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September Numbers

As expected, the USDA's September crop production and supply/demand report reduced the size of the US cotton crop. The crop reduction was actually a little less than some anticipated due to an increase in planted acres.

US average yield is estimated at 796 lbs/acre compared to 813 in August. Acres planted, however, was increased by 86,000 acres and acres harvested increased 78,000. The US crop declined slightly by 150,000 bales—from 13.05 million bales in August to 12.9 this month.

Yield prospects declined in 8 states but acreage planted was revised up in 8 states compared to USDA's June estimate. Texas acreage abandonment is now forecast at 43%. The yield forecast remained the same as the August estimate.

2013 US Cotton Production, Comparison of August and September USDA Estimates

	Acres Planted ¹		Acres Harvested ¹		Yield Per Acre		Production ²	
	June ³	Sept	Aug	Sept	Aug	Sept	Aug	Sept
Alabama	330	365	328	363	768	793	525	600
Arizona	171	156.5	169	154.5	1,496	1,530	526.8	492.5
Arkansas	320	305	315	300	1,036	960	680	600
California	330	280	278	278	1,571	1,571	910	910
Florida	125	130	118	123	915	780	225	200
Georgia	1,300	1,360	1,275	1,335	941	899	2,500	2,500
Kansas	30	27	29	26	662	720	40	39
Louisiana	130	130	125	125	960	998	250	260
Mississippi	320	300	315	295	990	1,009	650	620
Missouri	270	250	261	241	1,103	1,036	600	520
New Mexico	34	41.5	30.8	37.3	1,169	1,184	75	92
North Carolina	420	465	415	460	775	699	670	670
Oklahoma	150	185	135	170	818	762	230	270
South Carolina	280	255	275	253	663	721	380	380
Tennessee	260	250	255	235	979	950	520	465
Texas	5,711	5,759	3,310	3,308	597	597	4,120	4,116
Virginia	70	78	69	77	1,050	1,022	151	164
Total US	10,251	10,337	7,702.8	7,780.8	813	796	13,052.8	12,898.5

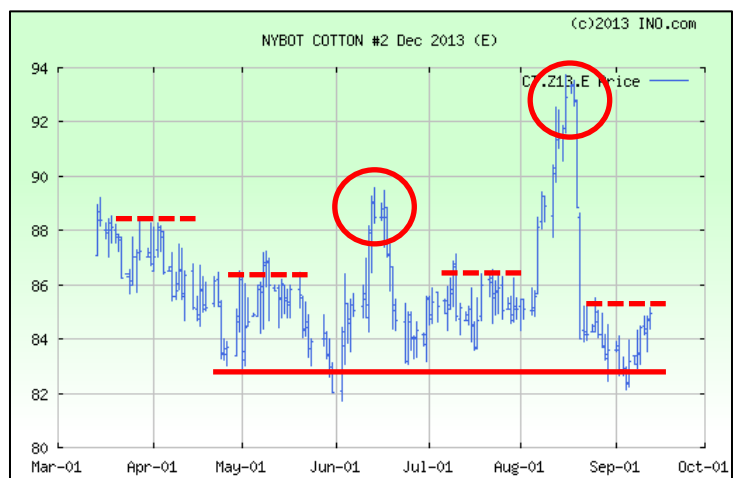
1/ Acres planted and harvested in million acres.
2/ Million 480-lb bales
3/ USDA *Acreage*, June 28, 2013.

In addition to the reduction in crop size, projected 2013 crop year exports were lowered 200K bales. This was likely in response to the somewhat smaller crop and less available supply.

Looking at the World numbers, 2013-14 projected Ending Stocks continue to grow. Ending Stocks were increased by roughly another 1 million bales. This was due primarily to an increase in production (in India) and a slight reduction in Use (demand). China's numbers were largely unchanged from the August report. China's Ending Stocks are now forecast at 58.31 million bales—61.5% of the World total but essentially unchanged from the August estimate.

Prices continue to find support around the 83-cent area. This has been challenged but has held several times. It is worth noting, however, that with exception of the "spikes" to 90 cents or better, the trend in the market seems to be slowly downward..... the "bottom" has held but the "top" shows evidence of eroding.

Some further price improvement is possible BUT it will depend partially on the US crop getting even smaller. There are some concerns on the demand side and continued uncertainty about China's stocks policy and/or farmer subsidies. Prices have been helped by China building stocks (by importing) but then also by largely not using those stocks to-date. The bottom will hold only if buying continues to take place there.



Don Shurley
Don Shurley, University of Georgia
donshur@uga.edu / 229-386-3512