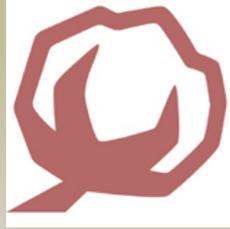
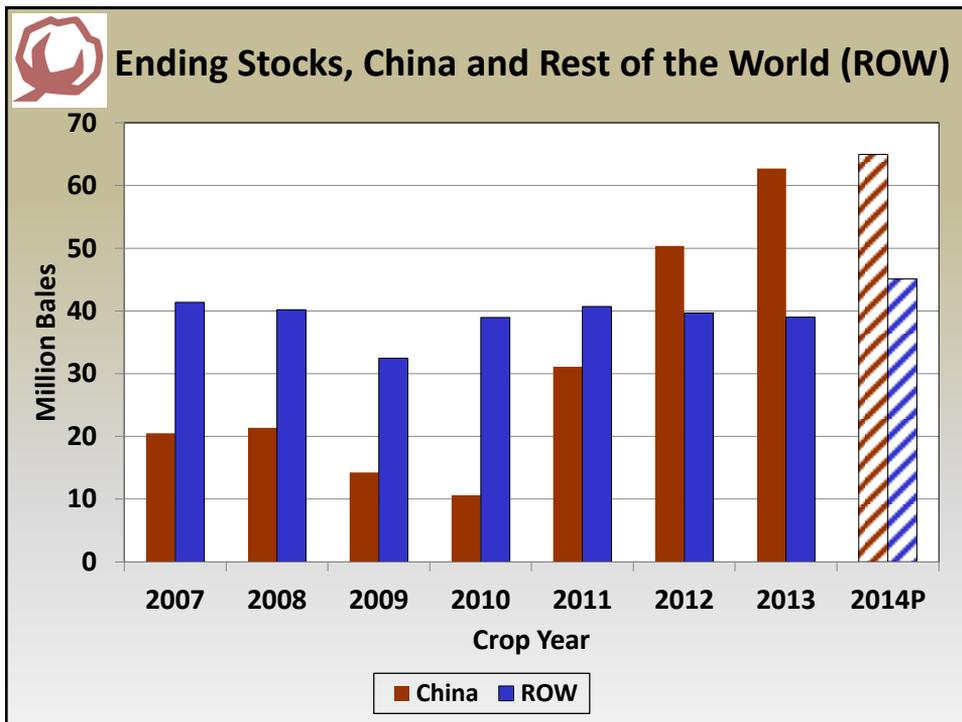


2015 Cotton Situation and Outlook



Don Shurley
 Professor Emeritus of Cotton Economics
 Department of Agricultural and Applied Economics
 University of Georgia

