

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

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Weekly Wrap-Up

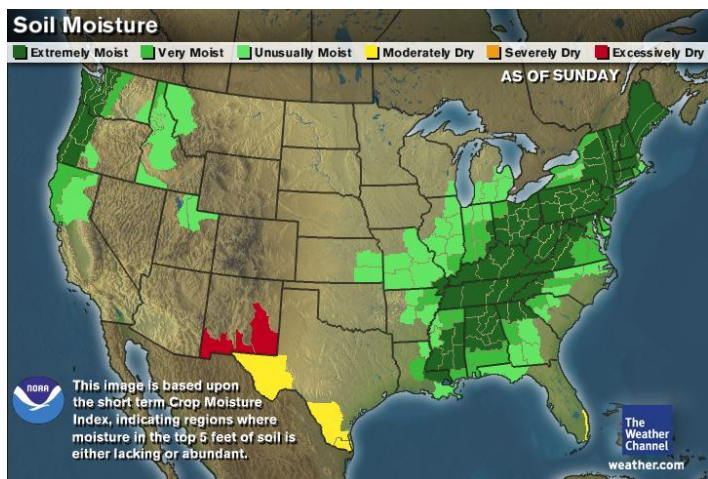
As this is being written, new crop cotton prices (Dec11 futures) are hovering around \$1.27 to \$1.28. That would close out the week with about a 4-cent gain compared to last week. This would also be a good finish given that prices dropped 1.6 cents on Wednesday after gaining almost 4 cents on Tuesday.

So, after dipping below the \$1.20 mark a couple of weeks ago, prices have again trended up. The range of \$1.20 to \$1.30 seems to now be more firmly entrenched for now. Barring any significant negative news, \$1.30-ish looks to possibly be the high-tide for now and \$1.17 to \$1.20 possibly being the low. Of course, as uncertain and volatile as global factors are, who knows? There are no guarantees.



USDA's much anticipated *Prospective Plantings* report will be out next week (March 31st). Frankly, I'm a little surprised by how much attention this report is getting and the buzz it is generating. What's the deal? It's no secret that US cotton acreage is going to increase big-time. Continuing to debate about how much seems of relatively minor consequence in the grand scheme of things. If the acreage number is smaller than expected, prices will get a little boost. If a bit larger than expected, prices might take a bit of a hit. Ok.

But looking at the big picture, other factors also need consideration. Regardless of US acreage, production will hinge on weather. Although not showing on the map (it shows current conditions), the drought index is high in some areas of the Cotton Belt. Reports this week say that west Texas is dry. I also read a story this week suggesting that being dry was ok because cotton can take it. Really? We can all agree that cotton is more drought-tolerant than corn or soybeans but adequate moisture is not only needed at planting time, but also for critical fruiting and fiber-development during the season. If it's dry across the Belt and conditions are not good, this would at least partially offset the acreage increase.



US acreage will be up in the neighborhood of 20%. As the World's 3rd largest producer and largest exporter, that's an important factor in the outlook equation. It's also equally important what key foreign countries will do. I'd suggest we have a much less reliable chain of information on those numbers. Acreage will likely be up but how much is more uncertain- producers in other countries respond to what can sometimes be a different set of economic, social, and policy criteria.

I will also continue to harp on the notion that the demand side is actually more crucial to the price outlook than supply. A report released this week by England-based Cotlook said that "demand destruction" is taking place due to high cotton prices. Cotlook projects World cotton consumption for the 2010 crop year at 114.4 million bales compared to the current USDA estimate of 116.6 mb. The demand for 2011 cotton will depend on cotton prices and factors such as oil prices, inflation, etc. that impact economic growth Worldwide.



Don Shurley, University of Georgia
donshur@uga.edu / 229-386-3512