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### Current Crop and New Crop

2007 crop prices (December futures) have traded sideways for the past month—moving in the 62 to 65+ cent range. Currently, the basis Southeast is -2.25 December. This is a fairly good basis by traditional standards for this time of year. So, the cash market for 41-4/34 is around 62 cents. Dec07 closed the week at 64.31.

Merchant offers will likely be switching to the March futures sometime the week of November 12<sup>th</sup>. With the switch, we can expect the basis to widen initially then perhaps narrow back to around current levels. Currently, the Dec-Mar spread is very good-- +4.63 cents. So, even a wider basis March will result in a higher spot (cash) market—subject to changes in March futures of course.



One thing we have considered little has been the change in timing and amount of DCP (direct and countercyclical) payments the past 2 crop seasons. The advance on DP has declined from 50 to 40 to now 22%. Advance on CCP has declined from 70% to now 40% and, of course, CCP itself will be down compared to previous years. These changes could mean farmers being more aggressive with cash sales earlier in the marketing season in an effort to balance/improve cash-flow.

Dec08 closed today at 75.21- down just slightly from last week but above the important 74-cent level. There appears solid support at the 72 to 74 cent level and downside risk seems minimal. Export reports on the '07 crop have been more encouraging. Looking to the winter months, as long as sales remain solid and prices for corn and soybeans strong, this combination of good exports (indicating good demand) and continued concern for '08 acreage should be enough to keep a solid floor under cotton prices with the opportunity to push higher.

Pivotal crop decisions for 2008 are already on the minds of growers. If Dec08 cotton prices remain at current levels or higher, growers should not “bale” out on cotton acres just yet. Crop rotations, yields, costs, prices, and marketing plans all need to be considered.

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