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

COTTON MARKETING NEWS

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Cotton's Wild Week

Cotton (new crop Dec12 futures) roared past resistance at 77 cents and this week posted the highest prices in 5 months (since May). Dec12 was up the limit on Wednesday closing at 77.86 cents/lb. Prices surged even higher yesterday but were unable to sustain it before closing slightly down for the day. Prices closed the week today down and settled at 76.88 cents—down a cent from Wednesday but still up 5 ½ cents from last week.

Reports suggest the quick rally was due to a rash of new buying—folks with "short" positions buying to cover or take profit and new buying or "long" positions. It is also reported the rally may be due to a temporary shortage of tenderable quality cotton for delivery.

Is this a good time to sell? It may be. We're up a nickel. After rallying, it was disappointing and a little concerning that prices closed today and the week back down around previous resistance at 77. Prices for better quality cotton may continue to remain strong (a very good basis) but as harvest and delivery progresses, this may subside. Fundamentals continue to point to oversupply which can unlikely sustain much higher prices than this week's rally. For producers with most of this year's production already priced, risk seems minimal if choosing to hope prices move even higher. For producers with little cotton sold, however, and thus in a riskier position, this rally might be too good to turn down.

Is it too soon to begin pricing the 2013 crop? It's never easy because the earlier the decision, the more time available for things to change that could end up making it a good decision or a bad one. Nevertheless, marketing decisions have to start sometime.

Dec13 cotton futures closed today at 79 cents. At present, prices are tracking mostly between roughly 75 and 81 cents. It is generally believed and accepted that US and World cotton acreage and production will be down next season in favor of corn and soybeans. Typically, this might cause cotton prices to improve to compete for acreage….. but, burdensome carry-in stocks may prevent that to some degree. In the end, 2013 prices will depend on use and availability of those stocks, new production, and mill demand.

Nevertheless, I can't help but point out that if corn and soybeans see a big increase in production and cotton a big decrease, maybe corn and soybean prices end up (by harvest time) trending down and cotton trending up. I can't think of a good argument why pricing couldn't begin at around 80 cents on at least a small portion of 2013 expected production.

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