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

COTTON MARKETING NEWS

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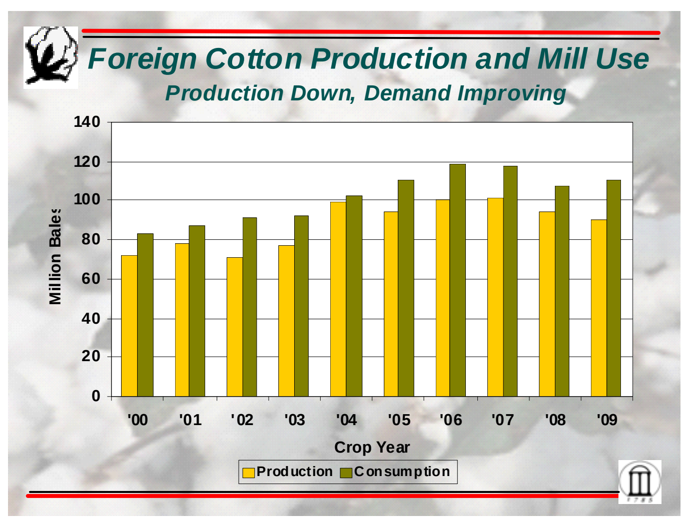
Let's Begin To Look Ahead To the 2010 Crop

Prices for the 2009 cotton crop have improved dramatically. As we've progressed into harvest time, the market has reacted to a lower US crop. The crop has thus far been trimmed by almost 1 million bales (USDA December estimate will be released on 12/10). Prices increased over 10 cents per pound during October and November. Producers with uncommitted production available have been presented with the opportunity for as much as 70 cents or more per pound +/- fiber quality adjustments. Some producers may have contracted some expected production prior to harvest for as much as 60 to 65 cents per pound—still a fairly attractive price by recent standards.

Reasons for the recent strong uptrend in price have been reduction in both U.S. and foreign production, signs of improving foreign mill demand, and bullish speculative interest. Foreign production has been flat and/or on the decline since 2006. Foreign mill demand, after dropping 10% during the 2008 crop marketing year due to economic slowdown, is now forecast to increase by a modest but encouraging 2.5% for the 2009 crop year.



So the demand side, although improving, is still an unknown and the key to the 2010 price outlook. On the demand side, US production, production from foreign competitors, continued economic recovery, and the value of the US dollar are all key components. Cotton futures prices for the 2010 crop are currently around 76 cents per pound. Some merchants/buyers are already offering contracts and basis has been good. Contract offers of 70 to 75 cents are reported.

US cotton acreage will likely increase in 2010 and US and World production likely increase. If this scenario is realized, being able to hold prices at these levels will be difficult and hinge largely on continued and even stronger improvement in demand. The optimistic outlook is for prices to remain at 70 cents or better on the futures market. The pessimistic outlook would be for prices to eventually trend down to the 60-cent level. Prices in the 70's will attract acreage so producers making planting decisions on the basis of that price level may want to consider taking price protection on a portion of what they intend to plant at that level as well.

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