

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

What Happened?

The ride to the top at about 63 cents was due to reduced acreage and production, growing confidence that the US and global economic situation was improving, and speculative buying.

December futures bottomed out at just under 55 cents last week on June 22 and have since improved somewhat. Prices closed today on a down note at 56.84 cents per lb but up about ½ cent for the week.

From the lows back in March, the market increased about 15 cents to the highs in May and then lost about half of that on the move back to around 55. Although this setback in price is concerning, it is only that—a setback. There are still plenty of concerns and unknowns yet about this crop and it is that uncertainty that will continue to keep the market on edge.

The decline or “correction” we have witnessed was due to some uncertainty starting the creep into the US and global economic recovery picture and some speculative interest starting to play out. Good news is that export and speculative buying has been good as prices have declined—indicating that demand is still out there.



Prices have attempted a nice recovery from the recent low at around 55 cents. We now find ourselves around the previous support level of 57 cents. If we can keep our heads above the 57-cent level, this will be a positive sign from a technical standpoint. In terms of pure ol’ supply and demand, the next month to 6 weeks will likely tell the tale. A recovery back above 60-cent area would likely be a good opportunity to take protection.

USDA’s *Acreage* report will be out on Tuesday, June 30th. We’ll see how actual planting compares to the March *Prospective Plantings* number of 8.81 million acres. A number less than 8.81 should be supportive of the market, if not bullish. A number of 8.8 to 9.0 should be pretty much neutral.

Regardless, the big unknowns and key factors will continue to be crop condition and acreage abandonment. The Texas crop is a real mixed bag. Georgia is getting dry. On average across the Belt, the crop was late being planted and is behind schedule. Good weather is needed from here on out. Weather and crop concerns could give us another run at 60 cents or better. Typically, any weather rally will occur by early August. Prices would typically trend level to down after that into harvest time. With later crop development, late summer and early fall could also be crucial this year.

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