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

COTTON MARKETING NEWS

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"Home Alone" Scenario

In the movie Home Alone, when the good part is about to happen (just before Kevin starts to beat up on the bad guys) there's a classic line where Kevin says "This is it. Don't get scared now."

After peaking at over 77 cents, the market (Dec 2010 futures) has declined about 4 ½ cents. Is this cause to be "scared" or concerned? After all, many growers are counting on continued prices of 70+ and certainly contemplating increasing cotton acres this year.

It appears, however, the market is beginning to test its resilience and the speculative bullishness that has helped spark this thing since early October. Make no mistake, weather trimmed a million bales off the US crop and that has been a factor- but so has speculative interest. There has been "talk" of this market making a run to 80 cents and it may yet. But the current picture is one of a market in somewhat of a decline. We can be positive and call it 'neutral" for now.

USDA's January report pegged the US crop at 12.4 million bales—after an increase in the December report. The decline I expected to see in December and that we all knew was there was not reflected until this month's report. Projected US exports were held at 11 million bales. Foreign production was *increased* slight and demand *decreased* slightly. On balance, projected World ending stocks were unchanged.

Market support for Dec10 futures is at about 71 cents. Prices closed today at 72.92 cents—down 81 points for the week. Contracts above 70 cents are still possible. March futures closed at 71.07 cents. So basis March, cash/spot prices are below 70 cents for base grade 41-4/34.

US stocks have worked lower. World stocks, by end of the 2009 crop marketing year, are projected to be the lowest since 2003. All this should be very supportive of prices. *Yet, the downtrend seen in the chart above cannot be denied or ignored.* The market may/could move higher but prices don't appear headed in that direction at this point. I see a market that seems pretty content where it is +/- a couple of cents for now.

Cotton acreage is likely to increase in 2010. Acreage is likely to increase in the Southeast and in Texas. Producers in the Mid-South may need even higher prices to switch back to cotton. If acreage increases and the crop gets off to a good start, prices may weaken further. On the other hand, given already low stocks, if demand remains good and progress and conditions are not good, *THAT* may be the impetus that pushes prices higher. I see no reason to think "this is it" or to be "scared". On the other hand, it's probably wise to take advantage of the current market level on a portion of expected 2010 production if you haven't already.

Don Shurley

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