

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

COTTON MARKETING NEWS



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MORE Current Crop and New Crop

Prices for the 2007 and 2008 crops both broke downward this week. The '07 crop is now being priced off the March futures contract. March fell 2.99 cents for the week to close today at 66.14 cents per pound. The basis for 41-4/34 is currently -5.00 cents so this places cash bids for base quality fiber at about 61 cents/lb. The "spread" between Dec07 and Mar08 was 5.24 cents. The basis widened from -1.25 December to -5.00 March (a difference of 3.75 cents) but the spread more than compensates for the wider basis. This basis should narrow as we proceed ahead during December.



March has important support at the 65 to 66 cent level, so we're close to trying to "break through the floor". Remaining '07 crop should be priced on rallies back to the 68-70 cent area particularly as the basis improves.

New crop December also took a hit this week although not as big a hit as the '07 crop. Dec08 closed today at 73.41—down 1.62 cents for the week. Dec08 has support around the 72-cent level. There is still talk of "80 cent cotton" but this week's action might throw a little cold water on that fire. Despite the likelihood of even less acres in '08, the market obviously proves to us this week that it doesn't care about that this early in the game.

In the obvious face of declining acres, why would the market seemingly not care? Remember, that price is a balancing act between both supply and demand. The US crop is now estimated at 18.86 million bales (USDA, November)—up over 700,000 bales from the October estimate and estimated exports of the '07 crop were cut ½ million bales. So US supply increased and demand decreased. This means more '07 crop to carry into '08 and thus somewhat less concern about '08 prospects.

The market is obviously not yet willing to commit to a bidding war with corn and soybeans. At present, cotton is losing that war. I haven't talked to a single farmer who plans to plant as much cotton in '08 as in '07. The market is still too low and costs are too high. Prices will have to mount a rally this spring to attract acreage.

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