

Cotton Remained Above 90 Cents As USDA Predicts Higher Production

JONESBORO, ARK.

Cotton prices remained high at the close of trading Friday despite the USDA's forecast that cotton production would be up 2 percent.

"The cotton futures market has been nothing short of remarkable over the last half of the 2010 growing season," said Scott Stiles, extension economist for the University of Arkansas Division of Agriculture.

"Since making a summer low of 72.96 cents on July 20, the December futures contract has gained almost 20 cents," he said. "The high this summer came Sept. 7 when the contract traded up to 92.82."

Growers have rarely seen prices above 90 cents. "Over the past 25 years, the December contract has only traded above 90 cents in three months: March 2008, September 1995 and October 1995," Stiles said. "The December contract has never posted a monthly closing price above 90 cents in the last 25 years."

And they remained at the level on Friday.

"Cotton did finish the week above 90 cents, closing at 91.29 cents," he said.

Tight supplies helped set the pricing stage earlier this year and "this week, the December 2010 futures contract hit a 25-month high," he said. "One reason for this has been a handful of world weather events in key cotton production areas."

Flooding in Pakistan, the world's fourth-largest cotton producer and cool, wet weather in China have prompted lower production estimates from Asia.

These world weather events only add to the concerns over potential yield loss from the persistent heat and drought in the Southeastern U.S. for most of the 2010 growing season. Heavy rain from Tropical Storm Hermine also caused problems along the lower Gulf Coast of Texas where cotton is ready to harvest, Stiles said.

"Weather will remain a prominent issue for the cotton market until the U.S., and the entire northern hemisphere, crop is harvested," he said. "This is a year in which every bale counts."

According to the USDA crop production report issued Friday, all cotton production is forecast at 18.8 million 480-pound bales, up 2 percent from last month, and up 55 percent from last year's 12.2 million bales. Yield is expected to average 839 pounds per harvested acre, up 62 pounds from last year. Upland cotton production is forecast at 18.3 million 480-pound bales, 56 percent above 2009. Yields in the Delta region are expected to decrease from last month.

The report said producers in Texas are expecting increased yields, but the estimate was completed before Tropical Storm Hermine came ashore. Δ



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