



# COTTON MARKET COMMENTS

## *Growers Undecided about How Much Cotton to Plant*

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December '09 futures prices have traded sideways around 54 cents per pound since the start of this year. The price has trended upward about 8 cents following the low of 46 cents in late November. The rally may continue to the mid-sixty cent level.

Grower's attitude toward planting cotton has improved enough to expect planted acreage in the range of 8.0 to 8.5 million acres. The hope for better price, dry weather in Texas, and reasonable crop insurance programs, offer growers some encouragement to plant cotton.

However, large exportable stocks are discouraging to a substantial price increase this spring. Higher corn and soybean prices remain attractive to plant corn, sorghum and soybeans.

Even so, preliminary estimates suggest U.S. carryover stocks by the end of the 2009/10 marketing year August 1, 2010 will be tight. Carryover may be in the vicinity of 4 million bales. That would be down sharply from 10 million carried over to the 2008/09 crop.

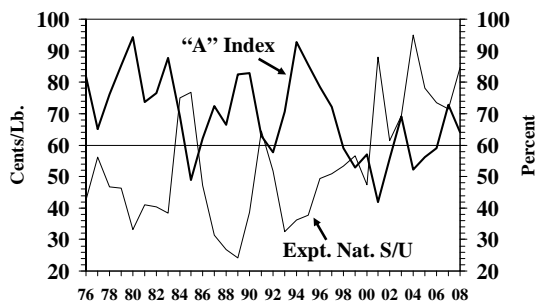
Exports were also lowered 250,000 bales to only 12 million. Yet, the forecast of average price for producers was raised slightly to 44 to 52 cents. World estimates for 2008/09 showed lower production, consumption and trade, compared to the month before. As a result, world ending stocks were raised slightly.

The severe economic and financial crises are causing a big decrease in the demand for cotton goods. The slowdown in use will hang around for at least another year. Therefore, a mid-sixty cent lid on December '09 futures is likely. With U.S. stocks expected to decline substantially for another year, any bad weather that causes below average yield could push prices higher in the second half of the year.

Producers should be aware of storage costs on cotton not already sold. Watch for 2 to 4 cent equity offers in weeks when the futures price is over 12 cents higher than the AWP.

Buying calls to protect against higher prices that reduce LDPs and counter cyclical payments is viable. Calls purchased in early December are already showing a small gain.

**"A" Index Versus Exporting Nations Stocks to Domestic Use Percent**



In the January USDA supply/demand report, lower production, domestic mill use and exports were projected. The largest change was a 577,000 bale drop in the U.S. cotton crop to 13.0 million bales. Most of the decline was in Texas where late season adverse weather cut crop maturity short.

*The Ag Market Network Teleconference will be Thursday, February 12, 2009 at 7:30 a.m. Central Time. Speakers – cotton panel are O.A. Cleveland, Carl Anderson, Mike Stevens, and John Robinson. Pat McClatchy is the Ag Market Network Moderator. The conference will be live on radio station KFLP 900 AM Floydada, Texas; live over the Internet at [www.AgMarketNetwork.net](http://www.AgMarketNetwork.net); or you can listen to a recording around noon at [www.AgMarketNetwork.net](http://www.AgMarketNetwork.net). Weekly updates are made on Friday afternoon by Mike Stevens.*

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