

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

# COTTON MARKETING NEWS



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**Acreage Estimate Comes in Low-  
But Now There's Even More to the Story**

The long-awaited and much anticipated first estimates of actual crop acres planted for 2015 are out. Pre-report estimates by observers and analysts for cotton ranged mostly from 9.1 to 9.5 million acres with some lower and some higher. The estimate is 8.998 million acres; lower than even the lowest of most pre-report estimates. If realized, this would be the lowest US cotton plantings since 1983.

Due to rains, delays in planting, and possible acreage shifts to other crops, USDA has announced it will resurvey cotton in Texas, grain sorghum in Kansas, and soybeans in Arkansas, Missouri, and Kansas. If new data collected justify changing the current estimates, the revised numbers will be released on August 12.

USDA obviously wants to make sure the acreage number is as accurate as possible. This is good, but unfortunately this will add even more uncertainty to an already very uncertain US and global market situation for cotton. Texas currently comes in at 5.2 million acres planted—½ million acres less than the “intentions” number back in March and 16% less than last year. Given wet weather and planting delays, this number for Texas doesn't seem much out of line to me. No need to speculate; we'll just have to wait and see.

The cotton numbers from March appear to have held in the Southeast despite a very attractive peanut program and shifts in acreage to peanuts from cotton, corn, and soybeans. Acreage is down 18% from last year but held at the March level. Other areas were down some compared to the March intentions.

So what now? We finally have our acreage number albeit subject to a bit of tweaking. The number is lower than even the lowest of most pre-report pundits. Is this going to finally get the bulls going? Maybe. But, acres planted don't make a crop. Acres harvested and yields make the crop. With currently very favorable moisture conditions across much of the Cotton Belt and should conditions continue favorable, this crop could yield high enough to offset some of this acreage decline.

Prices are also still subject to what happens in China and India—how will a so-called “weak” monsoon season impact India's production and regardless of what China says, what will the facts eventually say about their production, the quality of stocks, the sales from government reserves, and the demand for imports.

**US COTTON ACRES PLANTED, 2015 AND COMPARED TO 2014<sup>1</sup>**

	2014 <sup>2</sup>	2015P <sup>3</sup>	2015A <sup>4</sup>	Change <sup>5</sup>
Alabama	350	300	300	-14.3%
Florida	107	90	85	-20.6%
Georgia	1,380	1,100	1,100	-20.3%
North Carolina	465	375	375	-19.4%
South Carolina	280	235	240	-14.3%
Virginia	87	85	85	-2.3%
<b>TOTAL SOUTHEAST</b>	<b>2,669</b>	<b>2,185</b>	<b>2,185</b>	<b>-18.1%</b>
Arkansas	335	230	240	-28.4%
Louisiana	170	130	130	-23.5%
Mississippi	425	350	310	-27.1%
Missouri	250	175	175	-30.0%
Tennessee	275	170	170	-38.2%
<b>TOTAL MID-SOUTH</b>	<b>1,455</b>	<b>1,055</b>	<b>1,025</b>	<b>-29.6%</b>
Kansas	31	24	29	-6.5%
Oklahoma	240	260	250	4.2%
Texas	6,217	5,715	5,215	-16.1%
<b>TOTAL SOUTHWEST</b>	<b>6,488</b>	<b>5,999</b>	<b>5,494</b>	<b>-15.3%</b>
Arizona	165	115	98	-40.6%
California	212	155	161	-24.1%
New Mexico	48	40	35	-27.1%
<b>TOTAL WEST</b>	<b>425</b>	<b>310</b>	<b>294</b>	<b>-30.8%</b>
<b>TOTAL US</b>	<b>11,037</b>	<b>9,549</b>	<b>8,998</b>	<b>-18.5%</b>

1/ Acreage in thousand acres.

2/ Actual acres planted in 2014.

3/ Estimate of planting "intentions". *Prospective Plantings*, USDA, March 31, 2015.

4/ First estimate of actual acres planted. *Acreage*, USDA, June 30, 2015.



It is anticipated that USDA, in its July 10 reports may show 2014 crop year US exports at over 11 million bales. Assuming no other adjustments, this would bring US carry-in stocks to the 2015 crop year at something less than 4 million bales. This could give prices a little push but maybe not. I can't imagine any serious observer of the cotton market who doesn't already know that exports are running well ahead of USDA's current estimate; thus, the market may already be adjusted for and anticipating this.

Prices are tempting to break out of their sideways pattern and had actually been attempting to do so even before today's numbers—ending last week at over 67 cents. Producers are waiting on a move to 70 cents. I've preached that here as well.

Before we can get to 70 cents, there will be a hurdle at 68 to 69 cents that also has to be negotiated. Dec15 closed at just under 68 cents today. Seventy cents is the target but what are the odds of getting there vs. where we are now? Seventy cents is achievable if all our unknowns play out right but just realize the risk in waiting. Alternatively, Put Options at 67 or 68 would provide a floor and protection from prices back-tracking to the low 60's or lower. Contracting a portion of the crop at 67 to 68 cents might also be considered. It's not 70 but pretty close and worth consideration if you can get a strong basis and premiums for good quality. Otherwise, continue to wait on that magical 7 number.

Premiums for quality are expected to again be good for the 2015 crop. Your marketing plan should be one that gives you flexibility and the opportunity to be paid for your better quality cotton.



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