

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

COTTON MARKETING NEWS



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A Good Week for Cotton Prices

We're in the middle of harvest and for producers with uncommitted bales to sell, this week's price action is a welcome sight. The rally may not hold, but *the underlying factors behind this week's move* are good signs and likely supportive for prices.

Prices (Dec11 futures) were up every day this week (4 straight days) and closed at \$1.0432 yesterday—the highest level in over 5 weeks. Prices are trading down just a bit so far today but this would still be a *net gain of about 6 to 7 cents for the week*.

Factors impacting the market this week include:

Crop Progress and Conditions. Harvest is running ahead of average in all but 3 states. As of last weekend (10/23), 44% of the US acreage had been harvested compared to 36% average on that date. *Overall, crop condition declined slightly last week* with 43% rated poor to very poor compared to 41% for the week ended 10/16.

Stock Market Gains. The Dow gained almost 350 points yesterday and cotton was up the limit 4 cents. Stocks rose on news of a European plan to deal with their debt crisis. This optimism spilled over to commodities. *This optimism is on the speculative buying side as opposed to actual cotton buying but nevertheless adds support to the market.*

Export Sales. This week's export report showed net sales of 386K bales-- over 300K bales higher than last week's report. Most of the sales in this week's report went to China. In addition to mill demand purchases, China is also building its reserves (stocks, which are at historically low levels). *These export numbers will be important as we look ahead to price movement over the next few months.* USDA has lowered its estimate of 2011 crop exports in recent months and if that continues, it will be difficult to hold prices at these levels.

Pakistan. USDA has the Pakistan crop estimated at 10 million bales. Recent monsoons and flooding, however, are reportedly likely to cut that crop by 6%. The effect of the flooding on the cotton crop is *still uncertain*, however.

This week's rally to near \$1.05 sparks optimism that perhaps further upward movement is possible. More accurately, it probably adds to the potential volatility. *We need to keep selling and exporting cotton.* There seems to be buying and, therefore, support at the 95-cent to \$1.00 area. It's uncertain, but *sustained* prices much above this level may choke off demand. That is why rallies like this may be prudent short-term opportunities for sales.

So far, the market has not been able to break above the previous \$1.05 to \$1.08 area. It's also important that the 95-cent area holds on the downside-- otherwise, prices could move into the 80's. *Support from export sales should keep this from happening, however.*



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