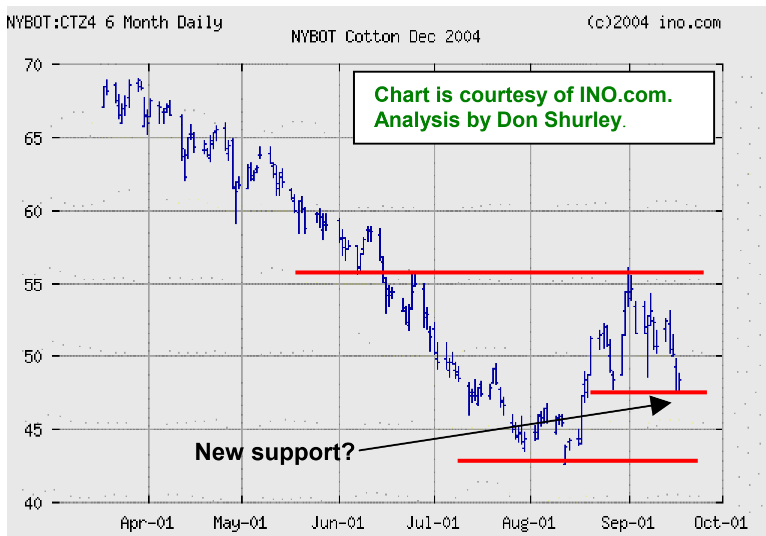
Southern Cotton Growers, Inc.
REPRESENTING COTTON PRODUCERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA

COTTON MARKETING NEWS

Volume 2 **Number 37** **September 17, 2004**

This newsletter is also available in PDF format on the UGA Cotton web page at:
http://www.griffin.peachnet.edu/caes/cotton/

The market rallied with Frances… then declined afterwards. The market rallied again when it thought Ivan was headed to Mississippi and Louisiana… then declined when Ivan decided to head for Alabama and Georgia instead.



Losses to Alabama and Georgia crops could easily top 600,000 bales. But unfortunately, when the U.S. is looking at a possible 20.9 million bale record crop, and a record 107+ million bale world crop is expected also, these losses while significant to the farmers incurring them, seem to get lost in the numbers game.

December closed up today, back above 48 cents. This is encouraging and could signal at least temporarily that the market will take a wait-and-see attitude regarding crop losses. It could also mean the earlier decline to the 43.50 level was more technically driven than true fundamentals. But still, the market is 7 cents below the rally at 55 cents. If this support at 48 cents fails to hold, prices could eventually take us back to the 43-45 cent level. But, this could very likely be a level where we would find buying interest and prices should not stay there long.

The LDP is currently at about 10 cents. Keep in mind that your marketing objective is to maximize *total money* (LDP + cotton sales or loan + equity or cotton sales + loan gain) without risking everything in the process. Total money right now would be about 56 cents/lb (basis –175 December and 968 LDP). This can be compared to other strategies depending on what prices do over the winter months.

		Futures Price Later			
		4500	**5000**	**5500**	**6000**
LDP + Sell Now	**5636**				
LDP + Sell now + Call [1]		5232	5232	5432	5932
LDP + Sell later [2]		4868	5368	5868	6368
Loan + equity [3]		5650	5650	5650	5750

1/ Assumes a May Call at 404 points premium. Does not include any "time value" of the Call.
2/ Assumes a basis of –250 and 350 pts storage and interest charges for 5 months.
3/ Assumes A-index at 8 cents above futures. This is the current "spread". If spread narrows, total money will be higher.

Don Shurley, University of Georgia
229-386-3512 / donshur@arches.uga.edu