

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

COTTON MARKETING NEWS



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Market Continues to Improve. Cotton prices (new crop Dec09 futures) continue to trek north. Prices are approaching that 57-cent resistance area I've mentioned in my past 2 issues of this newsletter. Will the market bump it's head on the ceiling or push on through? It's an important and perhaps critical consideration I think.

Prices are up roughly 10 cents since the low back in early March. December closed today at 56.38 cents per pound. Further out, May and July '010 are already around 60 cents. Do we dare think/dream we can actually get 60-cent December futures for this crop?

Your *minimum* goal is to get 56-58 cents for your crop in some combination of cash price plus LDP/POP or Loan plus equity. You're going to get that (basis the Southeast) pretty much falling in your lap. We've been through that math before. So the question remains and one of your decisions is how to end up better than that.

If the market bumps its head at this level and for subsequent reasons then declines into harvest, purchasing a Put Option could make a little money and you'd still have the crop to take the POP and sell, or put in Loan. But anything relatively cheap right now is going to have to be 5-6 cents out of the money. Another strategy would be contract some at this level and be prepared to follow-up with a Call Option if it looks like forces are going to push this thing higher. Otherwise, just be content to know what your worst-case scenario is and hold on for while longer. If things turn dry this summer, it could get interesting..... unless demand begins to dry up at higher prices. That's a worry.

Crop Progress, Conditions, and Moisture. It's still early everywhere except out West and in south Texas. California was way behind last year and average planting pace as of April 19. Arizona is on pace. Texas was 17% planted as of 4/19, which is near normal. Little happening yet elsewhere. The Mid-South is a little behind schedule as is the Southeast but it's early and there's still plenty of time to get caught up if weather cooperates.

Lack of moisture appears to not be a problem across the Belt—if there's a problem it might be a little too wet for planting in some areas. Texas is still dry but appears improved (but not out of the woods yet).



Don Shurley, University of Georgia

