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**Double Whammy**

The harsh realities of the on-going drought and the highly uncertain outlook surrounding the US crop have finally gotten the market's attention. Mostly because of demand concerns and uncertainties, prices have previously only been "supported" by the production uncertainty. Now, concerns about the US crop have become paramount enough to have significant impact on price "direction".

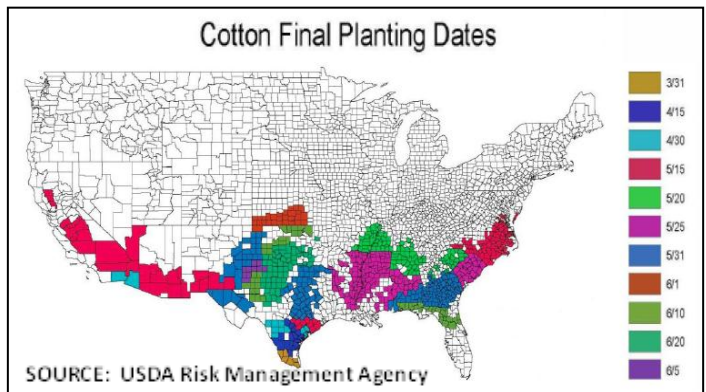
Today, prices (Dec futures) stand at roughly \$1.38. This is a gain of almost 9 cents for the week and a gain of 23 cents since the recent slide and low to \$1.15 back on May 13.




Here's the bottom-line-- the high for Dec was at \$1.40 or better back in April. We've approached and essentially matched that with the run these last 2 weeks. The market could pause and take a breath here. So, don't be surprised if prices "moderate" or settle in at the \$1.35 to \$1.45 for a while. It all depends on the continuing crop situation and demand news. One thing seems fairly certain though, if the horror stories about this crop are realized, sub-\$1.20 cotton might be in the rear-view mirror for a while. We'll see. We've got a long way to go on this crop and the demand side is also still very crucial. *The outlook is never known with certainty and can only be viewed within the context of what's more likely or less unlikely, what probably will or could happen or probably won't.* For that reason, marketing decisions are best made in that same context.

In May, USDA estimated the crop at 18 million bales based on the March acreage numbers and forecasts for yield and abandonment based in-part on drought conditions in Texas at that time. That 18 million bale number is probably not going to happen—but, it will all depend on how much is eventually planted, replanted, not planted at all, abandoned, and the moisture the crop gets or still doesn't get from this point on. Estimates out there right now range anywhere from 15 million to 17.5 million bales. If the crop ends up closer to 15 million bales—we'll you saw what happened to prices this week.

USDA's first estimate of actual acres planted will be out on June 30. Given the lack of moisture on most of the acreage that has been or will be planted and the likelihood for high abandonment unless conditions improve, I'm not sure this number will mean a whole lot or how accurate it could be. Crop Insurance Final Planting Dates are past for most areas but still a week or 2 away for a few. I plan a newsletter next week focusing on the deteriorating GA crop situation.



This season is turning out to be a double-whammy for some growers. Planting and early crop conditions are poor and ironically, this run in price may do some little or no good at all unless it hangs there another 2 to 3 months. Many are already priced/contracted on a good portion of their crop and worried about being able to make delivery even on that amount.



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