

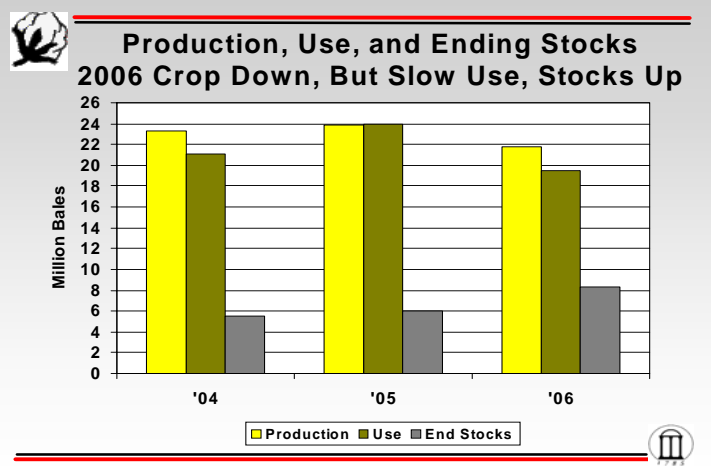
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**Well, Here We Go Again**

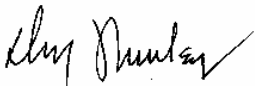
\$4.00 corn and \$8.00 soybeans. So, when are we ever going to be able to say something positive about cotton price-- *and be confident when we say it?* New crop December futures closed today at just under 57 cents. December lost just over 1 cent for the week but has lost a total of over 3 cents over the past 2 weeks.

Prices have tested the previous lows around 56.50 and bounced back some—still holding at that floor. Our hopes of the 60's sure seem to be dwindling but I'll not yet give up and say that all hope is lost.

There is little question that the factors leading to weaker prices include the larger than expected US crop and weak performance on the demand side. Here's how the numbers look—the 2006 US crop was down approximately 2 million bales from last year. But the '06 crop still ended up to be almost 1.5 million bales larger than first thought by USDA back in August. The "short" crop ended up not so short after all. To make matters worse, exports have been disappointing and US mill use continues to slide. Total sales of US cotton are expected to be down over 4 million bales (that's a huge 18.5%) from last season. Total sales of US cotton will decline for the first time since 2000. So, even with 2 million bales less crop than in '05, stocks are going to balloon by 2 million bales. Not good.



Now, all this has carried over into the new (2007) crop outlook. There is little doubt that acreage will be down significantly this year. If conditions cooperate, the US crop could still be 20 million bales. Now that would be the smallest crop since 2003. But with the present weakness in demand, even a 20 million bale crop could be more than needed. That's scary and that's why this market has gone south. But don't give up hope. If US plantings are even less than currently anticipated and/or if the growing season doesn't cooperate and/or if demand picks up, then we will rally back from whence we came. And if we see 60+ cent cotton again, I think we know what to do.

  
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