

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

COTTON MARKETING NEWS



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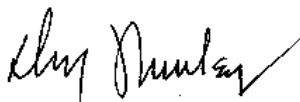
Expectations seem to be that the US and world cotton crops are likely to continue to get larger (that subsequent reports will likely show numbers even larger than USDA's October estimates). While that is certainly yet to be seen, it is causing cotton prices to come under new pressures that tempt to push prices lower. December continues to attempt a hold above the 44-cent area but is dangerously close to breaking through. Soon, our attention must turn to March (merchants will begin buying cotton basis the March futures rather than December in about 2 weeks).



During October, December prices were pretty much unchanged for most of the month although turning downward this week. Note March prices, however. March showed more of a downtrend compared to December. As a result March went from about 2 cents higher than December on Oct 1 to about the same as December on Oct 29 to end the month. Typically this is not an encouraging sign (as it could signal weaker demand for March cotton or prices too high for December cotton, neither being good).

I am not abandoning ship on the notion that Dec can stay above 44 cents. But a drop below 43.50 or 44.00 would not be a good sign. The world price (A-Index) has been declining and pulled US prices with it. If we expect to export 12-13 million bales, US prices must march in step. I am still hopeful that a weaker dollar now compared to 2001 will keep prices from eroding to 2001 levels. Having said that, ever-growing world supplies and weak US export numbers like we have seen in recent weeks are not easy to stare down.

One word of insight is to not go into the post-harvest season unprotected. If you take the LDP (POP), go ahead and sell the cotton and be done. Or take the LDP, sell the cotton, and risk only buying a Put (if you speculate the market going down) or a Call (if you speculate the market going up). Or forgo the POP and put the cotton in loan. In taking the LDP, timing is important. Take the LDP and sell cotton when the cash market is gaining or wait if you anticipate the LDP will increase and the cash market not decline.



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