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World Cotton Consumption Expected To Be Lowered

The only news in the cotton pit this week was the lack of any news. The market is doing little except marking time as physical trade has slowed to a trickle and speculators are only interested in small trading lots. Cotton demand, as evidenced by the lack of international trade, is all but absent and sales have been made only for immediate needs. The market really has no where to go until some new news hits the trading pit.

USDA's February supply demand report will be released next Tuesday, February 10. No surprises are expected. However, we should expect to see world consumption lowered 500,000 bales, down to near 116 million bales. Thus, 2008-09 world carryover could increase as high as 59.3 million bales. Too, U.S. domestic mill consumption may well be lowered another 100,000 bales, down to 4.2 million bales. However, USDA may well drop domestic consumption as low as 4.0 million in the coming months. While a small decline in exports could also be forthcoming, down to 11.75 million bales, USDA is not expected to adjust its current 12.0 million bale estimate this month. Thus, in the coming months it is likely that 2008-09 U.S. carryover will increase to as high as 7.5 million bales or 400,000 bales more than the current estimate.

The National Cotton Council's annual grower plantings report will be released on Friday, February 13. Historically, the report has demonstrated accuracy. It will be the news of the day, but planting dynamics in the U.S. will continue until mid March.

The weekly export sales report for the week ending 1-29-09 reported net sales of only 94,100 RB with Upland sales of 92,400 RB and Pima sales of 1,700 RB. Primary sales of Upland were to Pakistan (26,800 RB); Mexico and Turkey. Primary sales of Pima were to unknown destinations (1,000 RB); Japan and Indonesia. Shipments totaled only 195,800 RB with Upland deliveries accounting for 194,500 RB and Pima shipments of 1,300 RB. The primary destinations for Upland were China (63,200 RB); Turkey and Mexico. The primary destinations for Pima shipments were China (700 RB) and Indonesia. This slow level of export shipments was the basis for suggesting that USDA, sooner or later, will reduce its export estimate as much as 250,000 bales.

Central south Texas and central Texas are the driest places of all locations in the United States, even drier than the desert valleys of California and Arizona. Noah and the Ark will all but be necessary to make a "normal" cotton crop in Texas. Both the High Plains and Rolling Plains of Texas are near the 50 year drought level. Thus, the stage is being set such that without timely moisture to get cotton out of the ground and then a few weekly rains; the 2009 U.S. crop will be very drought stressed. The U.S. average yield could drop to as little 600 pounds per acre. Total U.S. production could fall below 10.0 million bales.

Wait a minute!! It is far too early to predict such a crop failure. Yet, the Texas drought is also drawing down the water table for those that irrigate. Parts of Texas will not feel threaded until after the first of May. Other parts need water by early June. Still other parts can go as long as the first of July before getting concerned. Thus, there is ample time to build a limited amount of subsoil moisture. However, Father Time is passing and the long range forecasts do not offer any hope of the easing of the 50 year drought.

Cotton demand will continue to lag. However, cotton prices are low enough to allow mills to profit. Yet, there will be no large scale buying. Prices will remain locked within the current range. Δ



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