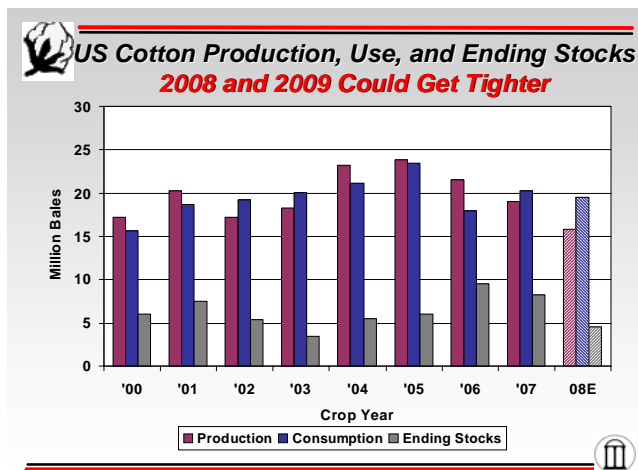


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Market Looks To Take A “Sideways” Tone

The market (new crop December 2008 futures) now seems to have recently taken on a “sideways” pattern and at the same time seems to have become more volatile. The market just seems to be a little less reluctant to take another run at 80 cents just yet—but at the same time trying to stay high enough to avoid a meltdown in the tug-a-war with corn and soybeans.

The National Cotton Council on February 8th released the results of their annual estimate of cotton acreage for the coming season. The Council’s estimate of US cotton acres to be planted for 2008 is 9.55 million acres—down about 1.3 million acres or 11.8% from last year. If realized, this would be a drop of 5.7 million acres or 37% since 2006.



For the time being, the market appears willing to trade in the 74 to 78 cent area. USDA’s February supply and demand numbers reduced US exports and increased foreign production and stocks and thus were not friendly to old-crop. The way I’ve explained it to GA farmers is that while there is still “concern” (questions) about ‘08 acres and potentially tighter supply/demand, the February report simply threw a little water on the fire for now.

The Council’s acreage number seems right in line with most industry thought and estimates. USDA’s estimate will be out on March 31st. Based on cotton’s now more sideways trend, if producers get the impression that this market can’t make another run at 80 cents, the Councils number may end up on the high side.

With 9.5 million acres planted, we could have a 15.8 million bale crop depending on yield and abandonment. Expect export to fall off some because US exports tend to follow production (the supply available). However, even if the demand side declines somewhat, US stocks could fall about 3.5 million bales to the lowest level since 2003. The market might be “sideways” now but should be subject to rallies on weather and good demand-side news. The export market has been slow and needs to pick up to keep prices steady to up.

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