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

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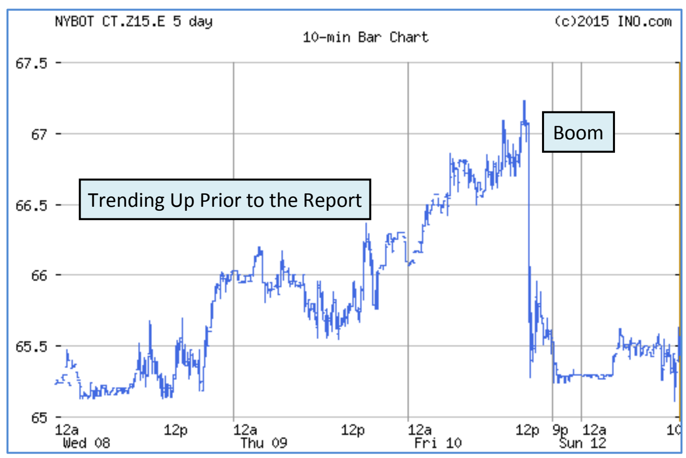
Prices Now Tracking Back Down the Same Row

If cotton prices were a tractor or other piece of heavy farm machinery, we would already have a serious soil compaction problem—tracking over the same ground time after time after time. Like tillage, the market recently attempted to break the compaction but, unfortunately, failed at the task.

Dec15 futures "broke out" to the 68-cent level back on June 30th but have since retreated back to their previous old 62 to 67-cent range. If it's any consolation, prices still seem to be exhibiting the pattern of "higher trending lows"—but this may be a rather fragile support. More importantly, the failure of the market to hold the 68-cent level is concerning since producers are waiting on a shot at 70 cents or better. Likely, prices are now even more firmly entrenched in a tighter band of mostly 64 to 67 cents. Prices will still move on US crop conditions and production estimates, export reports, and news of sales from China's stockpile.



In that regard, news this past week was a mixed bag but mostly, not good for prices. In short, USDA's numbers released on Friday (July 10th) were very clearly not what the market was expecting. Prices (Dec15 futures) trended up on Thursday and Friday morning prior to the report—recovering from losses earlier in the week. Prices then went south after the report at noon on Friday.

In the July numbers, the US crop estimate for 2015 remains at 14.5 million bales—acres planted were reduced to reflect the June 30 estimate of actual acres planted and acres harvested and yield were tweaked a bit but we still end up with 14.5 million bales. Here's my take—if acres planted and harvested are close to being correct, this crop could potentially still get bigger, not smaller, because yield could increase.

The good news on the US side was that 2014 crop year exports were finally raised—from 10.7 to 11 million bales. Also, 2015 crop year expected exports were raised 100,000 bales from 10.7 to 10.8 million bales.

The most negative of the numbers were that the Use for the 2015 crop year in China's mills was reduced 1½ million bales. China's expected imports were lowered from 6 to 5.75 million bales. All this plus a 1.2 million bale increase in China's carry-in stocks, results in a 2 ½ million bale increase in 2015 crop year ending stocks. Ouch.

USDA forecasts the 2015 season average price at 54 to 70 cents. That tells me there's a lot yet to be said about where this market goes from this point. No doubt, the July report was bearish—yet we still hold to the trading range we've been in although I believe it's become a bit more fragile. Also, reports are that the first round of sales from China's reserves was weak. This uncertainty will continue to hang over the market.

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