

This newsletter is also available in PDF format on the UGA Cotton web page at:
<http://www.ugacotton.com>

Cotton Comes Back To Life Starts 2012 On An Uptrend

Cotton prices are showing signs of improvement. This provides an opportunity for remaining 2011 crop sales and 2012 crop forward pricing.

March futures closed today just under 96 cents/lb and December closed at 91.66 cents. Old crop (March12 futures) have gained almost 11 cents since the low back on December 14. New crop Dec12 futures have gained almost 8 cents over that same time. *Prices are now at the highest levels since early November.*

Prices (for any remaining 2011 crop) should encounter some resistance above the 95-cent area so it will be interesting to see if today's move to 96 can hold momentum. Likewise, new crop prices may likely encounter some resistance above the 92-cent level but we're not quite there yet.

Demand continues to be spotty and weak. This is another factor as to whether or not the recent uptick in prices will continue, stabilize near current levels, or eventually decline. *Until demand improves, the longer term price outlook is still likely bearish--but much also depends on the 2012 supply side and production.*

The recent uptrend in price in prices is most likely due to improved economic optimism. This is evidenced by increased "speculative buying" which has pulled prices up. News of European and other foreign economic woes has not been in the headlines for a while and the US stock market has also been improving.

China continues to purchase cotton to build its stocks. There are two schools of thought on the possible impact of this—(1) buying to build stocks, if demand does not improve, could reduce Chinas need for 2012 crop purchases or (2) buying stocks could continue into the 2012 crop which, if World acreage and production declines in 2012, could help support prices.

Cotton less than 90 cents may not be competitive. During this week's Beltwide Cotton Conference, Monsanto announced that it expects 2012 US cotton acreage at 12.5 million acres—down 2.2 million acres from 2011. The National Cotton Council will release its estimate in early February and USDA on March 30th.



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