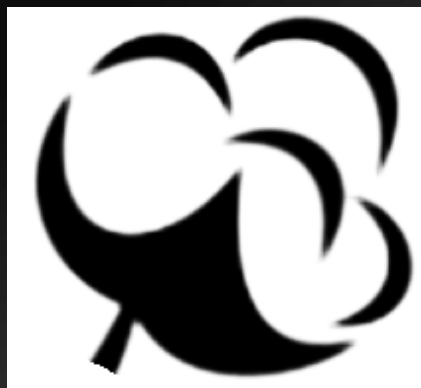


# 2015 Cotton Outlook



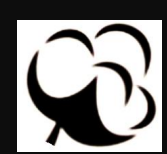
**Don Shurley**

**Department of Agricultural and Applied Economics  
University of Georgia**

**Southern Region Agricultural Outlook Conference**

**September 22-24, 2014**

**Atlanta, GA**



# Cotton Market

## Fundamental Factors For 2015

- Slowly improving World demand
- Is there growth potential; if so, at what price?
- Still massive stocks in China
- Continued uncertainty in China's demand for imports ?
- US acreage and production
- Foreign acreage and production

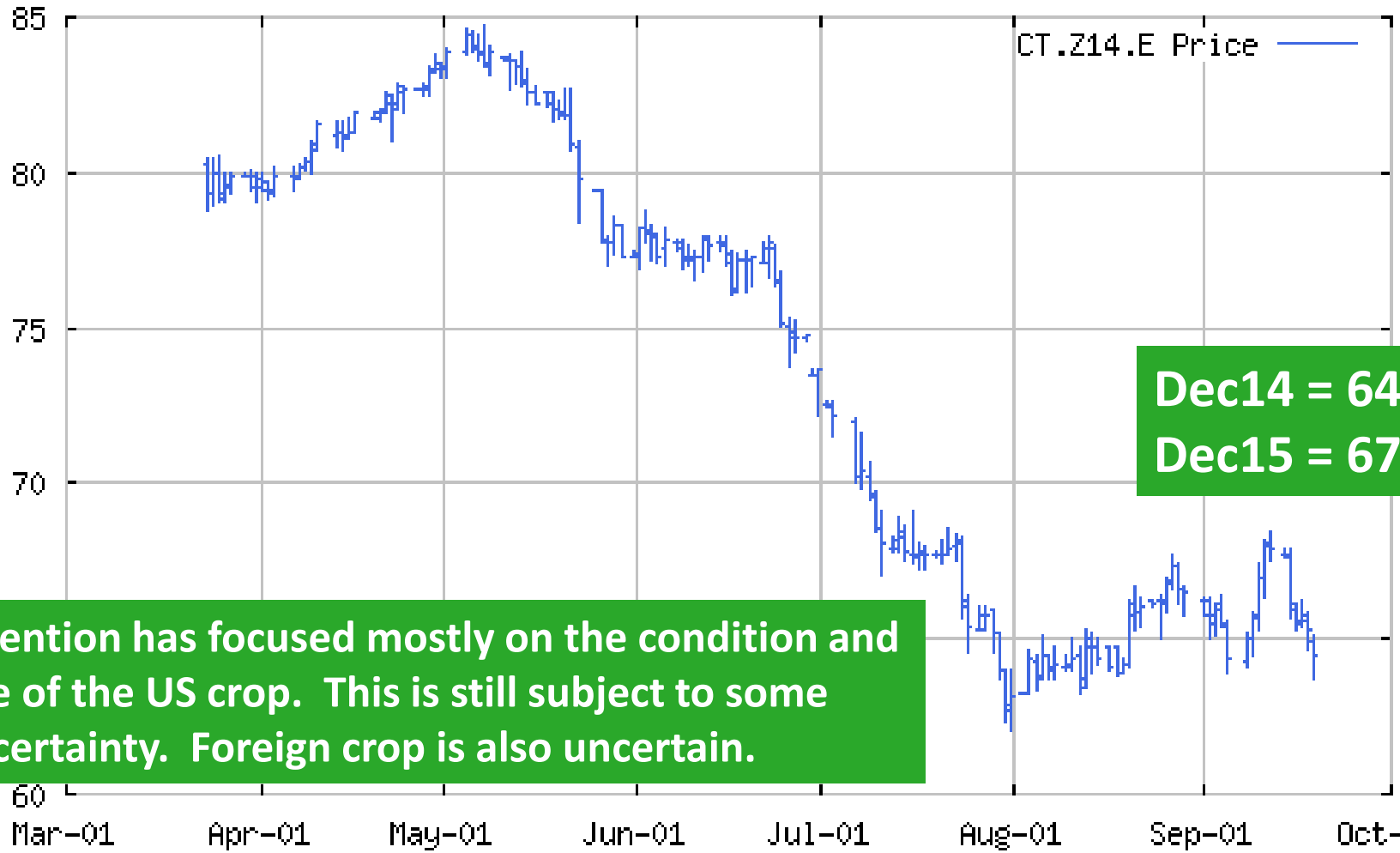


# 2014 Crop- Downhill Ride

(c)2014 INO.com

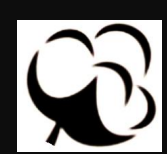
NYBOT COTTON #2 Dec 2014 (E)

CT.Z14.E Price



**Dec14 = 64.39**  
**Dec15 = 67.22**

Attention has focused mostly on the condition and size of the US crop. This is still subject to some uncertainty. Foreign crop is also uncertain.



# What Caused the Decline

- Actual acres planted > intentions
- Much improved US crop conditions
- Selling by speculative interests; nervous that 85 cents was too high anyway
- Occasional disappointing export numbers
- Higher than expected production in India
- Increased stocks in China and ROW (Rest of the World)

## But the Bottom Appears Stabilized

- Occasional good exports at lower prices
- Decline in US crop conditions and expected production
- Sense that China may import more than expected due to quality
- Still uncertainty about stocks policy and imports
- *But, support may still be at risk*



