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

COTTON MARKETING NEWS

Volume 6 Number 25 June 20, 2008

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

Market Bounces Back

Since dropping below support in the mid-70's, prices (Dec08 futures) rallied back into the low 80's. Earlier this month, prices threatened to break below the 70-cent mark but then made a nice recovery back to the low 80's. Prices moderated downward this week and ended the week today at 80.11 cents per pound.

The crop is off to a rough start. Hopefully, this recovery will breathe new life into the market and keep its head above 80 cents.

Concerns now mount about acres planted and the condition of the US crop. Planting is now pretty much done Beltwide but progress is behind normal also pretty much Beltwide, especially in the Mid-South. Georgia (no. 2 in acres this year) is also behind. For the week ending June 15, 35% of the Texas crop was in poor to very poor condition. Also, 12% of the Georgia crop was poor to very poor. The Texas crop has been hampered by blowing sand, hail, etc. and acres possibly to be abandoned is now a concern.

In travels around Georgia over the past 2 weeks, several observations:

- Non-irrigated corn is in trouble. Irrigated crop fine. Not as much corn as last year.
- Looks to be a lot more peanuts than last year. Peanut stands are very spotty.
- Cotton looks surprisingly "ok" for now given how dry it has been so far this season.
- Maybe I wasn't in the right places, but surprised at how few soybeans I saw.
- Some non-irrigated fields, planned to be double-cropped after wheat may not be planted. No moisture.

While cotton hopes to hold in the 80's or move higher, corn now tops $7/bushel and soybeans over $15/bushel. Cotton demand still seems tied to cotton being cheaper. Although there are increasing concerns about the US crop, those concerns as evidenced this week can be offset and prices still move lower if exports and the demand side in general does not remain brisk. High prices don't seem to rattle the corn and soybean markets but cotton can't seem to ride the same train………… yet.

Dec09 cotton futures are almost 91 cents per pound. Dec10 cotton futures are 98 cents. This clearly reflects expectations for continued competition for acreage due to high corn and soybean prices—which, in turn, is also tied to oil and the energy/biofuels situation.

Something to ponder—as long as diesel, fertilizer, and other costs of production remain at such high levels, just exactly how low could crop prices possibly go and farmers still be able and willing to plant and produce? High costs, to some degree, must be supported by high prices otherwise supply itself is not sustained.

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