

Base Planting Decisions On Confidence

About Growing

Last week's comments contained a significant error. The comment read that 2009 U.S. cotton acreage could fall as much as 3.5 million acres below 2008 plantings. My intentions were to comment that 2009 U.S. planting would be down 500,000 acres and this would be the third consecutive year of significant declines in the land area devoted to U.S. cotton production. Thanks to several of you for pointing out my misstatement. Some are suggesting that U.S. plantings will be down more than the 500,000 acre decline I project. However, price ratios of competing crops have changed in the past month. Additionally, the world economic chaos has reached down to each and every farm gate and suggest to growers that they should give serious consideration to planting crops that they both have confidence in and understand the farm programs policies the best. The safety net is there, as intended by the U.S. Congress, and growers will use that net to insure their survival.

The New York December contract is stuck in a 46 - 52 cent trading range and will likely tread water within that six cent range until its expiry. News regarding potential increases and decreases in the various major cotton producing countries will have a limited market impact. Yet, the market will continue to look for news from the demand side with hope that some positive demand signals will surface and keep the market from sinking. There is little reason to expect any positive demand news, specifically due to the world economic disorder. The world cotton fundamentals we have today will be the same for the next four months. Only then will we possibly see an opportunity to break outside that six cent range....and it is correct to say world economic disorder. I have noted the tendency of many outside the U.S. to suggest and feel that it is only the U.S. that is having problems. We now know the chaos is just as severe in Europe, Russia, India and the sub-continent, South America, Southeast Asia and the big Dragon himself, China. Antarctica appears to be the only place that has escaped. Hopefully, this economic devastation that has just begun, and will find no solution in the near to intermediate

term, will be the last lesson all of us will have to learn about Globalization. This dilemma is nothing more than part of our new found globalization. It is here, it is part of our daily lives and now we understand it is also part of our daily economic and financial lives.

Domestic textile consumption for September 2008 fell to an annualized 4.18 million bales and the August consumption level was adjusted lower to 4.62 million bales. These two recent two monthly levels of consumption compare to the 2007 annual usage of 4.82 million bales. The face of consumer demand suggests the coming year will see several more monthly consumption levels below the annualized rate of 4.2 million bales.

The weekly export report was mixed, but overall unimpressive. Export sales for the week ending October 16 totaled a net of 313,700 RB. Upland sales were 315,600 RB while cancellations saw Pima sales of a negative 1,900 RB. Upland sales were primarily to China (107,900 RB); Turkey and Vietnam. China purchased 700 RB of Pima while India cancelled a prior purchase of 2,600 RB. Weekly shipments at 229,000 RB were a marketing year low. Upland shipments of 221,000 RB were led by China (59,800 RB); Indonesia and Turkey. The primary destinations of Pima were to China (2,800 RB); Hong Kong and Japan.

There are some strong days in front of us, but unfortunately, downturns will also be strong. The market will remain volatile, but still trading between 46 and 52 cents. △



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