

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

COTTON MARKETING NEWS



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**2011 Crop
Rolling the Dice**

USDA released its 2011 *Acreage* report this morning. This is the results of a late May and early June survey that asked farmers to report “acres planted and to be planted”. Given this year’s drought and impact on planting and replanting decisions, knowing the question could be important to deciphering the numbers.

Back in March, farmers said they “intended” to plant 12.565 million acres. That number was considered low and today’s report bears that out. The June 1 survey suggests farmers have planted or will plant 13.725 million acres—1.16 million acres more than the March number.

This should come as no shock to most observers, yet the market has been down 3 to 5 cents most of the day. The higher acreage is no surprise but I think the market just forgot this was coming. The market has been focused more on drought, yield, and possible abandonment and on the demand side/global economic issues.

Today’s acreage increase of 1.16 million above the March number is not at all surprising but what is a surprise is where the increase came from or, more so, where it didn’t. Texas accounted for almost the entire increase—1 million acres. That leaves only 160,000 acres increase among the remaining 16 states. All states are up from last year but today’s number is higher than the March number in only 8 of 17 states. I expected Georgia acreage to be a bit higher than the March number but today’s number was the same.

So, we’ve got 1.16 million acres more planted. We all know the real concern right now, however, is acres to be *harvested* and yield. When we start trying to calculate expected 2011 production, I suppose an extra 1+ million acres planted could offset some of the acreage that will likely be abandoned.... but, most of the acreage increase is in Texas and that’s where the major drought and potential abandonment problems are!

The next USDA supply/demand report will be out on July 12 and estimates will be based on today’s report of acres planted. The June report was based on the March acreage estimate of 12.57 million acres planted, 10.2 harvested (19% or 2.37 million acres abandoned), and a yield of 800 lbs/acre. The US production estimate was 17 million bales. Assuming no change in yield, today’s acreage could peg the crop at 18.53 (if keeping a 19% abandonment) to 18.92 million bales (if keeping the same 2.37 million abandonment).

2011 US Cotton Acres Planted¹

	2010	2011P	2011A	% Change ²
Alabama	340	410	450	+32.4
Arizona	197.5	234	261	+32.2
Arkansas	545	630	650	+19.3
California	306	385	450	+47.1
Florida	92	100	93	+1.1
Georgia	1,330	1,450	1,450	+9.0
Kansas	51	68	68	+33.3
Louisiana	255	290	280	+9.8
Mississippi	420	530	600	+42.9
Missouri	310	360	340	+9.7
New Mexico	49.7	68.5	63	+26.8
North Carolina	550	750	760	+38.2
Oklahoma	285	320	300	+5.3
South Carolina	202	260	270	+33.7
Tennessee	390	470	460	+17.9
Texas	5,567	6,115	7,115	+27.8
Virginia	83	125	115	+38.6
US	10,973.2	12,565.5	13,725	+25.1

1/ Thousand acres. 2011P is USDA *Prospective Plantings*, March 31, 2011. 2011A is USDA *Acreage*, June 30, 2011.
2/ 2011A compared to 2010

Today's price action is not totally unexpected. POTENTIALLY, today's report could end up adding 1.5 million or more bales to the crop. BUT, we still have a long way to go. Texas is still the key and still likely to walk away from a large portion of that acreage so does it really matter in June if they've planted 6 million acres or 7 million? Ultimately, how much of it will be harvested and at what yield is what's important and that's what will still drive this market on the supply side.

Another thing that is VERY important—I know it applies here in Georgia but I'm not sure about other states, and that is that a good portion of the acreage has been replanted. It was planted then a month or more later planted again due to drought and poor emergence. Believe it or not, we are still planting this week. So, in the case of Georgia, a significant portion of the 1.45 million acres is very questionable in terms of yield. We're rolling the dice—we're late on the front end and even if we get rainfall from this point forward, if September through November doesn't cooperate that acreage is still at significant risk. Producers are concerned about being able to fill their bale contracts and some are buying out what they don't think they can deliver.

During the day today, prices have dropped as low as around \$1.16—essentially almost matching the lows we had back in May. Currently, prices have moved up to the \$1.19 area. If the \$1.15 area holds, that will be an encouraging sign and potentially give the market some additional support and, more importantly, a foothold for recovery. Prices have lost some of their "spunk" in recent weeks. June has been rough. We've gone from \$1.40 to now just trying to get back above \$1.20.

For now, the price outlook has to be considered still optimistic (if the \$1.15 level holds) but more guarded. The demand side is still haunted by global economic uncertainties and we just added over a million acres planted to the crop. Still, the supply side is very "iffy" and could be the basis for a trek back to higher prices.



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