



AUTAUGA QUALITY COTTON

Your Cotton, Your Choice

The Turnrow Newsletter

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"The cotton crop of 2017, yeah I remember it well, not an easy one considering...." Such words will be uttered in gin offices and coffee shops across the Cotton Belt for many years to come. Its amazing how certain crops stand their place in time such as those of 2002, 2007 and 2011, to mention just a few. Some are remembered fondly while others would be better forgotten. This year's crop will be known as nothing short of challenging having to deal with one of the wettest growing seasons on record, including not one but three hurricanes. Once again proving you can have too much of a good thing.

The proof first hit home when harvested yields, though above average, failed to meet one's visual expectations in many instances. This year there has been a stark contrast in a field's potential when looking from atop a picker as compared to the turn row. From above, thinner stands, washed out areas, and poorer fruit set became much more apparent. As we all know, it only takes a few weak spots in a field to significantly reduce its overall yield. A concept reminiscent of grade school whereby those D's and F's always seemed to bring a grade average down much faster than A's would bring it up. Logic I could never quite comprehend, but of course never experienced.

With this in mind, let me stress to everyone 2017 was an anomaly, one not likely to be repeated for some time. However, I'm getting an alarming sense more and more growers are questioning their



current farming practices as being responsible for these yield disappointments. Variety selection, soil fertility, weed management, PGR use and other items are being scrutinized closely as to what could have been done differently. My advice would be to take very little away from the experiences of the past year. Certainly don't abandon practices that have proven successful in prior years based on the results of this one. Instead, prepare for 2018 in the knowledge of what has worked over time.

Market Comments

We've said all along that demand would be key to any sustained rally in the cotton market. Earlier indications of strengthening demand were certainly validated in last week's export sales report of over 500,000 bales, the highest one week sales number in over three years. As a result, the December and March futures contract gained 90 and 42 points respectively on the week with both settling just shy of 70 cents. As we entered this Holiday week there was much anticipation as to whether a follow through would occur. To our good fortune it has, with DEC closing Tuesday at 70.90 as MAR the soon to be cover month settling

at 70.14. This has prompted significant producer fixations on both contracts and recaps. Some might argue this is more the result of actions taken as the Board transitions from December to March rather than driven by demand. Only time will tell. I would agree, here at harvest when cotton appears to be in abundance, March likely will be pressured once it stands on its own. Basis strength and price, however, are now providing an excellent opportunity to fix any uncommitted cotton.

On a positive note, as we move beyond harvest and into the New Year there remain some things in play that could lend valuable support to this market. The biggest of these is the Chinese government's new found concern with environmental issues as they relate to both water and air pollution. So much so, regulators are steadily shutting down plants and mills that are violating emission standards. What effect will this have on cotton prices, you may ask? Well, some of the biggest polluters are makers of the raw material that go into the production of polyester fibers. Over time as these plant closings further restrict these needed supplies, a trickledown effect will be created, thus increasing the price of man-made fibers. In 2016, at an all-time low cost of 46 cents per pound, man-made fibers posed a formidable competitor for cotton. However, with China's focus on the environment expected to continue, polyester prices could return to their highs of 2011 near 85 cents per pound, which would certainly reopen some markets to cotton.

Secondly, revisiting demand, over nine million bales of U.S. cotton have currently been sold for export with still over six months remaining in the marketing year. Major importers such as China and Pakistan have been prominent buyers which reflect their need for our quality types, but also are an indication cotton supplies in countries competing with us for exports, such as India, are very tight. Last year, the U.S. had no problem disposing of a 17 million bale crop. Even with the current crop predicted to be nearer 21 million bales, we are on pace to move this crop with similar ease.

As for the market going forward, you may recall last year's contested game of tug-of-war between mills and the spec community. For months mills sought to fix their large volume of on call sales at breaks in the futures price while the specs provided cover by holding tight to their huge long position. All the while this *to and fro* battle served to prop up market prices. Because of their success, mills seem poised for a rematch. Currently, they have almost five million bales on call to be fixed based March and another five million bales to be priced on either May or July. The missing link at the moment is the spec community's rather meager long position. Nonetheless, they could be seduced as fundamentals continue to improve. In any event, the large volume of unfixed sales will generate a great deal of buying power in itself over the next several months.

A Word of Thanks

Thanksgiving is by far my favorite holiday. No, it's not because of football, food, and fun but rather it's the one holiday which has yet to be commercialized. It remains a time set aside for family and friends to slow down just a bit and reflect on what is important in life, the bountiful blessings which have been bestowed upon us. When you throw away the media sound bites which only seem to stir the pot and seek to entice divisiveness, we are all really not that different. We strive to be productive in life, caring for our family, friends and neighbors, always trying to walk in the exemplary footsteps of our Creator. No other group of people embodies this lifestyle better than those stewards of the land that clothe and feed our nation and world. One of the blessings I'm most thankful for is the opportunity I've had to serve such individuals for nearly 40 years. Thank you for your friendship, support, and trust during this time. I genuinely wish you all a happy and safe Thanksgiving!



CHOICE COTTON