

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

COTTON MARKETING NEWS



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“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.”
Cotton Marketing News, April 22, 2011.

Market Now at a “Testing Point”

Mid-day, cotton is so far making a bit of a rally in attempt to salvage something positive from what has otherwise been a wild week—last couple of weeks actually. Currently, prices (Dec2011 futures) stand at \$1.23.

This would be down almost 8 cents for the week. Prices dropped almost 4 cents on Monday, recovered some on Tuesday, but then lost over 2 ½ cents on Wednesday and dropped another 3 ½ cents yesterday to \$1.22.

Technically, prices should still have support around the \$1.20 level (see CMN above from 4/22/11). Today’s slight improvement, whether it’s just a technical recovery or a true positive economic sign, is yet to be determined. Only more time will tell but, for now, that’s of lesser importance. What seems of more importance is that the \$1.20 support, for whatever reason, holds for now. Cotton is at a “testing point”.



This week’s decline in cotton can be attributed, in part, to negativity over economic concerns that have hammered commodities in general. Both World and US cotton prices have been sharply lower. Old-crop (2010) prices, once at \$2.00, now stand at under \$1.50. The stock market as well, has also been on the decline. Oil has declined 10%. The stock market has lost around 2%. Other crop futures have lost ground this week—corn down 15 cents, soybeans down 67 cents.

Cotton may continue to be in for a bumpy ride. Both the supply side and demand continue to be very uncertain. This weeks “sell-off” (that’s economics jargon for speculative buyers taking their money and running) is evidence of some concerns on the demand side. The ICAC (International Cotton Advisory Committee) has projected that 2011-12 demand will increase by only 3% from 2010-11 but that World Production will increase by 11%. If realized, World Stocks will increase significantly.

This (supply > demand) scenario should not be shocking news to anyone by now. But cotton prices will certainly react to demand being better or worse than expected and, just as important, what the prospects are on the supply side. US cotton conditions continue to be dry in some areas, the acres in the Delta/Mid-South impacted by flooding along the Mississippi is not fully known, and planting progress remains behind normal. We’ve got a long row to hoe economically speaking.

Many producers have some contracting done. Some have done all they feel they can do this early in the season. But, if prices go lower into harvest time, you are less likely to be held accountable for contracted production you can’t deliver (*provided another producer is allowed to and willing to sell the difference at your contract price*). But it’s still risky. Also, unfortunately, Options have become so expensive as to be of limited use for the average producer. This week’s test of the \$1.20 level now probably puts the \$1.30 to \$1.40 area as a reasonable pricing opportunity for producers needing to or wishing to add to previous sales.

Don Shurley, University of Georgia
donshur@uga.edu / 229-386-3512