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

COTTON MARKETING NEWS

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Slip and Slide

December futures closed today at 75.67 cents per lb—a recovery from yesterday's loss but down 2.3 cents for the week.

This weeks decline began at the 78-cent level. Coincidently, this was also the previous peak reached back in late November. So, the question remains whether or not this weeks decline was truly "technical" resistance or just misfortunate timing. In either case, the march to 80 cents that many have been hoping for appears to have suffered a setback.

Demand and exports have been good even at the lofty prices for the 2009 crop (July 2010 futures currently over 80 cents). This bodes well for the 2010 crop. Cotton prices, however, were impacted this week by the barrage of negative economic news including Greek economic situation (and perhaps larger Europe economic concerns) and decline in the stock market.

India has placed on ban on cotton exports. India has become a major exporter and a big competitor to US exports. This ban could boost the demand for US exports. We'll need to keep our eyes on this development.

There's support at the 76 cent level. An indication of this would be the ability of the market to now bounce back from this week's loss and remain in the 76-78 cent area. Below this, there's further support at the 74 and 72 cent levels and then, at worst, the 70 cent area. In other words, *this market appears to have quite a bit of support* that would have to be busted through before something in the 60's could transpire…. but, we went from 70 to 78 in 2 months and then back down to 70 in 2 months, so things can happen rather quickly.

USDA's May supply/demand report will be out on Tuesday and it will contain the first estimates for the 2010-11 crop year. If the numbers are within range of what the market is anticipating, the report will be a non-factor. Tuesday's numbers will be based largely on historical yield and acreage abandonment and the March planting intentions numbers. Those numbers are already pretty well known. The 2010 crop will likely be estimated in the neighborhood of 16.5 million bales. Any impact the report might have is more likely to be on USDA's early estimates of "off-take"—US exports and mill demand.

If Tuesday's report is in line with expectations, *the market will continue to be impacted by actual plantings, crop conditions, and export news*. Actual acreage is very likely going to be higher than March intentions. The market has already factored this in. The only question is how much higher. So, any change in market direction may not happen until the June *Acreage* report.

Most analysts expect prices to eventually decline. Many producers have already taken protection on a portion of this years expected production.

Don Shurley

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