



WEEKLY COTTON REPORT

As of 27 May 2011

Optimism only in new crop acreage & volume.

© In spite of the NY futures recovery in the beginning of the week, physical demand is almost dead. Current crop stocks (slightly higher than 5,000 tons) are being offered at about 170 usc/lb FOT but buyers are hardly following. Quantities are very limited so ginners are not anxious to sell shortly.

© New crop business is also very slow as basis and fix prices keep falling. International merchants have chosen to work with fewer and selected suppliers, but these suppliers have already sold part of their new production and are not feeling comfortable to commit now more. Additionally, the declining basis has not been digested by ginners. Therefore ginners are asking levels of at least 15 c/lb on Dec 11 and merchants are focusing on alternative crops with better basis.

© Meantime, the well known Greek economic crisis is bringing several changes to our sector. Banks have become tougher with credit lines and there is a lot of debate on the survival of cooperatives who used to be supported by them. Also several private ginning firms will not get the credits that they used to get in the past; therefore it is more than likely that they will start selling slowly their cotton from the beginning of the ginning season.

© Unfortunately, domestic spinning mills are also in a bad shape. A major spinner has decided to stop the operations of one unit while other big players are said to be having financial difficulties.

© The only optimistic thing right now is the new crop status. According to cotton seed companies the acreage that will be professionally cultivated is about 290,000 hectares (100,000 hectares higher than last season) while the ministry of Agriculture will most likely announce a higher figure (about 310,000 hectares). Replanting percentage was not higher than previous seasons and the weather conditions are forecasted to become stable. It seems so far that the crop is a bit late due to rainfalls and lower than usual temperatures.

Kind regards
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