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

COTTON MARKETING NEWS

Volume 7 Number 8 February 27, 2009

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Market Update

New crop prices (December '09 futures) continue to look weak at the moment as prices have trended downward for about 3 weeks. Prices are approaching the contract lows around the 46-cent area reached back in November and December. December futures closed today at just under 49 cents per lb.

Export sales have been up some weeks and this is encouraging but the market continues to be overshadowed by US and global economic concerns. Cotton and prices for other commodities as well are influenced by what continues to be bad news on the economic front—the Dow Jones Industrial Average now flirting with the 7,000 mark.

While 2009 cotton is now below 50 cents (December futures), corn is struggling to remain above $4.00. Soybeans are still above $8.00 but have dropped almost $1.00 per bushel in recent weeks. As we near planting time, the trend to lower prices, if it continues, could make planting decisions much tougher than it already was. Because of the safety net of the marketing loan, lower corn and soybean prices may translate into higher than expected cotton acres.

At USDA's annual Outlook Forum today, 2009 cotton acres were estimated at 8.4 million acres. This compares to 8.11 million based on the National Cotton Council's survey. While the 8.4 number could signal a few more acres than some observers thought possible, this is not an unexpected number. The market is mostly influenced by demand right now and until demand begins to stabilize, it will be tough for prices to trend upward. Weather-related rallies are certainly possible, however. USDA's official *Prospective Plantings* estimate of acreage will be out the end of March.

Presidents Budget Proposal

President Obama's 10-year budget plan released yesterday (February 26th), contained the following proposals that impact agriculture and cotton:

- Phase out, over a 3-year period, Direct Payments to farms with sales revenue over $500,000 annually. DP would be replaced with opportunities for alternative sources of income such as carbon sequestration, renewable energy, and conservation and wildlife.
- Reduce the federal subsidy on crop insurance premiums.
- Eliminate the storage credit for cotton stored under CCC Loan. (I assume this means no free storage when the AWP is less than the Loan Rate).
- Reduce by 20%, funding for the Market Access Program (MAP). (This is how CCI (Cotton Council International) receives a large portion of it's funding to promote exports of US cotton).

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