

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

COTTON MARKETING NEWS



Volume 9 Number 13

June 17, 2011

This newsletter is also available in PDF format on the UGA Cotton web page at:
<http://www.ugacotton.com>

Various Crop and Price Issues

Admittedly, this week's price action has been a bit scary. We stand today, as of now, around \$1.24—a nice recovery of round 4 cents today.

I've said before that the pre-harvest price range on this crop is most likely \$1.15 to \$1.50. This week took us closer to the lower end of that range. Even with today's recovery, we still stand to drop about 9 cents for the week and about 15 cents since the recent peak at \$1.39.

Is there reason to worry? Perhaps. But today's recovery is encouraging and the US crop is, for the most part, frankly in a mess. The outlook is highly uncertain on the supply/production side.



This week's downturn was triggered largely by global and US economic concerns including the situation in Greece and the possible implications for Europe in general and even the US. There are also other underlying fundamental demand issues. If higher/better prices are to be realized, mills must be willing to buy cotton at those levels and then those mills must subsequently be able to sell the high-priced yarn manufactured from that cotton. Reports seem to suggest that demand will not support higher prices. Granted, this logic can be difficult to understand since we had \$2 cotton last year. But what once was \$2 cotton is now less than \$1.50 (July 2011 futures) and demand worries have certainly increased relative to last season.

The uncertainty on the demand side is likely going to be with us for the rest of the season. Prices will depend on export/mill purchases at these prices and the eventual outcome on the production/supply side. Global economic concerns and weak mill demand could pressure prices lower. Crop conditions and production outlook, however, could help hold prices up.

This week, the demand side was in the driver's seat. Next week could be a different story. But what this has showed us is that, even with the crop problems, prices may struggle to recover if weak demand doesn't improve. Crop concerns will tend to push prices higher but that price-push can be siphoned off if demand (actual mill purchases of cotton as well as speculative buying of cotton contracts also) doesn't also support it.

USDA's June supply/demand report dropped the estimate of the US crop from 18 million bales to 17. This is based on an 800-lb yield (only 12 lbs less than last year) and an abandonment of 2.37 million acres. If the horror stories coming out of Texas are realized and if the Texas situation does not improve, the US crop may end up closer to 16 million bales or even less.

From a World perspective, the drop in the potential US crop was offset by an increase in 2010 crop carry-in supplies and a decrease in foreign mill demand. Projected 2011 crop year Ending Stocks actually increased slightly.

Georgia has gotten scattered thunderstorms over some of the cotton area during the past 2 days (June 15-16). Rainfall totals over the 48-hour period, in most locations, were light (0.10 to 0.25 inch or less). Some areas received 1-2 inches but most locations report much less. Subsoil moisture has been very low and moisture evaporation very high. So, recent rainfall will not last long and be of little benefit unless rains continue on a timely basis.

The scattered rainfall of the past 2 days comes right at the end of our crop insurance Late Planting Period for cotton and peanuts. We will no doubt have some acreage that was Prevented Planted but most of the crop insurance issues seem to deal with poor

emergence and producer decisions on replanting. The most prevalent problems in the state on non-irrigated fields are (1) poor stand due to lack of moisture and poor emergence or (2) seedlings that emerged but then died due to lack of moisture (see picture at the right).

In irrigated production, fields have already had to be irrigated multiple times just to get emergence and keep young plants alive.

The expected range for price continues to be the \$1.15 to \$1.50 area. The decline from the \$1.40 area broke important support levels around \$1.25 to \$1.30 so don't be surprised if the trek back up is a little tougher this time. Economic concerns took a toll on prices this week but, longer term, the US crop still faces major challenges and supply-side concerns, if realized, will have to be dealt with also in the marketplace.



Related GA crop and crop insurance information below is available at either of the following websites:

<http://www.ces.uga.edu/Agriculture/agecon/new.html>

<http://www.ugacotton.com>

- 2011 Drought and Cotton Planting/Replanting Decisions, May 25, 2011
- Georgia Cotton, May 27, 2011
- An Early Season Overview of the 2011 Georgia Cotton Situation, June 10, 2011
- Crop Insurance: Cotton Prevented Planting, June 14, 2011

A handwritten signature in black ink, appearing to read "Don Shurley".

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