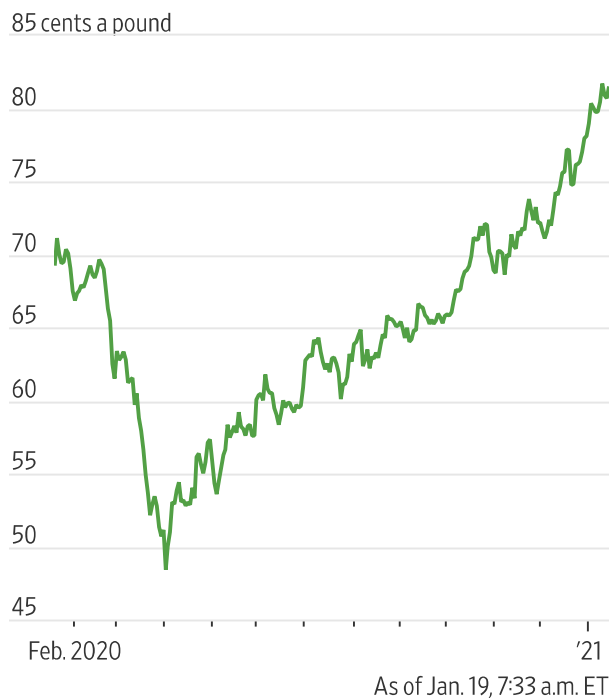
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Cotton prices have risen to their highest level in nearly two years thanks to dry weather that has shrunk the crop and concerns of forced labor in China that have made a big chunk of the nation's fiber output off-limits to clothing makers.

The most-active cotton futures contract ended Thursday at over 78 cents a pound, up 55% since prices bottomed on April 1 during the early days of U.S. coronavirus lockdown orders.

A lack of rainfall in key growing regions has reduced expectations for the current crop. The International Cotton Advisory Committee last month trimmed its estimates for the global harvest by about 1%. The U.S. Department of Agriculture expects the smallest domestic crop in five years.

### Cotton futures price



Source: FactSet

The weather in Texas—the country's top cotton-producing state—has been especially challenging for farmers. Walt Hagood, who grows cotton on 3,500 acres in the western part of the state near Lubbock, said drought has reduced his yield by about a third this year.

“We’ve been in a bad cycle here for several years now,” he said.

Further east, there was too much water for some Texan growers. Hurricane Hanna made landfall in South Texas in late July, flooding fields and defoliating plants along the Gulf Coast.

“We’re shorter on cotton than we want to be,” said Brian Adamek, who farms 1,200 acres in Victoria, Texas. “Mills are starting to crank up.”

The approval and distribution of Covid-19 vaccines have fueled expectations of a revival among apparel makers and retailers that have suffered during the pandemic and related lockdowns. Operating profits at department stores, including Macy's Inc., Nordstrom Inc. and Kohl's Corp. as well as other clothing

retailers such as [Gap Inc.](#), should at least double this year compared with last, Moody's Investors Service predicts.

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U.S. cotton has lately become more attractive to the yarn spinners and cloth makers that supply garment factories and, ultimately, clothing retailers.

A [weakened dollar has reduced the price](#) of U.S. bales for foreign cotton buyers. The WSJ Dollar Index, which measures the dollar against a basket of 16 other currencies, lost about 5% in 2020 and is off more than 12% from its March peak.

Meanwhile, a big chunk of the world's supply was affected when the Trump administration last month banned cotton and cotton products from China's top producer [over allegations of forced labor](#) in the arid northwestern region of Xinjiang, where Beijing has targeted the country's largely Muslim Uighur people [as part of the largest mass detention of a minority group](#) since World War II.

The Department of Homeland Security said Customs and Border Protection officials would seize shipments containing cotton or cotton products originating from the Xinjiang Production and Construction Corps, a state-owned paramilitary organization.

Xinjiang accounts for 85% of China's total cotton output, according to the National Bureau of Statistics of China. U.S. officials say that items made with forced labor, from bluejeans to blankets, have been sold in American stores.

China accounts for 40% of the world's textile exports and 30% of the world's clothing exports, according to data from the World Trade Organization. If a bulk of China's homegrown cotton is forbidden in American stores, its mills must procure their raw material elsewhere.

"China has to source cotton and yarn from other places," said Peter Egli, director of risk management for Plexus Cotton Ltd.

Between quality issues with cotton from other countries including India and the agreement to buy more U.S. farm goods, China's mills are likely to turn to American growers, Mr. Egli said.

China has committed to buying 4.1 million bales of U.S. cotton during the current marketing year, which began in August. That is 50% more than China bought from U.S. farmers before the two nations signed their "phase-one" trade deal in January 2020.

—*Ryan Dezember contributed to this article.*

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