# Cotton Supply and Demand

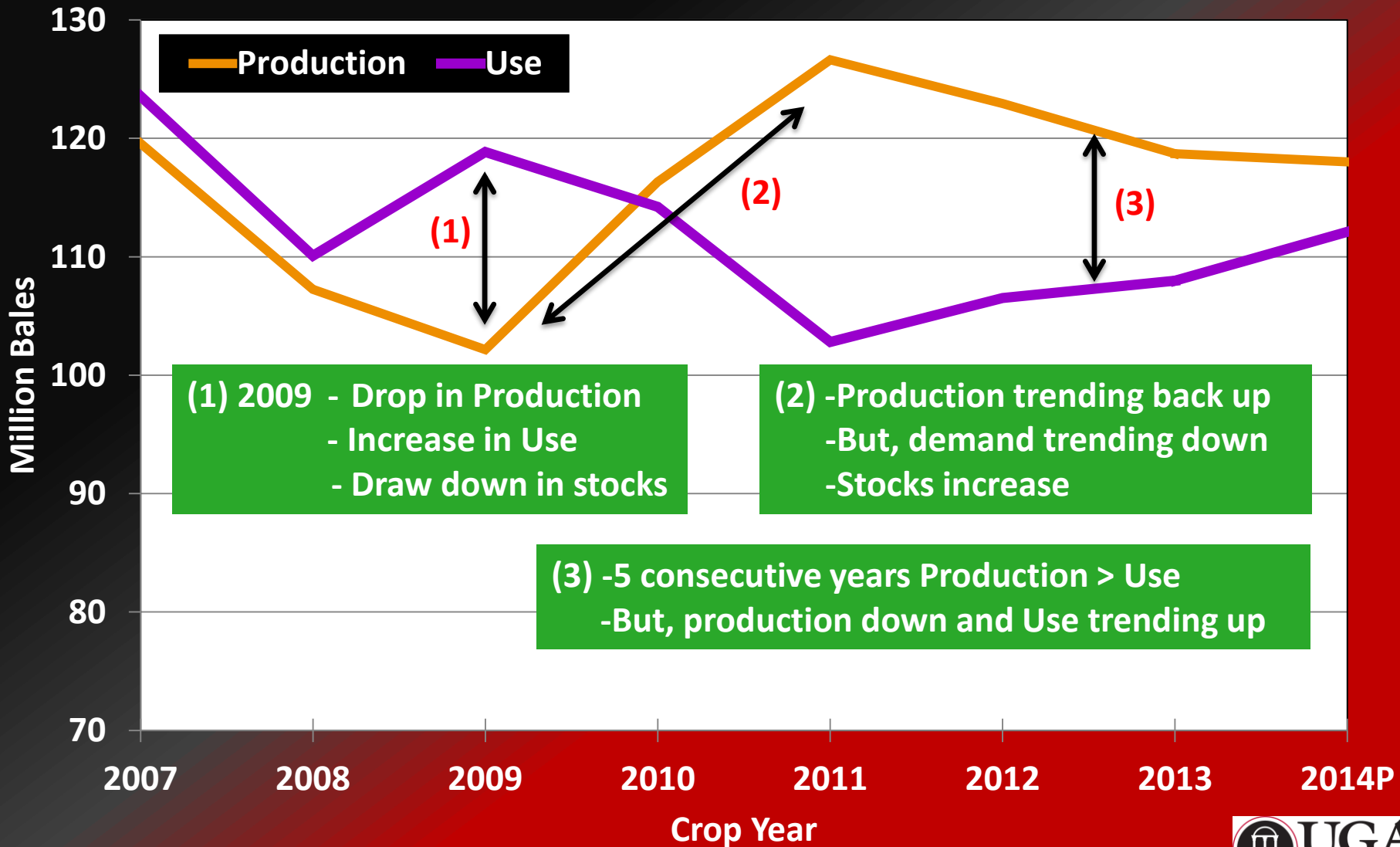
	US			World		
	2013	2014		2013	2014	
		Aug	Sept		Aug	Sept
Acres Planted	10.41	11.37	11.01	N/A	N/A	N/A
Acres Harvested	7.54	10.24	9.88	N/A	N/A	N/A
Yield Per Acre	821	820	803	N/A	N/A	N/A
Beginning Stocks	3.90	2.60	2.45	89.82	99.96	100.30
Production	12.91	17.50	16.54	118.70	117.64	118.01
Imports	0.01	0.01	0.01	40.36	36.30	35.19
<b>TOTAL SUPPLY</b>	<b>16.82</b>	<b>20.11</b>	<b>19.00</b>	<b>248.88</b>	<b>253.90</b>	<b>253.50</b>
Domestic Use	3.55	3.80	3.80	107.99	112.60	112.12
Exports	10.53	10.70	10.00	40.95	36.29	35.18
<b>TOTAL USE</b>	<b>14.08</b>	<b>14.50</b>	<b>13.80</b>	<b>148.94</b>	<b>148.89</b>	<b>147.30</b>
<b>Ending Stocks</b>	<b>2.45</b>	<b>5.60</b>	<b>5.20</b>	<b>100.30</b>	<b>105.08</b>	<b>106.29</b>

SOURCE: USDA, September 11, 2014.



