

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

COTTON MARKETING NEWS



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

Will Prices Reach “Next Level”?

New crop Dec2011 futures prices have now touched the \$1.40 mark. There was clearly prior “resistance” at the \$1.30 to \$1.35 level but prices this week set their sights higher. Prices peaked at \$1.42 on Wednesday before closing the week today at \$1.38—a net gain of 6 cents for the week. Price action of recent weeks seemed to suggest that the market was firming itself in the \$1.20-ish to \$1.30-ish area. This weeks’ move to the \$1.40 area would seem to add further evidence that the low side is perhaps even more entrenched for now. The upside is being tested.



USDA released it’s April supply/demand estimates today and the report can be viewed as bullish. The 2010 US crop was reduced by 200K bales and mill use was raised 100K bales. So US projected 2010 crop ending stocks are now only 1.6 million bales. Foreign production was also dropped 200K bales and foreign mill consumption was raised 400K bales. The net impact is that World ending stocks on July 31 are now projected at 41.55 million bales- down almost 800K bales from the March estimate. The World supply/demand picture has tightened a bit further.

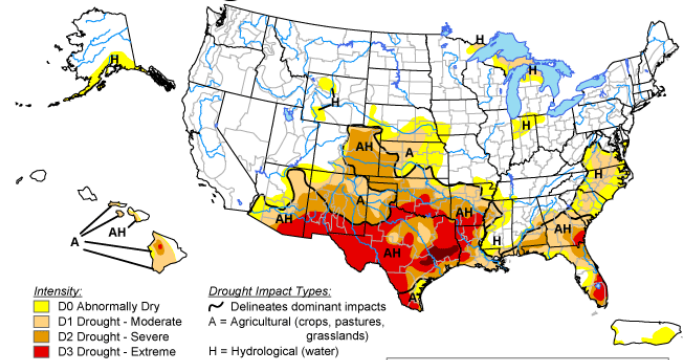
USDA’s increase to the World cotton demand is especially significant because other industry reports have suggested even the previous March number was too high. When you consider the level of cotton prices and the reports of competition from MMF (man-made fibers), it is encouraging that demand was revised upward. We have said all along that production/supply is likely going to increase, so how much we loosen up on tight stocks situation will depend on demand.

This recent increase in price may be an attempt to bid in more acres but as I said in my last newsletter, I think most acreage decisions are made at this point. If USDA’s 12.57 million acres number is, in fact, all that is out there then weather and crop conditions will, even more so, be a key factor in the direction this market eventually takes. Based solely on unscientific conversation with growers and industry around the country, I feel actual acreage will be larger. More importantly, what does the market think?

We’re going to kick off the 2011 planting season with much of the Cotton Belt in a drought situation. Prices will be sensitive to growing conditions and highly volatile. Less than favorable weather could mean higher prices. Good conditions could mean weakening prices.

U.S. Drought Monitor

April 5, 2011
Valid 8 a.m. EDT



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



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<http://drought.unl.edu/dm>

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