

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

# COTTON MARKETING NEWS



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## Market Adjusts But Stays Strong

After the huge increase to 85 cents, December futures have tried to make an adjustment or “correction” downward but thus far prices have held. That’s good news for growers who still would like to have an opportunity to lock in price on more bales.

I met with cotton growers in Coffee County this week and we discussed this market and marketing strategies for the remaining uncommitted crop. My take-home message was “flexibility”. Markets are increasingly volatile and tools like Options, though not guaranteeing the highest price, can provide flexibility and manage risk. Some growers with a good portion of their crop already fixed/contracted are considering Put Options on this rally.



One grower asked about basis contracts. Basis contracts don’t reduce market risk but can be attractive if the basis quote is good. It also gives the grower an outlet-- our growers still remember when prices increased in 2008 and some merchants pulled off the market. Growers were still able to price on that rally, however, if they had a basis contract. A basis contract also protects the grower from a widening basis—which sometimes can happen especially when prices increase sharply.

December futures closed today at 86.07 cents/lb—up just over 2 ½ cents for the week. Prices had “adjusted” down to about 83 cents last week before making new gains this week and a new high at 86.15 yesterday. Prices are being fueled by continued good export numbers, continued good US and World demand, and continued concerns about losses to the Pakistani crop. There are also bullish “technical factors” that have helped support this rally. Cotton prices are also supported by high prices for soybeans.

Prices are also now some concerns about parts of the US crop. Overall, the crop still looks good and large. There have been concerns about cooler temps in Texas High Plains but reports are that the crop is already pretty far along. Last week the Texas crop was rated 67% good to excellent. The US crop was 62% good to excellent.

Last week, the Georgia crop was rated 30% poor to very poor. The Georgia crop was ahead of average at 29% open bolls compared to 10% average. Some of the Georgia crop looks questionable—it looks late and boll load is light. As of 8/22, Alabama was 26% poor to very poor, Missouri 37%, North Carolina 20%, and Virginia 35%. The Texas crop may look good and but the jury is still out on the crop in some other states.

As we now move into harvest over the next few months, prices have been impressive. Seldom have growers had the multiple opportunities they’ve had this season and especially at these levels. It has been a good sign that export sales and demand have continued to be good even with prices in the 80’s. Technical factors certainly come into play but fundamental supply and demand eventually determine the only true direction of price. In other words, prices can stay at these levels as long as there is demand for cotton as these levels. So far, so good.

As long as demand supports it and there are uncertainties on the World supply side, prices should have support. Don’t be surprised, however, if prices try again to adjust downward back to the 80 to 83 cent area.

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