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The Grower-Owned Association
Marketing Only California Cotton

THE QUALITY COTTON UPDATE

Volume 1	<h2>San Joaquin Valley</h2> <h3>Quality Cotton Growers Association</h3>
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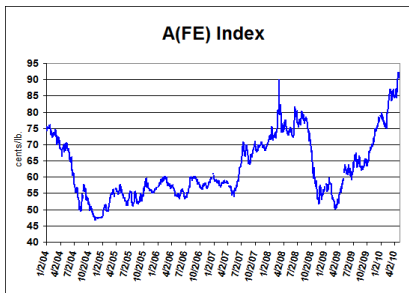
2010 Crop Development News:

Fears of problem lygus migration that have been predicted since the onset of the El Nino weather patterns developed are now becoming a reality. Grower and PCA reports of 2-4 treatments for the pest are not uncommon especially in the southern end of the Valley. The most troubling aspect seems to be that despite the treatments, additional lygus just keep moving in behind the ones successfully eliminated. Not only are the expensive treatments adding up, but the damage inflicted on developing squares only adds insult to injury. Growers in areas where the lygus populations are the worst continue to evaluate every strategy possible to maximize their crop potential. Some growers are applying plant growth regulators or using water stress management to inhibit a potentially vegetative state caused by square shed.

SJV Acala market:

The fundamentals of economics suggest that when supplies outweigh demand, all things being equal, that sellers will ultimately have to

reduce prices in order to induce buyers to come into the market. Conversely, when demand outweighs supply, buyers are forced to pay higher prices in order to induce sellers of a scarce commodity to trade what is in their control for the market's currency. Right now, in the face of historically high physical prices (in nominal terms) the question in the minds of cotton traders is how high can prices for cotton go before beginning to ration some of the demand. Some traders believe we are already seeing some of this now



as yarn spinners begin to factor the much higher prices of newly acquired raw cotton inventory into their yarn prices. Margins on new yarn sales are narrowing as the older (cheaper) cotton inventory is consumed.

RECENT MARKET PRICE LEVEL — Roller Acala \$0.81 - 0.86
Saw Acala \$0.78 - 0.83

SJV Pima market:

New numbers released by USDA on Pima acreage in the June report indicate a 12% increase over the March estimate bringing the number of acres of Pima in the Valley to 185,000.

Last season there were only 119,000 acres planted and 116,000 acres harvested according to USDA. The other Pima producing states show only modest acreage increases with Arizona and New Mexico at 3,000 acres each, and Texas reporting 18,000 acres. Most analysts had total US Pima acres pegged at around 195,000 with the San Joaquin Valley representing about 88% of that figure. USDA now has total US Pima acreage at 209,000 acres.

While an increase in acreage planted is generally not that friendly to prices, in this instance concerns about the potential yield of the Valley crop is certainly weighing in the balance for a supply that still may not overwhelm the demand. Net new US export sales for the week were reported as 700 bales versus 1,900 bales reported the previous week. Current registered export sales for the 2009/10 crop year are now 677,200 versus 676,700 reported the previous week. This represents 336% of the sales level at the same time last year when 201,500 bales in sales had already been registered. So far this season, shipments stand at 469% of last year with 662,400 bales shipped versus only 141,100 bales last year.

RECENT MARKET PRICE LEVEL — \$1.24 - 1.34

National Cotton Council
Certified Producer
Organization



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FSA 2010 Deadlines:

DCP & ACRE contracts	deadline over
Small Grain certification	deadline over
All Other Crop certification	July 15, 2010
Reconstitutions	August 1, 2010

Or see www.fsa.usda.gov

Did you know ?

SJV Quality Cotton Growers Association has been a primary sponsor of the CCI Sourcing USA Summit since 2002 ?

ECONOMIC TRENDS: Last 30 day changes

— In the WTO Brazil case trade negotiators have agreed to a framework for avoiding sanctioned retaliations against the US.

Dollar	↓
Prime Rate	↔
CRB index	↑
DJ Average	↓
Natural Gas	↑
Diesel	↑
Polyester	↑