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**Prices Moderate But Still Find Support**

Prices have moderated somewhat back to around the \$1.30 level over the course of the last couple of weeks. Prices (Dec2011 futures) have pretty much fallen back to where they were prior to that run to the \$1.40 level. I don't view this "moderation" in price as a major concern at this point—we are still at very good levels and, furthermore, the market seems to have support beneath this at \$1.20 or better.

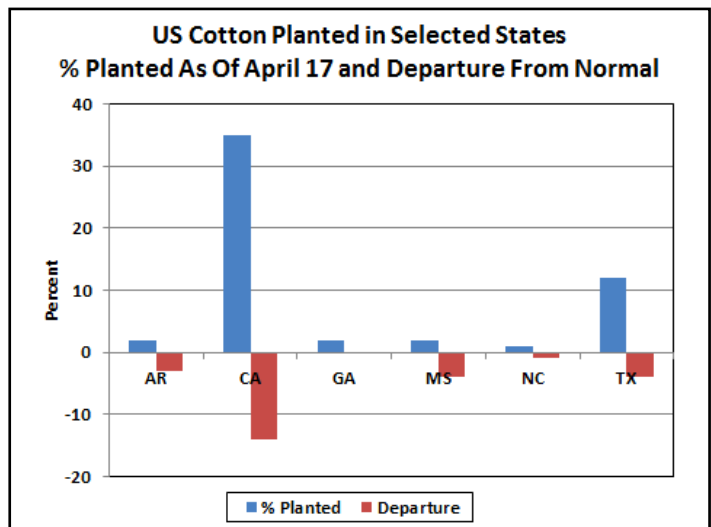
Markets are closed today for Good Friday. Dec2011 closed yesterday at \$1.32—a nice 3-cent recovery from \$1.29 on Wednesday and getting us back above the \$1.30 mark. Prices closed out up 3 cents for the week but still down 6 cents from 2 weeks ago.



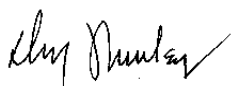
Much of the demand news recently seems to be revolved around US export sales, cancellations, and shipments. There have been some cancellations but shipments to-date now total 10.73 million bales or 68% of USDA's 15.75 million bale projection. This is ahead of last year's pace of 63%. 2011 crop sales already total 5.35 million bales. This could reflect the fact that 2011 crop is currently 50 cents cheaper than old-crop and/or the expectation of buyers that prices could go higher in the future.

On the supply side, news is circulating of an early drought situation in China. China plantings, emergence, and early crop condition could be impacted. Drought conditions also continue to be in the news on US cotton. 2011 crop prices, at roughly \$1.30, are not significantly higher than they were a month ago yet we are now in the midst of planting. US crop conditions, therefore, may not yet be driving prices higher but probably are nevertheless adding support (helping keep prices in the \$1.25 to \$1.30 range).

Last week's crop progress data (as of April 17) shows planting to be behind normal in most states. One exception included Louisiana where planting was way ahead of average. Overall, the US was 9% planted compared to a normal or 12%. Among the notables, California was 14 points behind and Texas and Mississippi 4 points behind the norm. Georgia was at normal.



Highly respected cotton analyst Mike Stevens notes that the 2010 crop run in prices to \$2 was due to a "perfect storm" combination of events not likely to be repeated this year. I agree. Many producers already have a portion of the 2011 crop priced/protected- albeit some at levels around \$1. There are no guarantees, but if support holds, producers should continue to have further good opportunities to add further sales.



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