



cotton  
outlook



**O.A.  
CLEVELAND,  
PH.D.**  
Agricultural Economist  
Mississippi State  
University

# Export Sales Strong; India, China, U.S. Face Drought Setback

**T**he record world surplus of cotton continues to plague any price advance. Despite confirmation of news of weather related crop losses, the market was lifeless on the week. The back and fill movement of the market continues to leave prices without direction. The 2008-09 cotton marketing year officially began this week in the face of dull trading. It is difficult to see prices moving higher in the near term even though the world crop potential has been reduced by some two to four million bales from the prior month's estimates. Look for more lifeless action in the near term. However, the March 2009 through July 2009 futures prices should break away from December bit by bit.

Export sales for the new 2008-09 season were strong this week and major growing regions in India, China and the U.S. suffered setbacks primarily due to drought problems. China has had a combination of continued drought in some regions and too much rain in other areas. USDA's August supply demand report (August 12) will likely reflect smaller production in those countries, with the possible exception of China. It would not be unusual for USDA to wait for additional deterioration (if any), before lowering its estimate of the Chinese crop.

The smaller world acreage, coupled with the various weather maladies, has reduced estimates of world production as low as 106 million bales, compared to the 120 million bale crop of

2007. While it is far too early to forecast a crop reduction of 14 million bales compared to last year's crop, it is most probable that the 2008 crop will be at least 11 million bales smaller. Too, it could easily be as low as 104 million bales.

Thus, the table is set for the 2009 calendar year bull market. Too, the December 2009 contract appears to be promise of the significantly higher prices that have eluded the market for the past three years. Is the wait finally over? The tale of the tape will be told by the Indian, Chinese and U.S. crops. USDA enumerators are in the field this week making their first assessment of the U.S. crop. The August 12 report will report the estimated crop size based on conditions as of August 1.

The marketing year is ending with disappointing export sales. With just one more reporting week left in the 2007-08 marketing year, exports could be as much as 400,000 bales below the current USDA estimate. The net of all cotton exports for the week ending July 24 was 37,400 RB with Upland accounting for 36,800 RB. Exports were 257,200 RB with Upland accounting for 253,500 bales. Principal destinations were China (95,500 RB); Mexico and Thailand. However, Upland sales for the 2008-09 marketing year were a healthy 166,100 RB. Major destinations for Upland were Turkey (34,500 RB); India and China.

Although a very bright picture for international cotton prices is painted for 2009, the market will continue to endure price barriers in the upper 70's, most likely until after the 2008 harvest. Yet, if crop progress continues to indicate a world crop below 106 million bales, the 80 cent barrier can be slightly penetrated. Textile mills should look to price cotton at the current 74 cent level, basis the New York December. Growers can continue to hold back on pricing decisions. △