Southern Cotton Growers, Inc.

REPRESENTING COTTON PRODUCERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA

COTTON MARKETING NEWS

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The Top Is Likely Already In Now

The past 2 to 3 weeks have been rough. Cotton prices have taken a beating due to a series of one negative factor after another. We've been waiting for the 80-cent game to come to an end and it looks like it may now be over. It figured to be just a matter of time anyway and, fortunately, I think many producers managed to get a decent portion of the expected 2010 crop already priced or protected in some fashion before this latest decline.

Never say never and who knows what the remainder of the growing season yet holds—so we can continue to hope for at least one more rally but odds don't look real promising.

Since peaking at almost 80 cents back in mid-June, prices have now dropped about 6 ½ cents. Prices have dropped about 2 cents over the past 2 weeks—1 ½ cents this week. The market now needs to quickly find a new "comfort zone". It appears prices are trying to settle in the 73 to 74-cent area. Further weakness, however, if it develops due to continued negative supply/demand factors, could eventually take us to the 72-cent level if we don't get support now. Price direction squarely depends on the supply side (US and key foreign production like India and China) and US exports.

So let's look at some of these factors:

US Crop Progress and Conditions. The crop continues to progress well. Most states are ahead of normal in squaring and setting bolls. A few states are a little behind but on average the US crop looks earlier than normal. I wonder how much of this has to do with the switch-over to different varieties this year. Areas of Texas and the Mid-South that have needed rain have reportedly had rain. The crop (as of 7/11) was rated 69% in good to excellent condition—up from 65% the previous week and only 43% the same time last season. It is worth noting, however, that several states (as of 7/11) were roughly 40% or more fair to poor including Georgia, North Carolina, South Carolina, Virginia, Missouri, Mississippi, and Louisiana.

US Supply/Demand. In its July report, USDA pegged the crop at 18.3 million bales based on the June acreage numbers and improved crop conditions. A crop that size should come as no surprise. Yield is pegged at 845 lbs which would be the 3rd highest on record compared to 879 lbs in 2007 and 855 lbs in 2004. The crop could get bigger if conditions and progress improve further. Exports were raised to 14.3 million bales but Ending stocks are now projected to be less tight due to the even larger increase now expected in the crop.

Foreign/World Situation. I saw the July World numbers as a mixed bag and of only minor significance as far as price direction goes—but from other reports I am reading, there could be more significant changes forthcoming. USDA has the China crop at 33 million bales and the India crop at 25 mb. The China crop could get smaller and the India crop bigger. A smaller China crop means increased demand for imports or use of their own stocks. A larger India crop means increased India exports and competition for US cotton.

If you need additional pricing and protection, take action on rallies above 75 cents. Rallies can still come on good demand news or crop concerns. The tractor is not in the ditch yet, but it could be a little tougher go the remainder of the year.

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