

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

# COTTON MARKETING NEWS



**Volume 2      Number 15** **April 16, 2004**

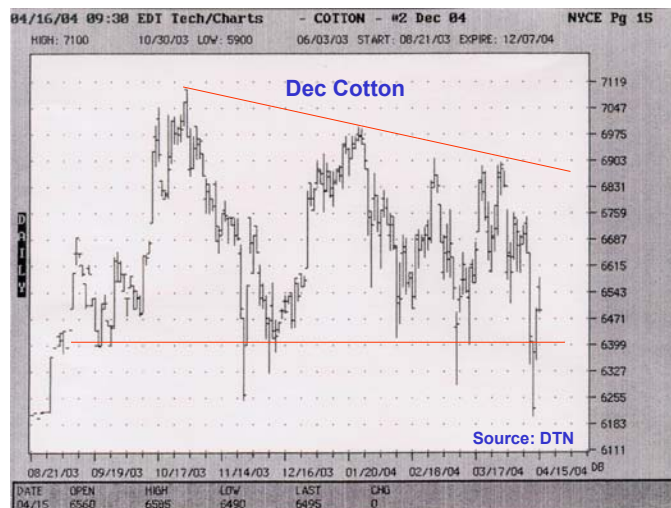
It has been a while since we took time and space here to discuss the market (price) situation and outlook. Old (2003) crop prices have taken a tumble while new (2004) crop prices appear at least for now willing to hold at more decent levels.

**2003 Crop.** One factor we have seen emerge regarding the '03 crop price situation in recent weeks and months is that the demand side of the equation (exports to be more specific) has not been sufficient enough to hold the market at previous lofty levels. This is typically an indication that (1) the market (expectations) may have been too high earlier, and/or (2) the supply side has taken over, and/or (3) the market is headed for a correction upward.

One of my tasks in this newsletter is to help you (and me!) wade through the myriad of information (both fact and rumor), try to make sense of it all, and communicate it in such a way that it is useful in real world decision making. Considering the 3 possible explanations I just listed, let's search for evidence to support what the market might be trying to tell us. Well, I've done that... and I find little that brings comfort to you or me. Export numbers, while erratic as expected, have been mostly good and on track to meet USDA projections. Yet the market continues to trend downward. Is the market telling us that even stronger numbers are needed to kick the market back in an upward direction? If that's the case, it's not likely. Also, there really has been little supply side news of the type and magnitude that would typically impact the market this time of the year... US plantings are forecast up and a larger US crop is possible in '04 but it's much too early to believe those numbers, production and exports in key Southern Hemisphere countries (like Australia, Brazil, etc.) is expected to be up but this has likely been anticipated and already factored in by the market, and as far as a "correction" goes each rally seems to be short-lived and quickly beat into submission.

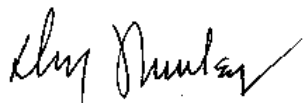
This all leaves me to conclude that in all likelihood the market was emotionally too high on China news early on and has since adjusted downward. It appears it will take major new information/data to reverse the trend. I do feel, however, that cotton is too cheap at current price levels and that additional rallies are possible. It has been difficult to move 41-4/34 type cotton but with world stocks tight, hopefully the demand/use will pick up. Be prepared to finish out old crop sales on rallies.

**2004 Crop.** The direction for 2004 crop price is yet unknown. Acreage will likely be less than the March intentions and I think it will be June or later until the market makes an attempt sort things out. With strong corn and soybean prices, cotton price is not about to fall out of bed this early in the season. In reality, the 2004 crop could likely be anywhere from 17 to 20



million bales depending on final acres and weather. Prices for competing crops are high, world stocks are tight, and export pace has been good so it's too early to see much downward pressure on new crop prices. Prices will likely continue to run in a range between 61 and 69 cents. Rallies to the upper area of this range would be good opportunities for using Put Options or contracting a portion of the expected crop.

It appears the US dollar continues to strengthen. 2004 crop US exports will be impacted by this and foreign production and export competition. Also, world cotton demand in 2003/04 is projected to be down slightly from last year-- the first downturn since 1998. So this is a little concerning... but the near-term outlook for '04 crop prices (December futures) is stable to up.

A handwritten signature in black ink, appearing to read "Don Shurley". The signature is fluid and cursive, with a prominent initial "D" and a checkmark-like flourish at the end.

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