

Southern Cotton Growers, Inc.
REPRESENTING COTTON PRODUCERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA

COTTON MARKETING NEWS



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Reality Sets In... But Still More Potential Possible

If you needed an opportunity to get caught up on pricing, hopefully you caught the run to 90+ cents last week and earlier this week before the bottom fell out. Prices (Dec13 futures) hit over 93 cents for a while on Monday but by Tuesday afternoon had declined to under 90; dropped sharply on Wednesday, and we'll close the week at 84.

As has been the case also on 2 previous occasions, these run-ups haven't had a long life. Something gets the bullish mood excited and that adds a little fuel to the fire but then "reality" sets in and throws a little water on the fire.

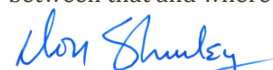
For what it's worth, I think that's, in part, what happened this week. Prices ran up due to both a positive August supply/demand report but also because speculative interests (buying) saw opportunity for potential profit. Once the optimism began to wear off, the specs took profits and headed for the door and there was no new good ol' basic economic news to keep the fall from materializing.

We can take 2 very important things from this: (1) prices have settled back pretty much where they were before the run-up and (2) let's not forget that there was some supply/demand fundamentals (concerns) also behind the run-up. That little fact hasn't gone anywhere.

Let's continue with that thought shall we. The USDA August estimate for the US crop was 13.05 million bales—the first estimate based on actual farmer survey for 2013 and ½ million bales below the July estimate. There seems to be a growing feeling that this crop might get smaller. Maybe it's because south Georgia is about ready to float off the map and my view is biased. But seriously, growers here are concerned. The Texas crop too could get smaller.

The southeast (GA and the Carolinas, especially) are already soaked. GA yield is likely impacted by disease and weed pressure, standing water, and lack of timely field operations. If the wet pattern we've been in since June continues into harvest time, we'll really be in trouble. Growers are already concerned about not being able to deliver on bale contracts. Corn harvest has been hurt.

This latest run might be over, but (no promises) we may get another one—maybe not to 90+ again but something between that and where we are now.


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