

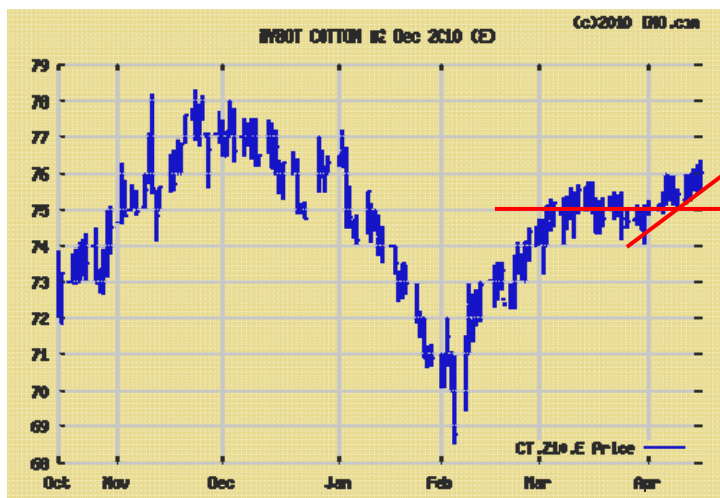
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Prices Resume the Optimistic Trend

New crop (Dec2010) cotton futures were at almost 78 cents back in November. Prices “fell out of bed” down to around 70 cents by February before recovering to the 75-cent area.

Since early March and until recently, prices have not done much of anything—staying mostly in a narrow range around that 75-cent area. Today, prices pushed even closer to the 76-cent mark.

US planting intentions of 10.5 million acres have not had an impact on the market. That number was not a surprise. This month’s USDA supply and demand numbers released last week, cut the 2009 US crop 250K bales and raised World demand slightly and reduced World production slightly from the March estimates. So, World stocks were tightened just a bit more. All this should provide support for prices and the recent trend back upward would seem to confirm that.



This weeks crop progress report showed the cotton crop about on pace with last year and pretty much on par with the average planting rate at this date. Planting is still a few weeks away for most of the Cotton Belt but thus far weather and soil moisture are not an issue.

The outlook is for more cotton here and globally. Prices are attractive and will bid land into cotton. The expectation is that prices will eventually weaken due to the increase in supply—but that also depends on the weather. If demand remains strong, the market will be sensitive to weather and crop conditions even with an increase in acreage.

Farmers, by nature, are optimists. Economists, by nature, tend to be conservative and often pessimists. Current prices are attractive and if weather cooperates could eventually decline as we progress into summer and then harvest. Higher prices are possible, but it seems pretty risky to turn down the current market on a fair portion of your expected crop in exchange for that something higher. Optimistically, prices could still challenge the 78-cent level again. Pessimistically, the 65 to 70-cent area could also be on the horizon.

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