

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

COTTON MARKETING NEWS



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Recent Price Movement

New crop (Dec13 futures) prices have continued to advance upward. After a brief “hiccup” and decline back to 82 ½ cents on February 25th, prices have since traded continuously higher for 5 of the next 6 days before closing down yesterday. Prices are back up so far today. Dec13 peaked at over 86 cents per pound (closed at 86.31) on Wednesday before declining yesterday but are back up over 86 so far today.

It is not a complete surprise that prices have hit just a bit of a headwind as we’ve moved to the 85 and 86-cent area. It’s been suspected and mentioned before that 85 would meet with some resistance—although the quick advance to just over 86 has given reason for optimism.



You want to have some portion of your expected 2013 crop priced at 80 cents (net) or better. I can’t think of a good reason not to. How much to do (how far you crawl out on that limb) is up to you. The outlook fundamentals seem to be improving and I feel that, in the near-term at least, there’s support likely at the 82-cent area. Forward contracts in the Southeast are typically 2 to 3 cents under December so even a retreat to 82 would still get you an 80-cent contract offer... but you certainly want to shoot to do better than that if you can and the opportunity is presently there.

Today’s USDA Numbers


USDA’s March supply/demand numbers are out and are encouraging. We may be starting to see some things we’ve hoped we would eventually begin to see. US projected exports for the 2012 crop year were increased 25K bales and US projected Ending Stocks were lowered 30K bales. Perhaps the most encouraging sign, World demand for the 2012 crop year was increased 870K bales with China being 500K bales of that total.

China’s 2012 production was increased by 1 million bales from 34 to 35 million bales and imports were also increased by 1 million bales. The net result of this along with increased Chinese mill use is another increase in China’s Ending Stocks. Projected stocks now stand at 44.1 million bales—up 1 ½ million bales from the February number. China would now hold 54% of the World’s stocks on August 1.

Outlook

As mentioned in this space often, at least in the short-term, the amount of cotton China holds is not as important as what they plan to do with it and when. China continues to import cotton and also yarn despite the massive level of stocks. The Chinese mill industry apparently is showing signs of improvement. Cotton use/demand elsewhere around the World is also improving. As long as China continues to be a buyer and importer, this combined with much lower ROW (rest of the World) stocks and reduced acreage and production for 2013 should keep prices supported. Still, as a grower, you want to protect your crop from the advent of prices heading south for any reason.

The march to 85 cents has been in contrast to somewhat weakening corn and soybean prices. US cotton acreage will be down but perhaps by not as much as once thought should these relative price relationships continue to hold. We are perhaps even starting to see a limited increase in peanut contracts in light of these higher cotton prices and producers showing no interest in contracts at the lower levels initially available.


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