

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

COTTON MARKETING NEWS



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

PLEASE NOTE: This is being written on Thursday, 5/30/2013.

Prices Survive, But Trending Down. Cotton prices (Dec13 futures) have been tested over the past month. Prices have actually been trending down since the peak around 89 cents back in March. On 2 occasions, prices have threatened the 82 to 83-cent area but have so far held support at that level.

Cotton had a rough week last week—falling to 83.64 cents on Thursday and closing on Friday at 83.77 cents—down over 2 cents for the week. After the Memorial Day holiday on Monday, prices improved on Tuesday this week but then closed down yesterday at 83.38—the lowest level yet in this downturn. Prices, so far, are struggling to hold steady today.



Marketing Implications. Thinking about the implications this has for marketing decisions, the downtrend now established is a bit concerning but holding support gives a bit of encouragement. Prices need to find a “stopper”, however, in the form of technical support, good demand news, or negative supply-side news. Like I just said, prices appear to be struggling today and currently have dropped slightly below 83 cents.

There are 3 rules in cash and contract marketing that I try to follow: spread the timing of your decisions and your sales, don't panic when prices go down, and know when the market and risk is in your favor. Assuming you already have a fair portion of your expected crop priced, you would be concerned but less-so with this week's events. I would see little need, therefore, to do more pricing now. Wait and hope for a recovery but realize the risk you are taking. If, however, you have done very little or no pricing thus far, you are in a completely different risk and average price position. You don't want to sell on a downturn but, since little to nothing has been done so far, you might need to consider taking at least some protection—some growers started their pricing about where the market is right now (when you could lock in 80 cents basis December). Otherwise, sit pat and hope for a recovery.

Factors in Play. Reports suggest that the recent weakness is due to technical selling, improvement in planting progress, rains in Texas, and concerns about a slowdown in China.

Due to buildup of World stocks and expected decrease in exports, prices may be a little less sensitive to the US crop situation. But we still have a long way to go. There likely is still upside potential and hopefully support at the 81 to 83-cent area will hold.

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