REPRESENTING COTTON GROWERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA, AND VIRGINIA

COTTON MARKETING NEWS

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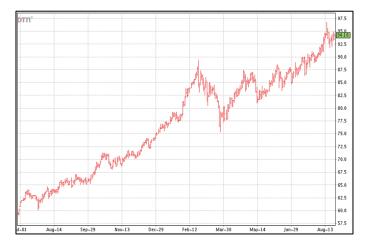


Strong Prices Continue- So Far with Few Hiccups

Most of the time, but not always, prices tend to trend down into the harvest months. It's called seasonality and for that reason, farmers like to price some portion of their crop prior to harvest. How much varies from farmer to farmer and depends on how much risk he/she is willing to take on an unknown future.

This continues to be shaping up as one of those not-very-often years where farmers stand to enjoy both a good crop and at a good price.

December futures continue to challenge 95 cents. Price peaked at near 95 cents last week—closing at 94.9 cents on the 17th and down just slightly to 94.83 the next day on the 18th. Price "adjusted" down to 92.76 but has since "corrected" back to the 95 cent area—94.5 cents yesterday and 94.16 cents today.



The 95-cents area may prove again to be a tough hurdle to negotiate but downside risk should be limited. There should be "support" at 92 cents and lower at 90 and 88 below that.

Overall crop conditions continue to improve. This week's report (as of August 22) shows 71% of the crop in good to excellent condition. This compares to 40% at the same time last year. Texas and Georgia are both at 70% good to excellent. Only 6% of the US crop is rated poor to very poor.

With these crop conditions, will the US crop estimate be raised in the September and later USDA reports? If so, will that put a damper on the run in prices? Would an even larger crop and larger available supply be offset somewhat by an increase in exports? This week's export report (for the week ending August 19) showed sales of 267,000 bales—up 7,000 bales from the previous week. Shipments were 216,000 bales—down 15,000 bales from the previous week.

2021 crop sales thus far total 5.77 million bales—38% of the USDA projection for 2021 crop year exports. Sales to date compare to 7.27 million bales, 21% lower than at the same time last year.

Tropical storm Ida is the strongest storm of the season thus far. Ida is expected to strengthen over the weekend and could make landfall along the Louisiana coast early Monday morning as a category 3 hurricane.



Any impacts could affect a large portion of the Mid-South cotton crop. As of August 22, the Louisiana crop was 39% open and Mississippi was 33% open.

Where do you stand on pricing your 2021 expected production? One strategy used by many growers is to price in "steps" or to price portions of the crop at multiple times before and after harvest. The goal is to price when you feel exposure to market risk is telling you—trying to achieve an overall high average price.

Some growers began pricing at 80 cents basis Dec. Some waited and started at 85 or added on at 85. More was done at 90 and perhaps more on this recent move approaching 95. Uncommitted production will continue to be sold off after harvest.

One of the goals of marketing is managing risk—to get a good price but also reduce exposure to price uncertainty. Farmers can do this in different ways.

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