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Cotton Continues Sideways

Prices seem to have found some stability—albeit at a lot lower level than we would like. If you're looking for remaining pre-harvest contract/pricing opportunities, rallies to the 73 to 75 cent area unfortunately still appear to be the objective in the near-term. However, if the 70-cent level can hold as a floor, the risk of holding off and waiting for something even higher seems minimal.

Prices (Dec12 futures) have ranged mostly between 72 and 73 cents today. Since falling to near 65 cents on June 5th, prices rallied to over 74 cents and have since stabilized. Including today, prices have closed above 70 cents 26 of the last 37 days since the decline to near 65 back on June 5. Prices dipped back below 70 cents on Wednesday this week but then recovered yesterday and again today.

Prices, for the present, are buoyed by a combination of somewhat bullish news including fresh buying interest, lower relative values of the US dollar, improved US stock market, high grain and soybean prices, and the likelihood of less cotton acreage in 2013. News has also included encouraging but sometimes conflicting reports out of China concerning its economic situation and policies. Prices have also been aided by growing uncertainty about India—monsoon rainfall is well behind normal in the west-central and northwest including several major cotton-producing states. Production and exports would be lessened.

Thus far, prices have been unable to breakout of a month-long sideways pattern between about 70 and 74 cents. While prices could still break higher, it will apparently take more bullish news than the market has dealt with so far. *(As this is being written, prices have faded back below 72 cents later in the day—adding support to this statement).*

There continues to be some risk that Dec12 will slip back to the 68-cent area or below. If not already, producers should guard against that with a fair portion of their crop. If remaining pre-harvest price prospects do not improve, use the Loan and/or hope for better old-crop prices moving into 2013 as a result of high grain and soybean prices and the prospect of smaller cotton acreage.

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