Arkansas Farm Bill Webinar
 March 12, 2015





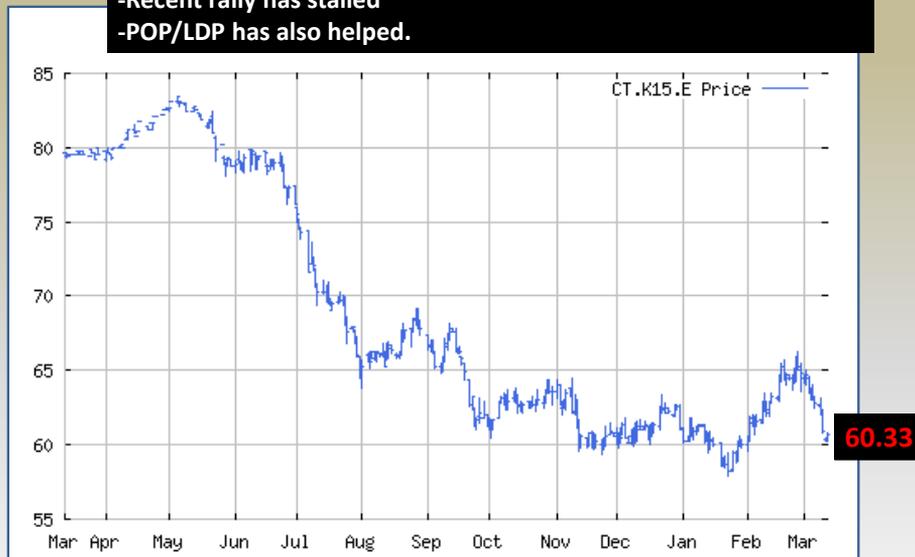
USDA March Report

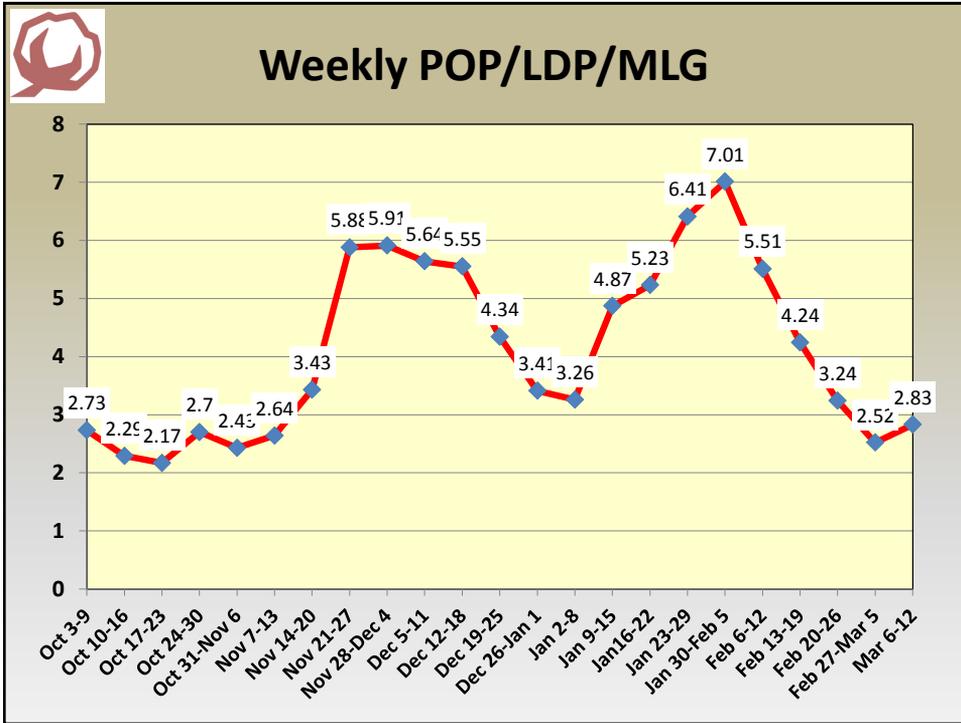
- Not sure what the market was looking for but it didn't find it; May down 138 pts, Dec down 117 pts
- World production down slightly
- World Use down slightly (China down ½ million bales)
- Ending Stocks up 220K bales

Perhaps it is just an accumulation of factors including continued signs of weakening conditions in China, continued growth in stocks, and the need to reinforce the signal that less acres are needed.



- Prices drop 25%
- Looking back, probably "underprotected"
- Basis has been good and quality premiums good; this helps some.
- Recent rally has stalled
- POP/LDP has also helped.





May 15 Futures	60.80	March 12
Basis	0.25	
Premiums	3.25	31-3/35
LDP/MLG	2.83	
TOTAL	67.13	March 12



How Do You Play the POP/LDP/MLG Game?

