

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

Ida Might Send Prices “Higha”

NOTE: This article written on Monday morning, November 9, 2009.

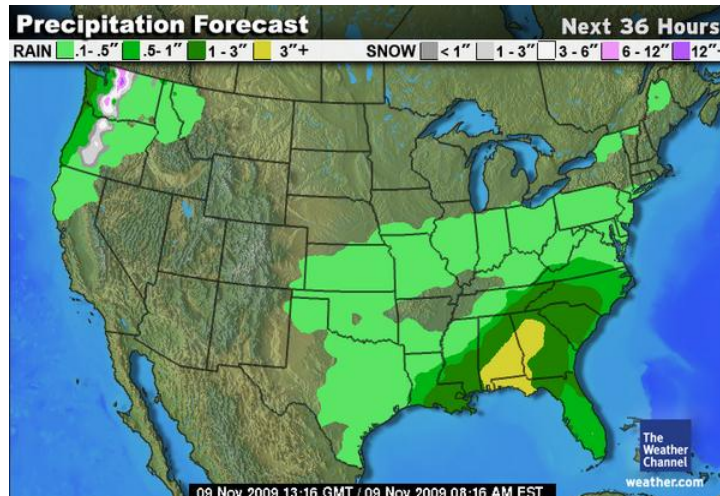
December futures closed on Friday at 66.54 cents per pound—down 87 points for the day and 110 points for the week. But the outlook is a bit brighter. Looking to the March futures, prices continue to hold and trend higher.

Sometime within the next week (around mid-November), merchants will be moving away from December futures and begin buying cotton basis the March contract. Cash cotton prices for 41-4/34 is currently 2.5 cents/lb under December. The “spread” between March and December is rather large at about 3 ¾ cents-- March closed on Friday at 70.33 cents. March appears to have good support at around 68 cents—which is about the area where December seems to have stalled out. Such a large spread between December and March is a signal that cotton outlook is *potentially* better as we look a few more months down the road.

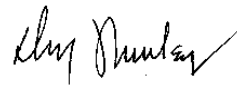


Keep an eye on the basis, however. Cash bids are currently -2.5 cents December. When merchants do switch to March futures, this basis will likely widen to account for some or most of the spread. For example, if the spread is 3 ¾ cents (March is 3 ¾ cents more than December) and the basis goes from -2.5 December to -4.5 March, then cash bids have actually increased only 1 ¾ cents. Wait for the basis to narrow back down—but of course you are risking the market going lower while doing so.

Hurricane Ida looks to move into the Gulf and is heading for the southeast Alabama, Florida Panhandle, southwest Georgia area. Rain of 1 to 3 inches of more is expected from Louisiana and Mississippi through the Carolinas. High winds are also expected. USDA will release its latest supply/demand numbers tomorrow, Nov 10. The US crop is expected to continue to shrink. Ida may take another toll on the crop and add support to prices.



2010 cotton futures are around 75 cents. Some producers have already been offered contracts and have priced a portion of the crop.



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