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Market Remains Positive But Needs Direction

Cotton futures prices continue to hold at a comfortable range of mostly 56 to 58 cents December. There appears to be fairly solid support at around 55.5 cents and a top at around 58.5 cents.

The market broke out of a “triangle” to the upside and can be interpreted as being a bullish sign. When you see such a “triangle” (meaning lows are trending higher while highs are trending lower) it typically means those who are bullish are becoming less so and those that are bearish are also becoming less so. Eventually something will have to give. The “breakout” to the upside is a good sign as opposed to a breakout down. Well, that’s enough technical jargon for now. We can just sum it all up by saying that prices for 2005 cotton continue to be impressive. Never say never, but until a major event comes along that would shock supply or demand, prices for the time being seem happy to meander in the mid-to-upper 50’s.



Rain and cooler temps in the Southeast have kept planting a little behind schedule. But we are not yet to the point of it being a concern. If we’re still behind in another 3-4 weeks then it will be a different story. But soil temps are still high enough if we can dry out for a few days to get in the field. We are planting into good moisture to get off to a good start.

Export numbers have been mixed but mostly good enough to support the market. US mill use has been near or slightly below the pace of USDA projected use. This is not of major immediate concern in terms of price direction provided that exports remain brisk.

Possible budget cuts in farm program spending continue to make the headlines. Just when I thought this was a dead issue until farm bill negotiations, it now appears back on the front burner. Our in-house discussions and calculations here seem to find that the largest threats to the “typical” or “average” Georgia crop farmer (if we dare define such a thing) would be as a result of changes in production eligibility for LDP’s and elimination of the separate payment limitation for peanuts. There has also been much discussion and media attention recently to Chinese textile exports to the US and possible sanctions and the increased cotton production capability in India. Keep your eye on these.

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