

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

Prices Make Gains But Can't Hold

Prices made one of those runs this week that we have been hoping for and anticipating would happen. Prices (Dec12 futures) reached almost 75 cents on Tuesday, closing the day at just under 74½ cents. Unfortunately, the rally fizzled (subsequently declining almost 7 cents) before making somewhat of a recovery today. Prices closed today and the week back down below the 70-cent level at just over 69 cents—down 1.9 cents for the week.

From the standpoint of producers looking presently and longer term for timely marketing opportunities, it is encouraging (and important) that the rally occurred. Prices have trended higher for the past couple of weeks—rallying from a low of around 65 cents. It is disappointing, however, that the rally could not hold. The 65 to 70-cent area may be the bottom or low for now. This week proves that upside potential still exist, but negotiating the 72 to 75-cent area could yet be difficult. There still a long way to go, however, and a lot of uncertainty in supply and demand yet to deal with—meaning both upside and downside potential.

Prices strengthened on news of strong old-crop export sales, especially to China. Reports have also circulated that China may buy a large quantity of the 2012 US crop to continue to build its stocks. While this is helpful to prices (boosting demand/sales in the short term), it seems the longer term impact of large Chinese stocks will likely be to depress prices.

USDA's June supply/demand projections for the 2012 crop year raised beginning stocks, lowered expected foreign production by 1.4 mb, and lowered demand by almost 1mb. The net result was a 760K increase in World ending stocks. Ending stocks are now projected to increase by 7.2 mb from 2011-12 to 2012-13.

Prices will continue to be influenced by global economic news, demand/sales, and crop conditions. USDA's first estimate of actual 2012 acreage will be released next Friday, 6/29. It is anticipated that actual planting will be less than the 13.16 March number. The market is likely already anticipating this and prices may show little reaction to the report unless planting comes in much less than expected.

With large World stocks and struggling demand, prices may find in difficult to navigate above the 75 to 78 cent area unless major crop problems develop.



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

