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

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Cotton Market Needs to Find It's Mojo

New crop Dec08 cotton futures prices aren't showing much life lately. Prices have been pretty much sideways for the past several weeks. December was down 2.64 cents/lb for the week, closing today at 78 cents/lb. The market is still within that lower boundary of about 77 cents that we discussed in my last newsletter but prices moved close to that level today before ending the day on a more positive note.

As we approach the end of May, prices have done all they were intended to do to influence planting decisions. Those decisions are made and it's now just a matter of getting the remaining crop planted. Cotton acres are down but that's no longer an issue. The market has dealt with that and we now turn our attention to the progress and condition of the crop and events on the demand side of the equation as well.

Old crop July futures dropped below 70 cents this week….. but there's still a nickel or better difference in price between old crop (July) and new crop (October). Keep an eye on old crop prices. The weakness seen in old crop prices may be reflected in new crop as well. If new crop December breaks support at the 76 to 77-cent area, that could get the boat headed to the waters of 70 to 75 cents….. all of which would seem to make little sense from the standpoint of market economic fundamentals. I still contend that potential is to the upside but must confess that economic woes and erratic and oftentimes slow exports are a concern.

Cotton planting has been behind normal—particularly in Mississippi (way behind), Arkansas, and Tennessee (also way behind). Has this resulted in a shift of cotton acres to soybeans? Being so far behind, cotton yield may be impacted even if planted to cotton. Other states are also behind. The latest numbers will be released on Tuesday, May 27th. Corn and soybean planting is also much, much behind normal in the mid-west.

For the present time, the market appears sideways with little motivation. New crop prices will key off the demand side for the old crop—exports and how many bales we will carry-in to the '08 crop year beginning August 1. Prices will also key on progress and condition of the '08 crop—but, right now economic woes and demand issues for the old crop seem to be overshadowing that.

Well, we have a new farm bill….. and it sure isn't a very popular one, even among some representatives from farm states. There has been a lot of negative comment about the "increasing subsidies and spending in a time of high farm profits and high food prices". I will be the first to admit that I have not examined the numbers in great detail and have not seen the forecasts upon which the budget/spending was based on. But, if prices for crops remain high as they are now, there should be very little to none in the way of commodity program payments (CCP and LDP). Direct Payments (DP) would continue but eliminating them would eliminate a portion of the DCP program that seems to be WTO-compliant. The purpose of the farm bill is to provide a "safety net" for farm income. With prices high, the safety net may not be needed right now but that doesn't mean it would be wise strategy to just roll the net up and put it away. The new farm bill does also make adjustments in payment and AGI limitations.

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