- Total money increases when Difference gets smaller

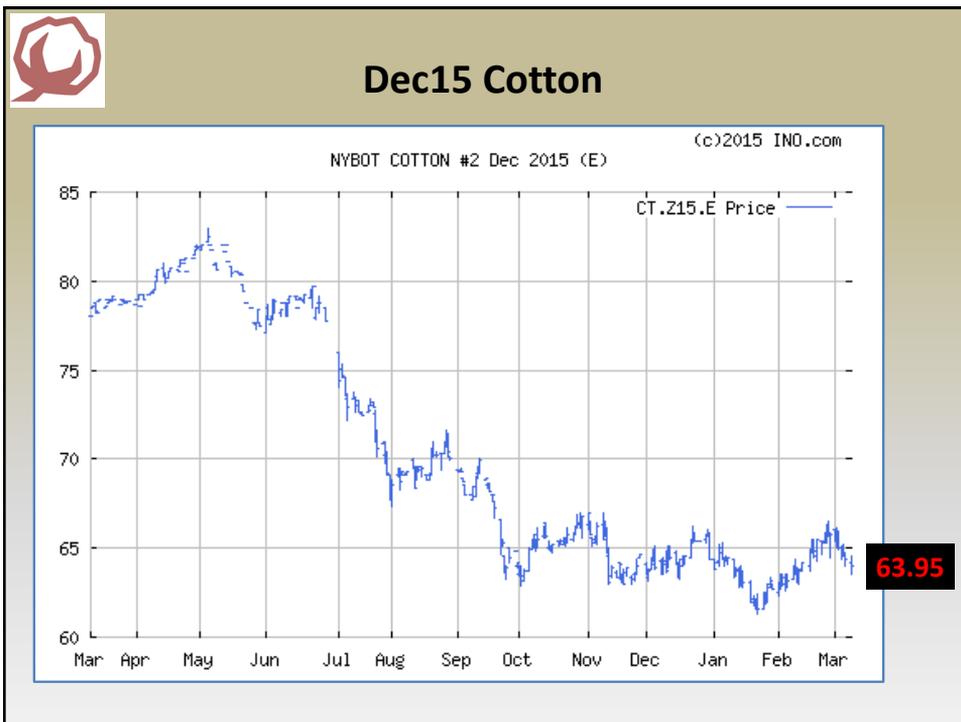
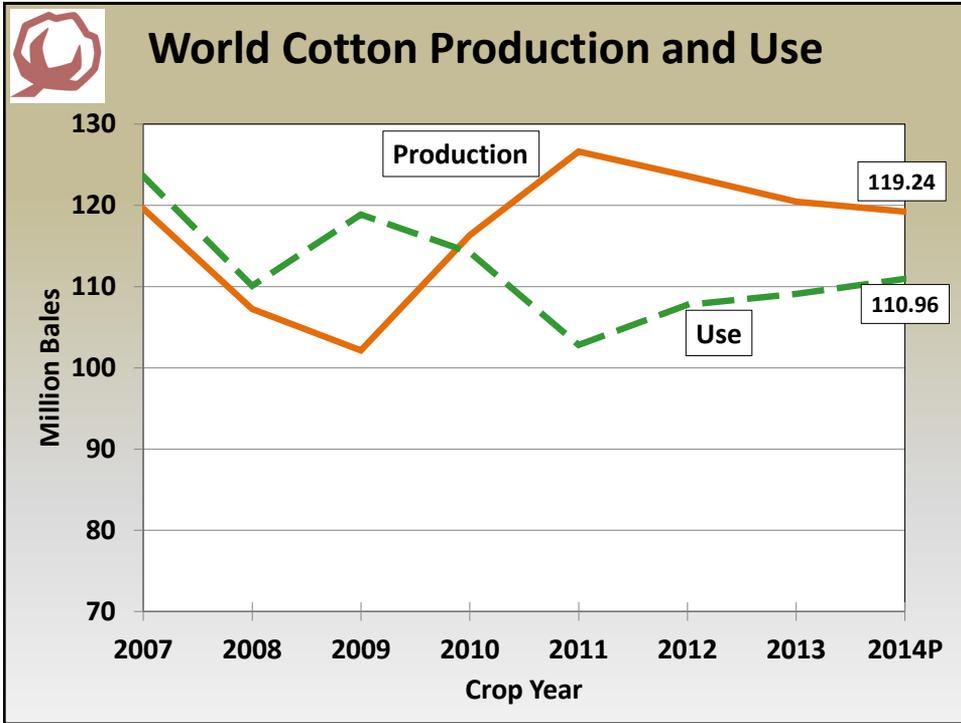
How Does That Happen--

- If prices are increasing during the week, POP and sell before the POP/LDP adjust down the following week.
- If prices are declining during the week, the POP/LDP will increase the following week. Wait. Take the POP/LDP later when prices are increasing.



