

Captains of Cotton

Association presidents address regional issues.



Ernie Schroeder, Jr.
President
Western Cotton Association

THE 2008/09 season displayed extreme changes in both world cotton production and world cotton consumption. Early in the season it was clear that the world crop was substantially less than the previous season. In fact, world production dropped by about 12 million bales. This was anticipated to reduce world stocks and cause prices to firm. However, as a result of the

world economic situation, world cotton consumption also dropped by 12 million bales. This was the largest one-year change in world use in history. Despite the changes being of similar magnitude, the decline in demand was the major focus of the market as prices dropped to historically low levels.


As growers make plans for the upcoming season, it appears that world production will again drop — perhaps 5-10 million bales below the 2008/09 level. The driving force in the coming season will again be world fiber demand. If usage simply

stabilizes, world stocks could decline sharply. Any rebound in demand, particularly in replenishing depleted supply lines, could push mill prices well above the low levels traded in the 2008/09 season.

California growers are not only concerned with low price levels, but also the availability of water. While some growers are returning to cotton as the dairy industry is struggling to pay for feed at the high levels of last season, overall, cotton acreage will fall to levels not seen since cotton was introduced in California in the 1920s. Expectations are for less than 200,000 total acres to be planted in California, another 30% drop.

California growers are fortunate to produce some of the highest quality cottons in the world. As a result of the top quality, they are able to receive a premium and maybe more importantly, find a market in a weak demand situation. However, the world economic crisis has challenged Pima demand more than any other cotton. As mills almost stopped Pima consumption, world exports in 2008/09 dropped over 60% from the previous year. Pima stocks are expected to be large entering the 2009 season.

Prices will need to provide an incentive for Far Western growers to produce the premium fibers many world mills depend upon. With the large reductions in the Far West, a major concern is the continued availability of infrastructure. Some gins are closing this season; some farmers are liquidating some of their cotton machinery. The upcoming season could determine the long-term prospects for Far Western Cotton. ■



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Atlantic Cotton Association
Southern Cotton Association

Texas Cotton Association
Western Cotton Shippers Association



Littleton B. Carothers, II
President, Atlantic Cotton Association

THE MERCHANTS of the Atlantic Cotton Association are in the cotton business. We have always been in the business, but doing business has been like being in the Army — hurry up and wait. The past six weeks have been better. We have bought, sold and shipped a bunch of cotton. U.S. cotton supplies are shrinking and the AWP is trending higher. There are only 2 million or so bales left in the government loan. Something is working.

We have the tools to get the cotton crop in and out of the field, onto the global markets and into the “Fabric of Our Lives”.

There are a few “what ifs” that we need to pay attention to. What if India releases its government-owned and subsidized inventories? What if Chinese textile mills continue to buy their government’s reserve stock? What if the Uzbeks stop restricting their cotton from coming to market? These “what ifs” have not become a reality. We have been able to sell U.S. cotton during periods when these same countries pressure us. We should be able to keep selling competitively. The \$64,000 question is: “At what market level will these countries release or sell their cotton stocks?”

There were no March surprises this year. March Madness of 2008 cost the Atlantic region some of its oldest and most loyal members. When the market broke down and became “dysfunctional,” it caused every segment of our industry to re-think how we conduct business. Real challenges are still facing us today.

The Atlantic Cotton Association serves, creates markets, takes risks and wants every segment of our cotton industry to succeed. We are just like you. We are patriotic, capitalistic, church-going and fun loving folks who compete in a free market and will defend each other ‘til death. We are bullish on cotton and always will be. ■



Ted Morley
President
Texas Cotton Association

WHAT A year. One year ago we were looking at high prices and the market was on a relentless tear towards the magical \$1.00 per pound options traded at that or higher levels.

Then demand fell and buyers around the world slowed their consumption, just managing to keep running on very limited supplies. Unfortunately, in some cases mills closed their doors for good.

No country was immune to these hardships as customers in China, India, Pakistan, Turkey and Mexico, to name just a few, all suffered from the turmoil of last year. Not only were the mills hurt, but also many shippers were forced into liquidation, some after hundreds of years in the cotton business.

Retailers have been closing in huge numbers around the U.S. and other countries. There are large malls which are empty as retail customers have disappeared.

Today, the picture is changing dramatically. Prices are down by half, but mills are starting to buy cotton at the lower price levels — business must be getting better. Weekly export numbers are on track to meet the USDA’s expectations.

The cotton pipeline is starting to be replenished and vessels are going to the Far East pretty much fully loaded. Business is picking up and buyers are now considering buying cotton from the U.S. again, especially as cotton from other producing countries, such as India, Pakistan, China and Uzbekistan has been held off the market for some time. The government intervention in these countries has helped to keep the U.S. very competitive over the last few months, which is a change from last year when these countries were leading the sales charge. ■

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