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

COTTON MARKETING NEWS

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$1.00 Cotton
Usually a Good Sign, But Not Now

Dec11 cotton is trying to remain at or near the $1.00 level. *Prices have ignored problematic issues with the US crop* and instead taken a tumble based largely on demand weakness.

Dec11 has lost over 40 cents/lb (approximately 30% of value) since early June. The past 2 weeks have been particularly brutal—dropping 16 cents since July 8. Prices have been up or down limit or near so several times during this period. Dec11 dropped the limit to $1.04 on July 12 but then rallied the limit to $1.08 the next day. *This should have been an optimistic sign but* prices could not hold that level and it's been downhill ever since. We stand today at around 98 cents.

The support at the $1.13-$1.15 level failed to hold and that quickly took the market to the next level of support at $1.00. It has been a struggle this week just to keep our head above water around $1.00. Prices have traded as low as 94 ½ cents. The next target level for "support" will be at 85 to 90 cents. Let's hope we don't continue the slide to that level. *So far, "support" has been just another temporary step on the way down*.

Last week's USDA *Crop Progress* report showed the US cotton crop to be not too far behind normal in development. As of July 17, the crop was 71% squaring compared to 79% average. The crop was 31% setting bolls compared to 34% average. I say that to say this—*it really doesn't matter*. What's more important is that as of July 17, *40% of the US crop was rated in poor or very poor condition*. In Texas, 57% was rated poor or very poor and in Georgia, 37%. In Oklahoma, 72% was poor or very poor.

The US crop is currently estimated by USDA at 16 million bales. There is already much talk around the industry that, due to high acreage abandonment and/or low yield, the crop might be closer to 15 mb after all is said and done. If the US crop comes in that low, it would be *the lowest US available supply (old crop carry-in stocks plus new crop) since 1998*. While this would seem to be a significant occurrence (and it still could be), the reality is that in terms of World supply and demand, a tight US situation can be of less importance if offset by increased (a) production in other countries and (b) decline in demand. *And right now, that seems to be what the market is focused on.*

Just a couple of weeks ago we were discussing some producers buying out contracts due to the expected short crop. Recently, I've had calls and emails from producers looking to do more pricing. Depending on how much you already have done and at what price, right now *getting back to the $1.10 to $1.20 level would be quite an accomplishment*. Until demand picks up, reaching even that level might be a challenge unless the US supply-side worries can get another foothold. But it's not a too unrealistic goal and I'd have to think that further downside risk is hopefully limited at this point….. hopefully, that 85 to 90-cent level will not occur.

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