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

COTTON MARKETING NEWS

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March Madness

It looks like the rally in cotton prices may have run out of steam for the time being. A strong recovery over the past month seems to have leveled off. All eyes have begun to focus on 2010 acreage, planting decisions, and weather than may impact those decisions.

New crop December futures closed today at 74.74 cents/lb—down .88 cents for the week and .89 cents off the most recent high of 75.63 cents back on March 15th.

IF this turns out to be a new peak for the time being, notice that we're over 2 cents lower than the highs set back in November. What that means is that this most recent rally, while impressive, hasn't had quite the economic and technical gusto of the one this past Fall and, secondly, that 78-cent mark is still a target out there to shoot for. There's still a lot to be done in terms of where this market is headed. We'll get a little clearer picture over the next few weeks as more planting estimates come in (USDA *Prospective Plantings* report will be out on March 31)—BUT, I don't think that part of the equation gets firmed up until later this Spring and perhaps not until the June *Acreage* report.

Planting estimates/prognostications thus far have pegged 2010 acreage from 10.1 to 10.6 million acres. My guess is that's the right range (we'll likely be within that range). I'm leaning toward the high side of that range. Based on where prices are right now, I think we'll likely be in the middle of that range (10.3 to 10.4) regardless. How much more we plant will depend on other factors yet to be determined.

Many observers appear to favor continued strong demand into 2010-11. Therefore, if that's the case, World supply/demand will remain relatively tight unless and perhaps even if we see a sizeable acreage increase. What does that mean for a producer? It means downside price risk should be minimal AS LONG AS DEMAND IS GOOD AND UNLESS 2010 ACREAGE AND PRODUCTION EXCEEDS CURRENT EXPECTATIONS.

Corn is currently around $4 basis the September or December futures. Soybeans are around $9.50 basis the November futures. When it comes to deciding what to plant, how does 75-cent cotton basis the December futures compare? Around my neck of the woods, these futures prices would mean cash/contract offers of roughly $4 to $4.25 on corn, $8.75 on beans, and 72 to 73 cents on cotton. I think this bids acres into cotton here and in a lot of the country. Peanuts (in those states with peanut acreage) also come into the mix.

The Mid-South will be the determining factor. It may take even higher cotton prices to swing acres back to cotton. If futures prices stay in the 75-cent range or lower, 2010 acreage could be less likely to exceed that 10.3 to 10.4 area. My guess is we exceed this with the Mid-South simply determining by how much. Weather is also going to play a role. Too wet or too cool to plant corn on time is going to switch acres to cotton or soybeans.

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