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Trying To Hit A Moving Target

Last Saturday my son shot at a deer and missed-- from only 50 yards. How is this possible? He said the deer was walking-- you know, moving-- not still.

This year's cotton market seems be of the same breed-- a moving target. Hurricanes were thought to reduce the size of the crops in Alabama and Georgia but it is now apparent that there is much less damage than earlier estimated (or otherwise the potential crop was much better than anticipated). Now, as of this morning, the US cotton crop just got 1 million bales bigger and the world crop 2 million bales bigger. With numbers moving all over the place, it becomes an increasingly difficult task to determine which way to "aim" in marketing the '04 cotton crop.

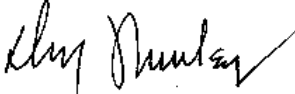


The US crop is now estimated at 22 ½ million bales. In the November report, production rose in 14 of the 15 states reported. The world crop rose 2 million bales thanks to the US increase and increases in other exporting countries. The Chinese crop did not increase. The supply/demand estimates on the 2004 crop have increased each month. This has put continued pressure on prices. Estimates of world production have grown by 5 million bales, stocks also by over 5 million bales, and the S/U ratio has increased from 39% to over 43%.

Comparison of Monthly USDA Supply/Demand Reports, 2004 Cotton

	Aug	Sept	Oct	Nov
US Production (mill. bales)	20.18	20.90	21.54	22.54
World Production (mill. bales)	106.59	107.25	109.67	111.72
World Ending Stocks (mill. bales)	39.22	40.03	41.95	44.55
World S/U Ratio	39.0%	39.7%	41.4%	43.3%

The November numbers were expected to increase from October's figures but the magnitude is a surprise to most. Is there any silver lining in all this? We may be able to take comfort in realizing that, in all likelihood, the market in recent weeks has anticipated larger November numbers. US export projections were raised by 200,000 bales. But the established *path of least resistance* now certainly appears steady to down. Everything will hinge on exports. If these low prices encourage buying, that will be the best medicine. Buying would keep prices supported in the 40's but a significant improvement in price (back to something in the 50's) is unlikely given the size of the crop we're now faced with.



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