

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>

Prices Slip Under Pressure

So far, the month of April has not been kind to the cotton market. On Wednesday this week, Dec12 futures closed at 87.11 cents per lb- the lowest level since last December and testing support at 88 cents. Prices ended the week back over 88 cents at 88.68—up 1.14 cents for the week. We've come a long way down since prices were at the \$1.00 level and there's no doubt prices have made a significant slide. But so far, despite increasingly bearish factors, prices have avoided a complete meltdown (to the 80 to 85-cent level).



For the third consecutive month, USDA supply/demand numbers have again not been kind. Frankly, one has to wonder how much more the market can stand—but there are several reasons why cotton may be able to hang tough.

The April USDA supply/demand report revised India stocks up 3.25 million bales. This, in conjunction with other changes, push 2011 crop year ending stocks to a whopping 66.07 million bales—up 3.75 million bales from the March estimate. Also, world use (demand) was dropped 1 million bales from the March estimate.

About the only good news was US exports raised 400K bales and China imports raised 2 million bales. Offsetting this, however, Chinese use was lowered 1 million bales so all together this raised China ending stocks by 3 million bales.

The 2 most significant bearish price factors at present are large World stocks and weak demand. Prices have declined and remain under pressure for these reasons. There is still a possibility that prices can rally as we look forward. The weakening of prices into the 80's may result in less cotton being planted than indicated by the March Prospective Plantings report. Also, drought conditions are already indicated in the Southeast (especially Georgia) and Texas. With reduced plantings already expected, lower acreage and highly suspect growing conditions should provide a measure of support to the market.

With very large stocks and weak demand, however, how far is price willing to go before this “support” kicks in? That's the big question. Large stocks and weak demand signal the market wants and needs less cotton in 2012. I suspect the majority of acreage decisions are set but prices over the next month could still shift some acres around.

Prices should find support around 84 to 85 cents if the current 88-cent level fails to hold. Under poor US growing conditions or other bullish price factors, prices back in the 90's are not out of the question.



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U.S. Drought Monitor

April 10, 2012
Valid 7 a.m. EDT


Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

- S Short-Term, typically <6 months (e.g. agriculture, grasslands)
- L Long-Term, typically >6 months (e.g. hydrology, ecology)

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



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<http://droughtmonitor.unl.edu/>