



COTTON MARKETING NEWS

Volume 13, No. 22

November 30, 2015

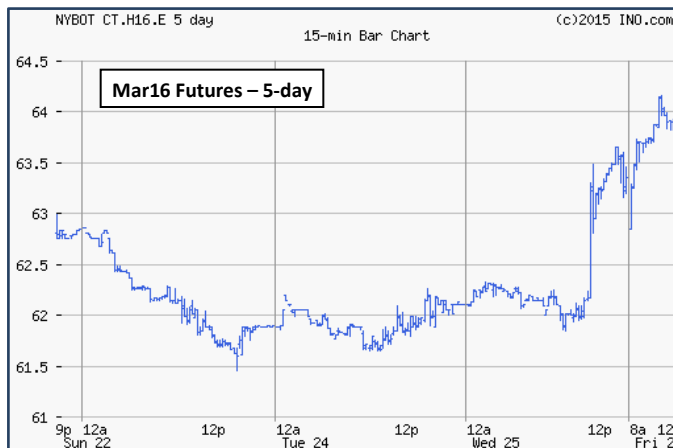
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Prices Seem to be Finding More Support and Even a Little Momentum

Cotton has had a relatively good last couple of weeks. Prices (Mar16 futures) seem to have found increasing support around the 62-cent level. Sixty-two cents is nothing to get excited about, but firming up the floor in what remains a very volatile and uncertain market is a good thing.

While a more solid footing is welcome, there will be some "resistance" to prices breaking the downtrend line of lower highs. Prices on Friday (11/27) pushed to the 64-cent level and that's a level we'll need to break through if we expect to continue on to the 66-cent level or higher as some analysts suggest might be in our future.



week saw precipitation of mostly ½ to 1½ inches through Texas and Oklahoma with heavier amounts through Arkansas and Missouri. Freezing rain and ice was reported in the Texas Panhandle Friday and Saturday. In the Southeast, the cotton areas of North Carolina had about 1 inch of rain. Light to moderate rain is expected pretty much throughout the Cotton Belt this week except for the West and the Texas Plains.

Another factor in better prices has been exports. For the week ended November 19th, upland export sales totaled 267K bales—up 38% from the previous week and a high so far for the 2015 crop marketing year.

The basis in the Southeast continues to be very strong—currently +125 points the March futures for 41-4/34 and +325 points premium for 31-3/35.

The LDP for the week ending Thursday, December 3rd is 5.11 cents/lb. If prices go up this week, the LDP will decline effective on December 4th. Your strategy to maximize total money (taking the LDP and selling the cotton or loan plus merchant equity) is to take action while the market is increasing but before the LDP adjusts downward. If prices are going down during the week, hold off because the LDP will increase the following week.

The "total money" from the LDP plus spot sale is currently about 73½ cents/lb for 31-3/35 basis Mar16 in the Southeast. Deducting warehouse and storage charges, etc. the equivalent equity is estimated to be about 18 to 19 cents.

If you still hold uncommitted cotton, downside risk appears limited but price portions of the crop on rallies or take the LDP, sell, and purchase Calls.

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In what was an eventful week, prices (Mar16 futures) finished on a strong note. Will this carry forward or succumb to resistance at 64 cents? On Monday (11/23), prices went as low as 61.45 cents—the lowest level since October 9th. On Wednesday (11/25), prices moved in a wide range of 181 points, going as low as 61.85 before rallying to close at 63.38 before the Thanksgiving day off. In a short trading day on Friday, Mar16 closed at 63.93—up another 65 points from Wednesday and up 110 points for the week and 228 points since November 6th.

Concerns continue to mount about US crop harvest and impacts on fiber quality. This has likely been a factor in price movement last week. As of 11/22, the US crop was 70% harvested. Texas was only 60% harvested compared to 75% normal; Georgia 64% harvested—16 points behind; North Carolina 14 percentage points behind; and South Carolina 26 points behind. This past