

This newsletter is also available in PDF format on the UGA Cotton web page at:  
<http://www.ugacotton.com>

**\$1 Cotton--  
 Need to Balance Hope with Reality**

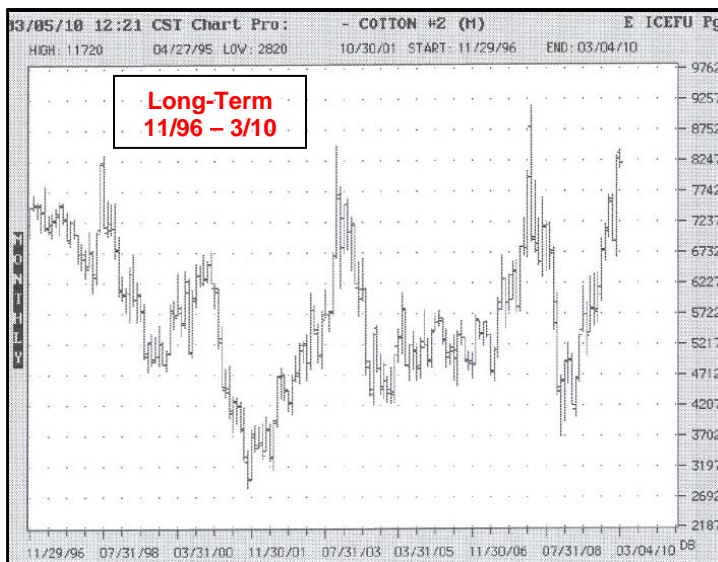
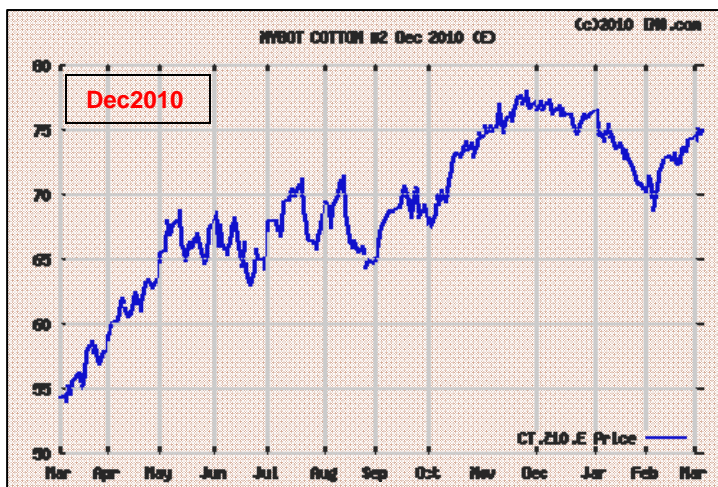
Several recent events have rallied the cotton market. More specifically, these events have confirmed to the “bulls” and other technical and economic optimists that cotton continue on its present recovery. Recent media articles about cotton possibly going to \$1 per pound have caught everyone’s attention-- after all, cotton doesn’t get to its current level (in or near the 80’s) very often, much less \$1.

Since setting a new “bottom” at about 69 cents back on February 5<sup>th</sup>, prices (new crop Dec2010 futures) have gained about 6 cents-- Dec2010 is in the neighborhood of 75 cents today. Old crop March and May are both around 82.

Among bullish news taking prices on this most recent trek upward, it has been reported that the China crop may be 2.6 million bales less than USDA’s most recent estimate. Also, Chinas mill demand (as evidenced by recent yarn output) is perhaps stronger than earlier estimates. If both are actually realized, the World supply/demand and stocks picture would tighten considerably.

Over the past 14 years, cotton has spent it’s time above 80 cents only about 5% of the time—the most recent being almost exactly 2 years ago. To see \$1 cotton, we would have to go back a bit further to 1995.

The point-- the prices we are seeing currently are very strong by any historical measure. They don’t come along very often and, when they do, they don’t tend to stick around very long. I’m not trying to rain on the parade but I am trying to bring to the table a dose of reality. For price to reach and then, more importantly stay, at any level requires someone willing to produce and sell and someone to also then be willing to buy at that price. Economists call it “equilibrium”.



We will see more cotton acres in 2010. The outlook for demand looks to be good right now—that’s what’s driving all this. But demand can be a fickle thing—many complicated factors come into play. Don’t underestimate the value of the dollar and the expectation for continued US and global economic recovery in all this.

Don Shurley, University of Georgia  
[donsur@uga.edu](mailto:donsur@uga.edu) / 229-386-3512