



COTTON MARKET COMMENTS

U.S. Cotton Crop Projection Drops Sharply

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October 9, 2009

The October USDA Supply/Demand report reduced the U.S. crop 440,000 bales to 13.0 million. Texas accounted for most of the decline. Dry, hot summer weather and early cool weather has cut the Texas crop short. Wet weather causing boll rot and seed sprouting in open bolls substantially reduced projected production in the Delta states, especially Arkansas and Mississippi. The U.S. crop will most likely decrease several hundred thousand bales more to perhaps 12.8 million next month.

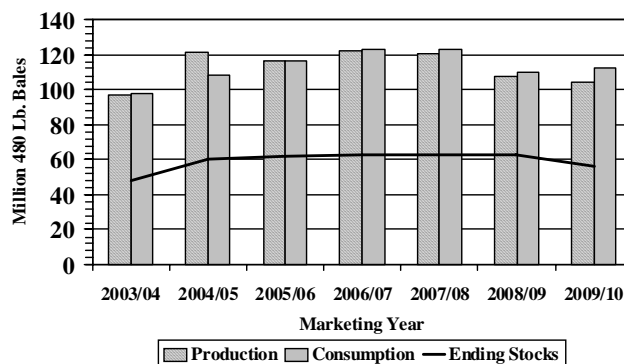
Domestic use was lowered to only 3.4 million bales because of sluggish U.S. textile exports. Ending stocks of 5.4 million bales are plentiful. The USDA projects prices received by producers for the 2009/10 crop to average 49 to 52 cents.

Forecasts for the 2009/10 world crop were virtually unchanged, leaving a carryover of 56.1 million bales. That is six months of use when 4.5 is sufficient. Chinese production was lowered one million bales to 32.5 million. But, beginning stocks were increased, leaving plentiful stocks of 17.54 million. In India, the crop was increased slightly to 24.25 million bales. Their domestic use stands at 18.5 million, exports of 6.2 million, and a substantial amount of 10.1 million ending stocks. In all, production was decreased for China, the U.S., and Uzbekistan. Partially offsetting were increases in India and Argentina.

The good news is that world carryover stocks have decreased 7 million bales in the last two years from 63.1 million to 56.1 million. Most of the decrease has been in the U.S. where carryover stocks have dropped from 10.0 million to 5.4 million bales.

On the other hand, more than offsetting the decrease in world supply has been a sharp decrease in demand by about 10 million bales. However, the decline in use has slowed and is expected to increase this season and hopefully the next season as well.

World Cotton Production, Consumption, and Ending Stocks, 2003/04 - 2009/10



On the positive price side is a decrease in stocks-to-use from last year for export nations, foreign countries, China, import nations, and the world. It appears that the world surplus of cotton is on the decline. With the smaller U.S. crop, the 2010 December futures is building support to trade early next year in the mid-to-high 70 cent range.

Marketing alternatives are dominated by placing cotton under Commodity Credit Corporation loan and then negotiating for the best equity offer available over the next nine months. Remember to account for storage and handling costs. Placing cotton with a marketing association or pool is another popular method of selling producer cotton.

The Ag Market Network Teleconference will be Tuesday, October 13, 2009 at 7:30 a.m. Central Time. Featured speaker this month is Joe O'Neill, Former President, New York Cotton Exchange. Speakers – cotton panel are O.A. Cleveland, Carl Anderson, and John Robinson. Pat McClatchy is the Ag Market Network Moderator. The conference will be live on radio station KFLP 900 AM, Floydada, Texas; and KZIP 1310 AM, Amarillo, Texas; live over the Internet at www.AgMarketNetwork.net; or you can listen to a recording around noon at www.AgMarketNetwork.net. Weekly updates are made on Friday afternoon by Mike Stevens.