

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

COTTON MARKETING NEWS



Volume 10 Number 21

October 5, 2012

This newsletter is also available in PDF format on the UGA Cotton web page at:
<http://www.ugacotton.com>

70 Cents Holds

The expected support or floor has held. That's good. Unfortunately, we're now way down near 70 cents—and growers can't be pleased with that. But if support at 70 hadn't held, we'd otherwise possibly be trending to 65. As we have mentioned here before, there is further downside price risk to the 65 to 68-cent area.

Prices (Dec12 futures) "broke" back on September 21 and subsequently declined to under 71 cents last week. Prices improved this week to back over 72 cents Wednesday and yesterday but are down a little today and we may end up giving back some of this week's gains. If support holds, prices may eventually trend up... but, no mistake, there's a lot to overcome to get there.



This week's export sales report showed net sales of 245,000 bales including 118,000 to China. This brings total 2012-13 crop sales to 5.6 million bales. That's 48% of USDA's estimate for the year but compares to 62% this time a year ago. The strong export report was taken as supportive for prices. When prices dip to the lower end of the expected spectrum, a pick-up in export sales helps validate the "support".

India has been in the news this week. The India crop is estimated by the Cotton Advisory Board at 26 million bales compared to USDA's most recent estimate of 24.5 million bales. Exports are estimated at 5.5 million bales compared to only 3.5 mb estimated by USDA. Large World and China stocks, now combined with higher than expected production and exports from India if realized, could place additional downward pressure on prices. USDA's October estimates will be released on Thursday next week (October 11).

USDA-AMS reports the basis for Southeast cotton 41-4/34 is currently -325 (3.25 cents under) December. Better grade 31-3/35 is at a 300 pint (3-cents) premium to that. The table to the right is a summary of quality on the cotton classed as of yesterday. Birmingham is not yet reporting any bales classed.

SE Cotton Summary

	Macon	Florence
Bales Classed as of October 4	64,825	4,668
% Bales Color 31 or Better	29.3	43.3
Average Staple	35.1	35.4
Average Strength	28.8	29.6
Average Micronaire	4.9	4.8
Average Uniformity	81.2	81.6

As harvest continues to progress and we move forward, prices may find additional weakness but are generally expected to hold in the 70 to 75-cent area with possibly weakness below 70.

Prices for the 2013 crop (Dec13 futures) are in the 76-cent area compared to corn at around \$6.25 and soybeans at around \$13.25. A bumper peanut crop is expected and may drive peanut prices and contracts down considerably compared to this year. This may reduce the acreage battle to one between cotton and corn in states with significant peanut acreage. I still expect cotton prices (old crop and new crop) to improve into winter and spring in order to be competitive. But I don't expect a return of prices seen last winter and spring.

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