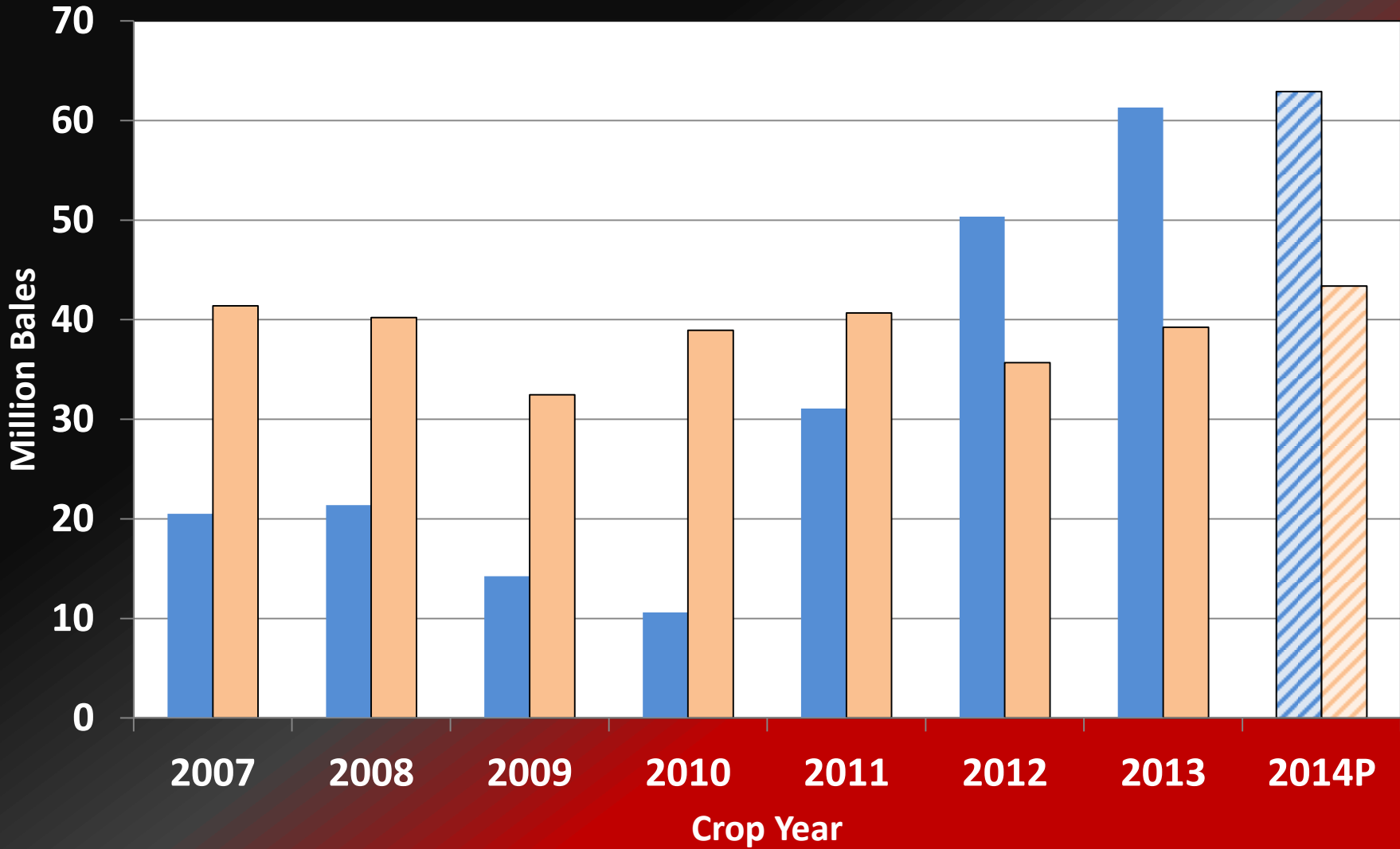
# World Cotton Production and Use

## Background for the Buildup in Stocks





# Ending Stocks, China and Rest of the World (ROW)

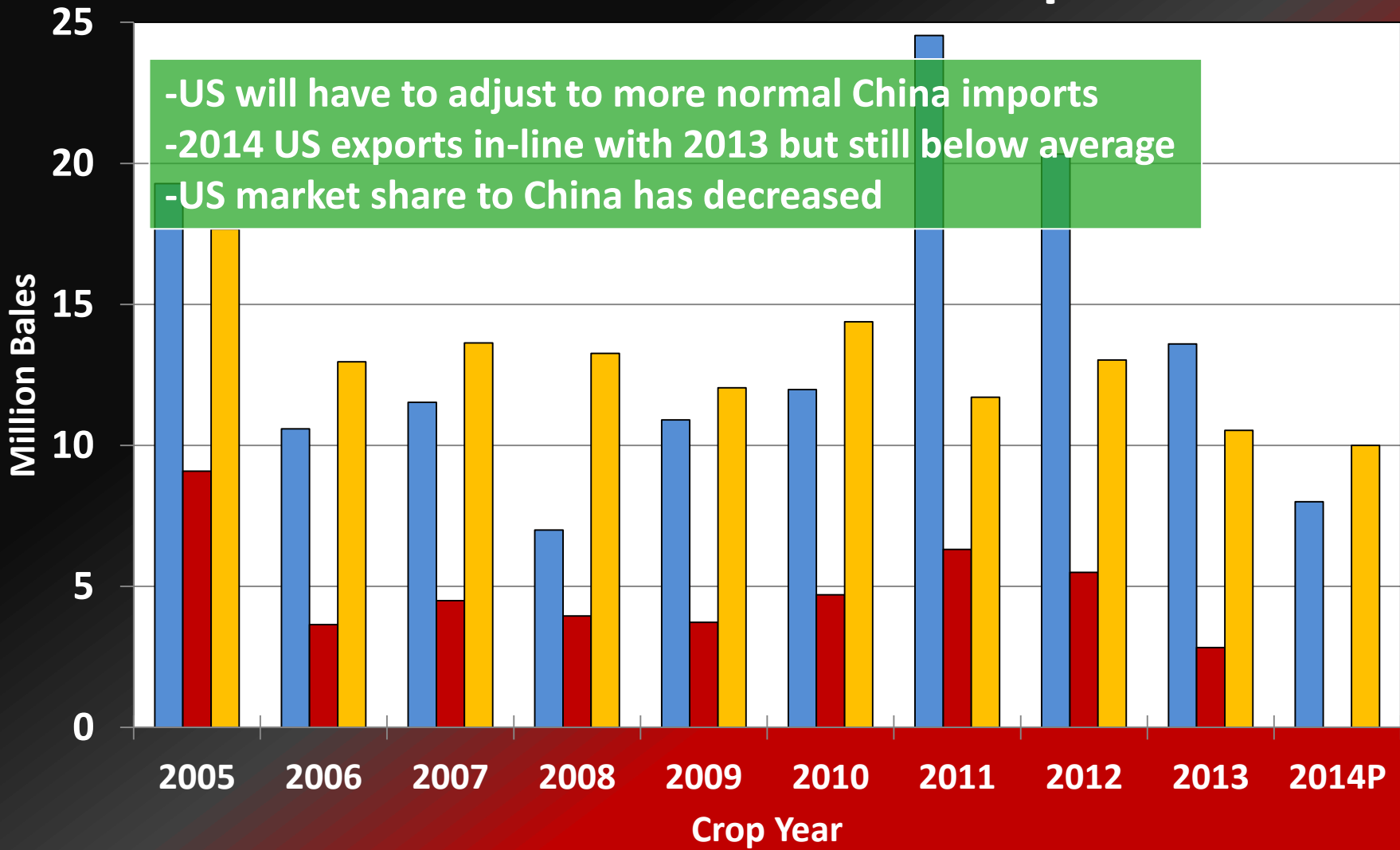


■ China ■ ROW



# China Cotton Imports

## US Share and Total US Exports

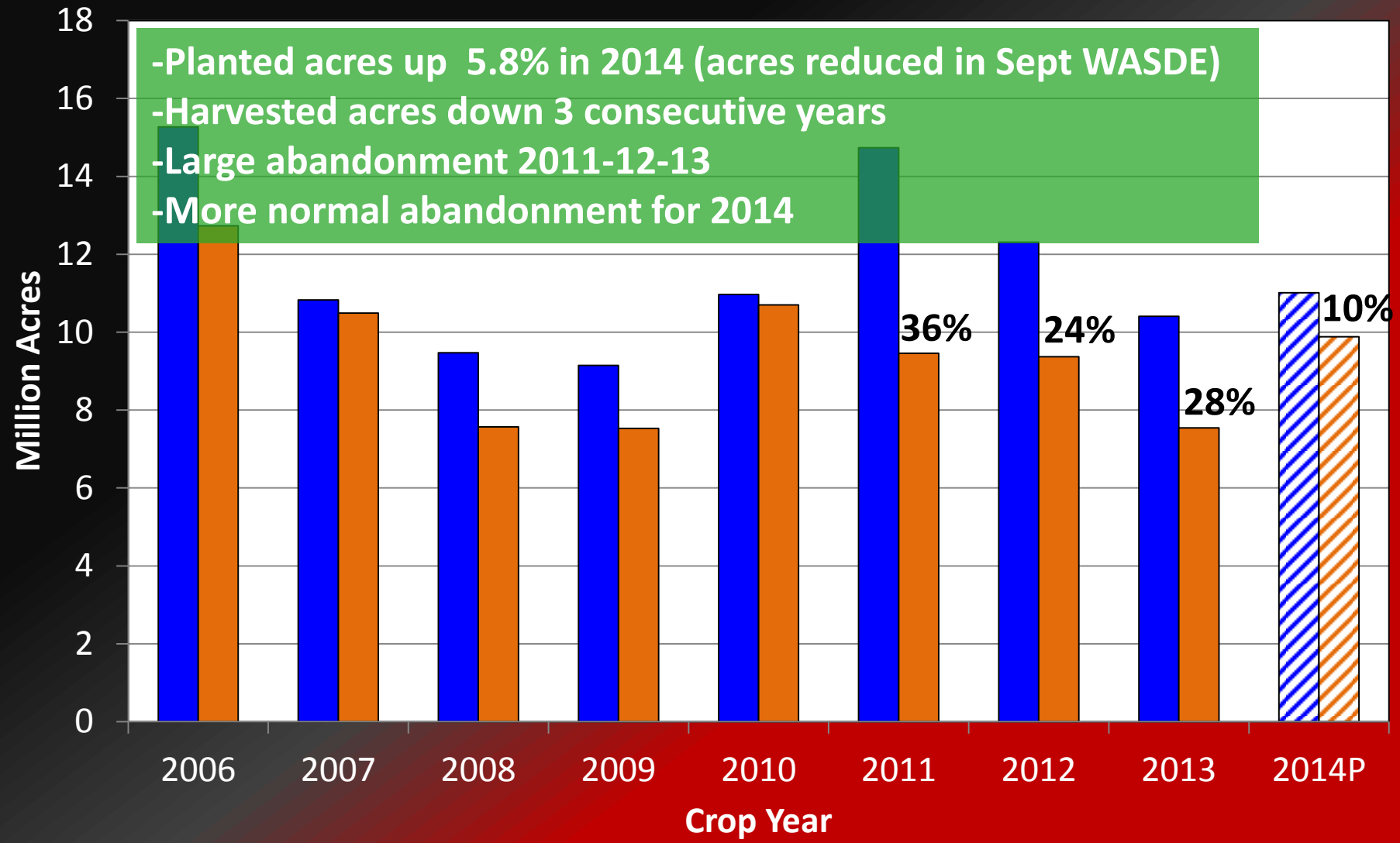


■ Chinese Imports   ■ US Share   ■ Total US Exports



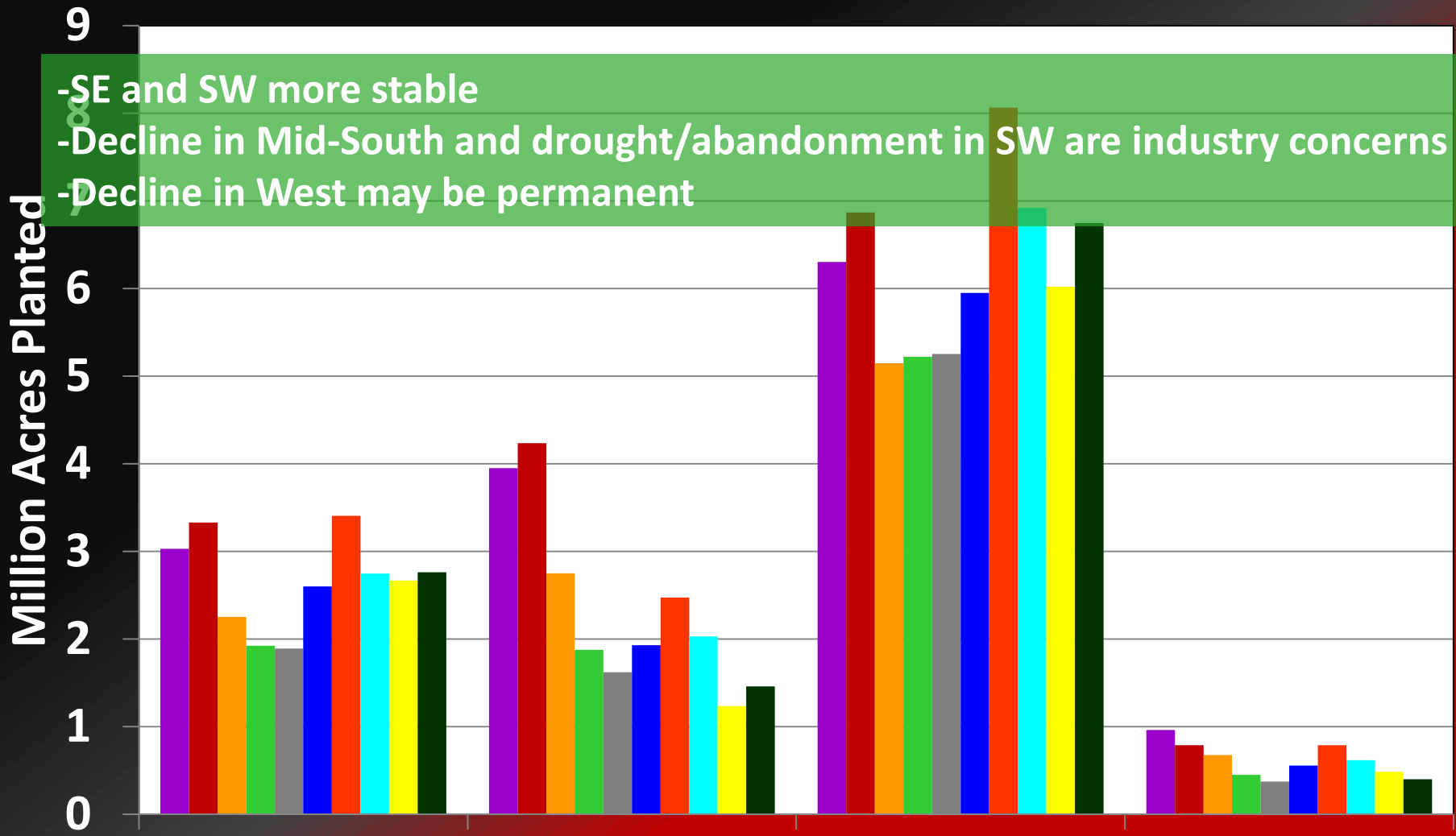


# US Cotton Acres Planted and Harvested





# Cotton Acres Planted By Region



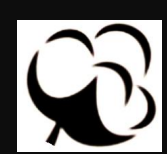
-SE and SW more stable  
-Decline in Mid-South and drought/abandonment in SW are industry concerns  