2015 Factors

- US acreage will be down
- US and World production likely down
- This may break “the cycle”
- If demand continues to trend up, “the gap” between production and use should narrow or disappear
- BUT, the big unknown is still World Stocks and China





Prospective 2015 U.S. Cotton Area

	2014 Actual	2015 Estimated	Percent
	(Thou.) 1/	(Thou.) 2/	Change
SOUTHEAST	2,669	2,386	-10.6%
Alabama	350	306	-12.5%
Florida	107	82	-23.2%
Georgia	1,380	1,259	-8.8%
N. Carolina	465	411	-11.5%
S. Carolina	280	246	-12.0%
Virginia	87	81	-7.4%
MID-SOUTH	1,455	1,078	-25.9%
Arkansas	335	203	-39.4%
Louisiana	170	140	-17.9%
Mississippi	425	368	-13.5%
Missouri	250	192	-23.3%
Tennessee	275	176	-35.9%
SOUTHWEST	6,471	5,595	-13.5%
Kansas	31	26	-15.0%
Oklahoma	240	225	-6.2%
Texas	6,200	5,343	-13.8%
WEST	250	134	-46.6%
Arizona	150	59	-60.4%
California	57	35	-39.2%
New Mexico	43	39	-8.3%
TOTAL UPLAND	10,845	9,192	-15.2%
TOTAL ELS	192	236	22.8%
Arizona	15	36	140.5%
California	155	174	12.3%
New Mexico	5	7	31.4%
Texas	17	19	12.7%
ALL COTTON	11,037	9,428	-14.6%

1/ USDA-NASS
2/ National Cotton Council



US and World Supply and Demand

	U.S.			World		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Acres Planted	12.26	10.41	11.04	N/A	N/A	N/A
Acres Harvested	9.32	7.54	9.71	N/A	N/A	N/A
% Abandonment	24.0%	27.6%	12.0%	N/A	N/A	N/A
Yield	892	821	795	N/A	N/A	N/A
Beginning Stocks	3.35	3.80	2.45	73.78	90.02	101.71
Production	17.31	12.91	16.08	123.63	120.44	119.24
Imports	0.01	0.01	0.01	46.30	40.58	34.02
TOTAL SUPPLY	20.67	16.72	18.54	243.71	251.04	254.97
Use	3.50	3.55	3.65	107.78	109.10	110.96
Exports	13.03	10.53	10.70	46.74	40.73	34.42
TOTAL USE	16.53	14.08	14.35	154.52	149.83	145.38
ENDING STOCKS	3.80	2.45	4.20	90.02	101.71	110.06



US and World Supply and Demand

	U.S.			2015/16	World	2013/14	2014/15
	2012/13	2013/14	2014/15				
Acres Planted	12.26	10.41	11.04	9.42	Dn 15%	N/A	N/A
Acres Harvested	9.32	7.54	9.71	7.91		N/A	N/A
% Abandonment	24.0%	27.6%	12.0%	16%		N/A	N/A
Yield	892	821	795	822		N/A	N/A
Beginning Stocks	3.35	3.80	2.45	4.00		90.02	101.71
Production	17.31	12.91	16.08	13.55		20.44	119.24
Imports	0.01	0.01	0.01	0.01		40.58	34.02
TOTAL SUPPLY	20.67	16.72	18.54	17.56		51.04	254.97
Use	3.50	3.55	3.65	3.65		09.10	110.96
Exports	13.03	10.53	10.70	10.00		40.73	34.42
TOTAL USE	16.53	14.08	14.35	13.65		49.83	145.38
ENDING STOCKS	3.80	2.45	4.20	3.91		01.71	110.06



2015 Outlook

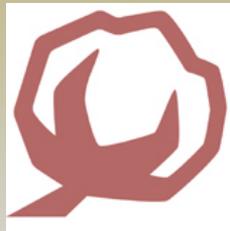
- Prices most likely range 60 to 72 cents
- Pessimistic outlook– US and world production down but less than expected, demand growth slow or none, US exports even less than expected
- Optimistic outlook– US and World production down significantly, demand continues to recover, US exports greater than expected
- Expected PLC and ARC payments could be a factor on planting decisions on Generic Base; but difficult to predict.
- No incentive to do much unless Dec15 gets to 70 cents.



Cotton in the Farm Bill

- New “safety net” is STAX.
- Cotton seems at a disadvantage to other crops with ARC/PLC.
- Loan Rate may vary based on AWP
- Cotton not a “covered commodity” but LDP/MLG’s still count in the same Payment Limit with covered commodities.

Thank You



donshur@uga.edu

www.ugacotton.com

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