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

COTTON MARKETING NEWS

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Big Gains for Cotton. Cotton (Dec13 futures) has made a dramatic recovery over the past 2 weeks. Since the low at just over 82 cents back on May 31, prices have soared 7 cents to a new contract high of 89.15 cents yesterday. Prices remain around the 89-cent mark today.

This quick and strong advance back to near 90 cents (we've not been in this territory since March) does 2 things—it certainly solidifies the "floor" at the 82 to 83 cent area and breaks the downtrend we've been in since the peak back in February. It also demonstrates how quickly prices can change course.

For growers waiting for an opportunity to do more pricing, this certainly seems like a good opportunity. From a risk management standpoint, we've been saying that growers with a comfortable level of production already priced could just be patient and wait for another possible rally. But frankly, few if anybody saw something this strong coming this early in the game.

June USDA Numbers. USDA released its monthly US and World supply/demand numbers on Wednesday this week. Some analysts have suggested that this week's report was reason for the rally. In part, perhaps so, but not 7 cents worth (the "recovery" actually started 2 weeks ago, not this week).

The report increased expected US acreage abandonment this year but left expected average yield the same. The US crop forecast was trimmed by 500K bales to 13.5 million bales. US exports were then also trimmed by 500K bales.

For the most part, I saw the report as a mixed bag. Projected 2013-14 World ending stocks were lowered slightly. Chinese stocks were increased. This means "non-China" stocks were tightened. On the other hand, Chinese demand for imports was lowered by 1 million bales and World cotton use (demand) was lowered slightly.

What's Ahead. The first estimate of actual planting will be released by USDA on June 28. Up until now, including this week's numbers, we've been running off the March planting intentions numbers, historical average yields, and adjusted average abandonment. What shows up in the July and August reports will be closer to actual and more determine where this market eventually goes. The July numbers will be based on the June actual acreage planted number and the August numbers will be the first based on actual planting, actual expected abandonment, and actual expected yield—not historical averages.

So, the potential is there for the market to at least remain about where it is now (85 to 88+) or eventually trend back down. But the US crop picture is only one factor in the grand scheme of things and perhaps not even the most significant one.

Crop Conditions. This week USDA released the first crop condition numbers for 2013. Overall, the crop is rated 13% poor or very poor. The Texas crop is 34% poor or very poor. Overall, the crop is rated 51% good to excellent.

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