



Arkansas Cotton Update



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Market Update (Scott Stiles – Instructor, Economics)

USDA COTTON SUPPLY/DEMAND REPORT OCTOBER 2009



All Cotton production is forecast at 13.0 million 480-pound bales, down 3 percent from last month but up 1 percent from last year.



The 2009/10 U.S. cotton forecasts include lower production and use compared with last month. Beginning stocks were raised marginally to reflect the U.S. Census Bureau's final estimate of 2008/09 ending stocks.

- Production was lowered 3.3 percent to 13.0 million. Texas accounts for most of the decline; production in the Mississippi Delta states was reduced by 85,000 bales.
- Domestic mill use was lowered, reflecting the continued sluggish pace of U.S. textile exports.
- Exports of cotton remain unchanged at 10.5 million bales.
- Ending stocks were reduced 200,000 bales to 5.4 million.

The forecast for the marketing-year average price received by producers was reduced 2 cents per pound at the top of the range to 49 to 57 cents.

U.S.	2008/09	2009/10
Planted Acres	9.5	9.1
Harvested Acres	7.6	7.7
Yield	813	807
Production	12.82	13.0

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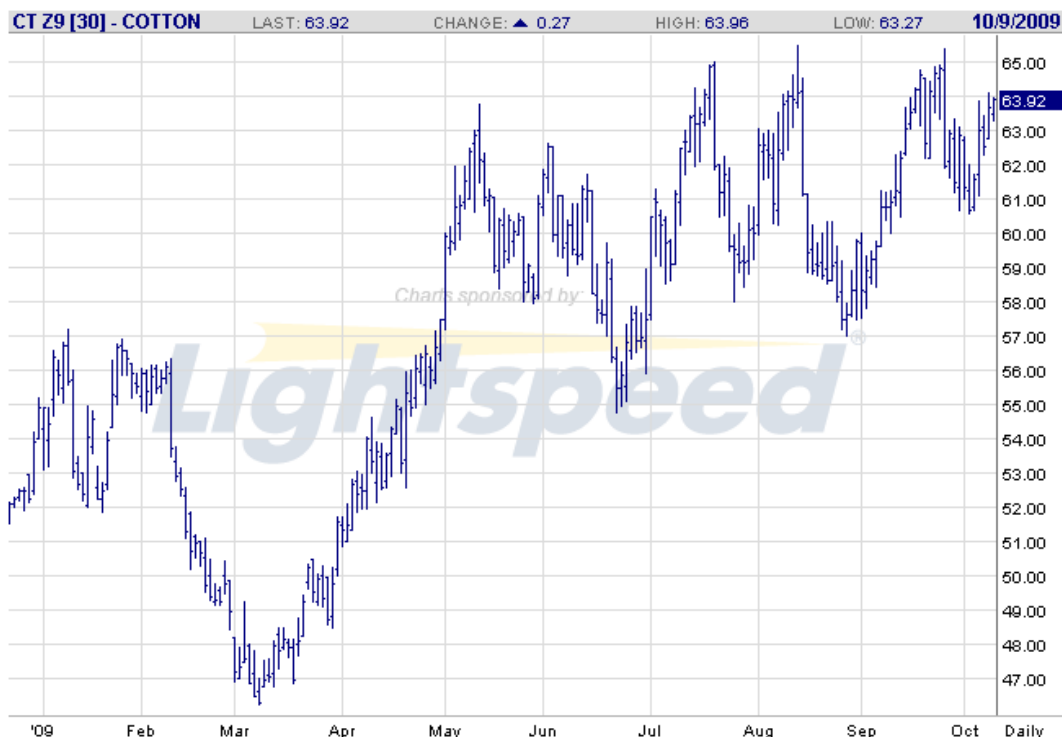
Exports	13.28	10.5
Domestic Use	3.59	3.4
Ending Stocks	6.34	5.4



The world 2009/10 cotton forecasts mainly include small adjustments, with the most significant changes occurring in the China balance sheet. World beginning stocks were raised 1.0 million bales, reflecting higher stocks in China resulting from an upward revision in 2008/09 production. A reduction of 1.0 million bales in China's 2009-crop production forecast more than offsets the higher beginning stocks; adverse harvest weather is reported to have affected yield prospects in the Yangtze region. Lower production estimated for China, the United States, and Uzbekistan is partially offset by increases for India and Argentina. World consumption, trade, and ending stocks were virtually unchanged.

World	2008/09	2009/10
Production	107.6	103.78
Usage	110.4	112.64
Trade	29.40	31.95
Ending Stocks	62.50	56.13

Overall, today's USDA report is considered neutral to slightly bullish with the December '09 contract up 27 points at 63.92 as of this writing Friday morning. The U.S. Dollar is also trading higher and putting some pressure on cotton. Current weather forecasts indicate that cold temperatures will reach into Midsouth next week with low temperatures dropping into 40's. Temperatures in parts of Texas are also forecast to be below



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normal Saturday and below or well below normal Sunday and Monday. Not a good outlook for rapid field drying conditions and crop development.

The December '09 contract has moved into positive territory so far this week gaining 326 points since last Friday's close. The U.S. Dollar has been weaker and outside commodity markets have been stronger with gold hitting record highs. Grain markets have worked higher as well on weather related harvest delays and freezing temperatures in parts of the upper Midwest. From a technical perspective, the December chart activity this week has developed into a bullish flag formation. This chart pattern projects a retest of the 65+ cent price level. A continuation of a wet and cool weather pattern will provide the fundamental fuel for this move.

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