



COTTON MARKET COMMENTS

Little Change Expected in Cotton Market

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The latest USDA supply/demand report was fundamentally neutral, as the trade expected. The U.S. crop increased a little more than 200,000 bales to 13.44 million, up about 600,000 bales from 12.82 last year. However, because of improved exports, ending stocks are expected to decline from 6.2 million to 5.6.

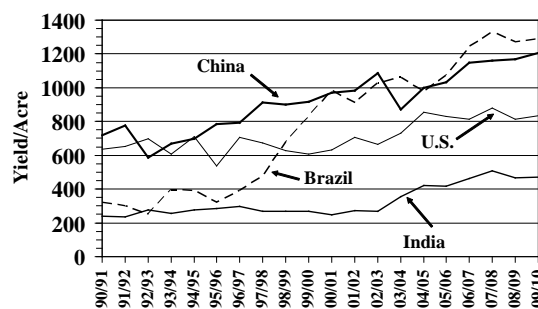
The West Texas irrigated crop has improved enough for the September estimated Texas production to remain at the 5.4 million bales reported in August. However, planted acreage was increased 100,000 acres to 5.0 million, the same as last year when production totaled only 4.45 million bales.

The West Texas crop of more than 4.0 million estimated bales needs another six weeks of favorable weather to reach maturity. Much of the dryland area is stressed and could fall short of current expectations.

World production and use are essentially the same as last month. Ending stocks are expected to decrease 8.5 percent from last year to 56.3 million. Yet, the world stocks-to-use at almost 50 percent dampens any major price rallies above 65 cents per pound for December '09 futures.

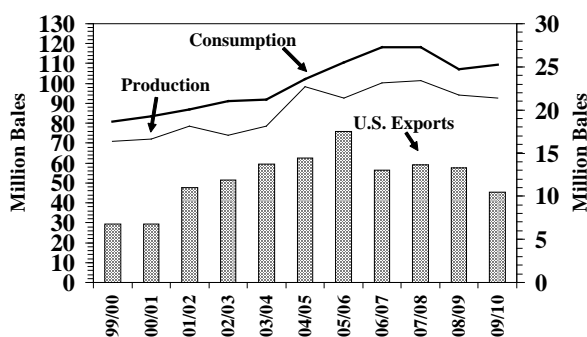
The major foreign exporters competing with U.S. exports are India, Central Asia, and the Southern Hemisphere. India has increased their cotton production much faster than consumption, which leaves a substantial amount of cotton available for export. This season they are expected to produce 24.0 million bales, use 18.5 million, export 6.1 million, and carryover 10.0 million. Cotton per acre yields in China and Brazil exceed the U.S. Yields in India have made substantial increases in the last five years.

Cotton Yields for U.S., Brazil, China, and India, 1990/91 – 2009/10



Given the large expected world carryover of stocks, December '09 futures appear satisfied to trade in the range of 55 to 65 cents. The USDA forecasts a farm price range of 49 to 59 cents per pound for the 2009/10 season.

Foreign Cotton Production and Consumption vs. U.S. Exports, 1999/00 – 2009/10



The export market has shown some improvement and estimated 2009/10 shipments were increased 300,000 bales to 10.5 million. Weekly exports need to average only 203,000 statistical bales to reach the new projection.

Foreign mill use is expected to exceed foreign production by about 17.6 million bales. The large foreign production deficit, if realized, might increase exports close to the 13.3 million bales exported last season. Increased exports could reduce the ending stocks to the lowest level since 2003 when carryover was only 3.45 million bales and farm price averaged 63.0 cents.

The Ag Market Network Teleconference will be Tuesday, September 15, 2009 at 7:30 a.m. Central Time. Featured speaker this month is Peter Egli, Plexus Cotton Limited. 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.

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