-Decline in West may be permanent

'05 '06 '07 '08 '09 10 11 12 13 14



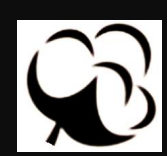
# 2015 Crop Price Outlook

- **US acreage and production likely down; Foreign production also likely down**
- **Demand should continue to slowly improve**
- **US exports will depend on Chinese and other foreign cotton crops**
- **Surplus between annual production and use should narrow, perhaps invert**
- **Dec15 prices 65 to 75 cents**



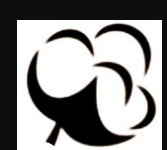
# China's Cotton Policy

- Few details are yet known about a possible new “Target Price” program
- A subsidy would to be paid for the difference between the Target Price and the “market price”
- Still uncertain how this would impact the use of China's government-owned reserves and demand for imports
- Not likely that China would “dump” stocks on the market; prices would drop and cost of subsidies very high



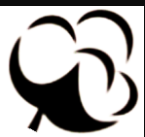
# Why Grow Cotton?

- **Crop Rotation Benefits**
- **Agronomic advantages (soil, weather, etc.)**
- **Few or no other alternatives**
- **Better expected net returns compared to alternatives**
- **Risk management**



# Other Factors in Planting Decisions

- **Anticipated PLC or ARC payments**  
Other “covered commodities” can be planted on Generic Base and are eligible for and PLC or ARC payment
- **Crop insurance prices and coverage elected.**



# Price Ratio Comparisons

## All Row Crop Prices Down; Cotton Holding Relative Position

**Relative Price Ratios Comparing Cotton, Corn, and Soybeans**

	Upland Cotton Acres Planted <sup>1</sup>	Dec Cotton on March 1	Ratio Corn:Cotton	Ratio Soybean:Cotton
<b>2011</b>	14.428	\$1.25	4.84	10.62
<b>2012</b>	12.076	\$0.91	6.23	14.22
<b>2013</b>	10.206	\$0.85	6.46	14.86
<b>2014</b>	11.191	\$0.78	6.12	14.94
<b>2015<sup>2</sup></b>	???	\$0.67	5.63	14.34

1/ Million acres US

2/ Cotton price and price ratios as of 9/19/2014

# THANK YOU



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