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

COTTON MARKETING NEWS

Volume 7 Number 36 September 25, 2009

This newsletter is also available in PDF format on the UGA Cotton web page at:
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BOING………… Again

Cotton prices have had a wild week. Prices (Dec futures) peaked at 64.81 cents/lb yesterday then crashed to 61.94 today—down 287 points or almost 3 cents. That left us down 266 points for the week and wiped out the gains made over the past 2 weeks.

The basis Southeast right now for SLM 41-4/34 is -325 December. So today's move down puts cash bids back down below 60 cents. Ouch.

The POP/LDP will be 3.15 cents through this next Thursday, October 1. You want to watch the A-Index/Futures spread. Assuming a constant basis, you're making more money when this spread (currently only about 3 ½ cents—approximately 65.5 minus 62) narrows. The spread narrows when futures increase in relation to the A-Index or the A-Index declines in relation to futures prices. Total money right now (POP/LDP plus cash price) is about 62 cents. If prices continue down next week, you'll be losing money until the A-Index and AWP also adjust downward and the LDP/POP increases.

This is third run to over 64 to around 65 cents that we have had. Each time, the market has "corrected" downward. Fortunately, each time in has gone down it has also then mounted a "recovery". This cannot and will not continue much longer.

There is talk of cotton going to 70 cents. Who is going to buy US cotton at 70 cents basis the farmer? The A-Index is the average 5 best (cheapest) prices for 31-3/35 cotton delivered f.o.b. port in the Far East (this is called the FE Price). This average price (f.o.b. all the way to China) right now is roughly 65 cents. US exports depend on the US being competitive with foreign production and supply of exports. Otherwise, the US becomes a "residual" supplier when other cottons are not available.

Eventually this 6-7 cent range (57-58 to say 63-64) we've been in will have to show its true colors. It's already deer (archery) season here in Georgia, so let's say "the camo will eventually wear off". The US crop looks good but is still far from made. Late season and harvest weather problems could reek havoc on the late crop. Prices must and will eventually move to the level that World supply/demand and US export sales will support. Is that 65 to 70 cents or is 55 to 60 more likely? Know one knows for sure. Every cotton grower is different in how they access the market and handle the risk. I believe I'd adopt a strategy that would prevent me from having to sell most or all of my crop at the pessimistic end of this spectrum.

Don Shurley

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