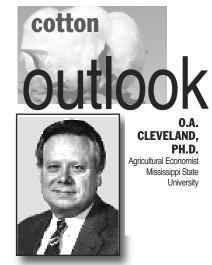
Signs Of Dollar Value Improving Place Pressure On Commodity Prices



he nearby July contract slipped below 70 cents on the week, marking its first venture there since February. The contract traded to a low of 69.52 on Thursday, but rebounded at the end of the week in the face of improving prices in other commodity markets as well as improving export sales. The midweek sell off was in line with the improving value of the U.S. dollar and the decline in other commodity prices. Cotton's fundamentals continue to pressure prices near term. However, the upper sixty cent level should provide good price support. The new crop December fell below 80 cents and its longer term price level will be closely tied to crop conditions in the Northern Hemisphere. A U.S. crop in excess of 15 million bales or a world crop above 118-119 million bales will make the low eighty cent level very difficult to scale.

While the value of the U.S. dollar continues to slip in world currency markets, the dollar is demonstrating numerous signs that its long down trend may be coming to an end. This, in turn, has placed pressure on all commodity prices as once the dollar stabilizes and begins to trend higher, then the more foreign currency that will be required to purchase a fixed amount of cotton, or any other commodity. Generally, the U.S. dollar trades inversely to cotton since cotton is an export commodity. This is a natural tendency as the lower the value of the dollar, the less foreign currency is required to purchase U.S. cotton. That is, there is a tendency for the demand for cotton to increase as its price – in local currency moves lower.

Certificated stocks are also part of the equation that is keeping a tight lid on prices. Stocks now total 1,213,546 bales with another 142,213 bales awaiting review. Longer term, these stocks will erode the value of December futures, unless they can be significantly reduced and move into the export market. While I have been bullish the new crop December 2008 contract, should certificated stocks fail to move into the export market, and the U.S./world crops surpass expectations, then the market will find it difficult to not only hold the current 78 cent level, but will face pressure to hold above 72-73 cents, basis December.

Bullish export sales resulted during the week ending April 24, 2008 as net sales totaled 649,900 RB. Upland sales totaled 642,700 RB as most notably China made large purchases of Upland. Upland sales totaled 642,700 RB while Pima sales were 7,200 RB. China (429,700 RB); Indonesia and Turkey were the primary buyers of Upland. India (3,300 RB); Thailand and Turkey were the primary buyers of Pima. Export shipments continue to be well behind the pace necessary to meet the USDA export estimate of 14.5 million bales. Weekly exports totaled only 197,500 RB with Upland accounting for shipments of 159,900 RB. Pima shipments were a marketing year high at 37,600RB. Primary destinations for Upland were China (32,000 RB); Mexico and Indonesia. The primary destinations for Pima shipments were China (23,500 RB); India and Pakistan.

As previously noted, I have been bullish the 2008 crop futures contracts, the December 2008 through the July 2009 contracts. However, I must now entertain the possibility that those contracts will have difficulty moving much higher than their respective price level. Yet, I continue to remain very bullish cotton as the looming food crisis is well entrenched and cotton, at some point must increase. Yet, for now, and unlike other commodities, world cotton supplies are well in excess. This excess will keep pressure on prices. Δ