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

# COTTON MARKETING NEWS

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## What Are Your Price Goals For 2007?


After a crash to near 56 cents a couple of weeks ago, cotton prices have since rebound—gaining back a couple of cents and closing today at 58.68 cents per pound (December futures). The market for new crop seems to be trying to set a floor around the 56 ½ cent area—I would hate to venture how "solid" that floor is at this point but each rally is encouraging.

USDA's next supply/demand numbers will be released on Friday, March 9. I don't think the report will hold many surprises. Expected 2006 crop exports were adjusted downward 1.2 million bales in the February report and exports continue to be weak. Thus, the March report is not likely to contain anything significantly positive. The market right now is focused on weekly export reports (particularly any signs of increased sales to China) and upcoming planting of the 2007 crop. I do not know enough about the recent economic/stock market happenings in China—whether or not this will have an impact on their textile industry. But, because China is the #1 buyer of US cotton exports, it is something worth keeping an eye on.

Is US agriculture in a transition? This is a question worth asking. High corn and soybean prices could push US cotton acres to the lowest level since 2003. Some are convinced that $4.00 (or at least $3.50+) corn is not just a 1-year flash in the pan—convinced enough to build on-farm storage and drying facilities. A shift in acres at this time is not all a bad thing. This is going to allow farmers a chance to move corn into the crop rotation at a time when they might actually make some money off the crop. The biggest challenges, for farmers who haven't grown corn and soybeans in a while, will be in the harvesting, hauling, storage, and marketing. The demand for (sales of) US cotton is expected to be down over 4 million bales this year……. so, the market is signaling the need for a cut-back. We can be glad this is happening at a time when prices for other crops are high.

We are still 7-8 months away from having a new farm bill. USDA's proposal only represents a starting point. The next farm bill will be written by the House and Senate, not USDA. But one of USDA's proposals that would have the greatest impact on US cotton would be the proposed change in the Loan Rate. This would effectively lower the LDP/POP payment which is the only payment producers receive on actual production and a major source of income and income protection when prices are low. Particularly if LDP protection were lowered, this has implications on marketing and marketing goals.

For the 2007 crop, what are your price goals? Basis the Southeast, the Marketing Loan offers the producer a "floor" of about 58-60 cents/lb less net ginning and warehouse charges. Strategies should be used that offer a floor of at least this amount and/or the opportunity to do better.

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