



COTTON MARKET COMMENTS

World Stocks-to-Use Lowest in 15 Years -- Higher Price Expected

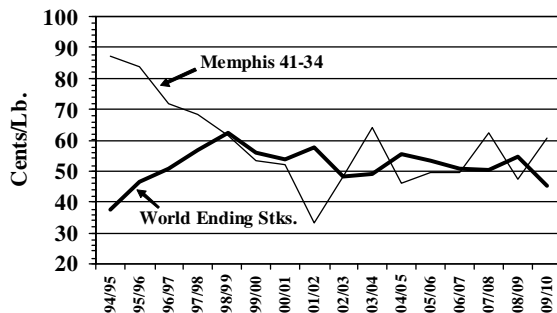
Carl G. Anderson
Professor Emeritus

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World stocks-to-use is estimated at 45.2 percent, the lowest since 37.7 percent 15 years ago. In the 1994/95 season, the Memphis 41-34 quality cotton spot price quoted by USDA averaged 87.3 cents per pound. Thus, fewer world stocks indicate that in the first half of next year, U.S. futures prices might be in the 85 cent per pound range.

from 60 cents to 74 cents since the first crop estimate last August. The market rally is likely to continue.

Cotton: Memphis 41-34 Spot Price vs. World Ending Stocks



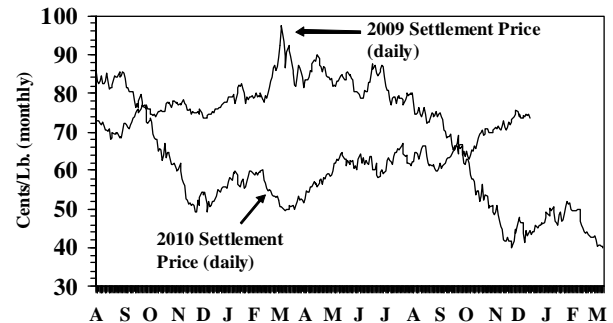
In the U.S., the latest cotton estimates show a slight increase in production, higher exports, and lower ending stocks. All cotton production was raised 96,000 bales from last month to 12.59 million bales. That compares with 12.82 million last season and 19.21 million two years ago.

The Texas crop was increased 100,000 bales to 5.00 million, up from 4.45 million last season. The Delta crop was decreased, while the Southeast crop increased.

Due to improving import-demand, U.S. exports were raised 500,000 bales to 11.0 million. Carryover stocks were lowered 400,000 bales to a reasonable 4.5 million, the lowest since 2003. As a result, the projected average producer price was increased by USDA 4 cents to 56 to 64 cents per pound for the 2009/10 season..

Prospects for decreased U.S. and foreign stocks and increased demand have pushed March 2010 futures up

March 2009 vs. March 2010 Futures Settlement Price



Foreign cotton stocks are estimated at 47.3 million bales, down sharply from 54.8 million a year ago. Also, the foreign production versus consumption deficit gap has increased to 21 million bales from 12.9 last year. Consequently, world carryover stocks have dropped to 51.8 million, almost 10 million bales less than a year earlier.

Because of high production costs and marginal cash flow for cotton versus corn, soybeans and wheat, the futures price of cotton will need to be high enough to buy more acres in early 2010. With crop credit being more closely reviewed by lenders this year, cotton prices will have strong competition for acreage from lower per acre costs of planting corn and soybeans.

Producers are getting much higher equities from cotton placed into the Commodity Credit Corporation (CCC) loan than expected a month ago. Also, producers need to prepare for fixing prices for the new crop during the first half of 2010. Expected price levels should be the most attractive to growers since early 2008.

Best Wishes for a Happy Holiday Season and a Prosperous New Year!

The Ag Market Network Teleconference will be Tuesday, December 15, 2009 at 7:30 a.m. Central Time. Featured speakers this month will be Jarral Neeper, President, Calcot. Speakers – cotton panel are Mike Stevens, 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.

Partially funded by cotton, Inc.