

Investment Research & Analysis Journal



WEEKLY COTTON REPORT

As of 4 November 2008

Focus on Dec-March-May spreads as we approach the FND of Dec 08.

- ◎ Ginners who have on call sales basis Dec 08 or March 09 have been concentrated on the spreads of these months in order to roll their positions. The falling market is prohibiting sellers to fix their contracts even if they were aiming to do so. Most of them believe that starting next year the NY futures will probably give some chances to fix and reduce their losses on these sales.
- ◎ During the week we didn't hear many new sales since buyers hesitate to bid at a falling market and sellers try to maintain their offering levels. Whenever ginner's prices are dropping under 55 usc/lb FOT for the pre-rain quality, some buyers appear in our market and buy small volumes.
- ◎ The good news in this season is the strengthening of dollar (unfortunately not at the same percentage as the NY cotton futures drop) and the better control of ginning cost. Ginners are very cautious in their seed cotton purchases and try to buy at more reasonable prices. Of course in most cases they are buying at 'open' prices which will be fixed in December depending on the NY futures market.
- ◎ Lastly, we are approaching the period of wheat planting in Greece and some farmers are thinking or have already decided to plant wheat instead of cotton or corn. The main reason for that is not the prices they get from wheat, but the lower cost of production compared to cotton cultivation. The first estimates are showing a small drop in next year's cotton acreage (10-15%). By the end of December we will have a more clear view of wheat vs cotton acreage.

Best regards,
Yiannis Papadoyiannis



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