

Billy Dunavant, positive but cautious

By Owen Taylor

Billy Dunavant knows how to hold an audience. When he makes his presentation at the Beltwide Cotton Conference every year, the Memphis cotton merchant holds his price forecasts for the end of his speech.

He always saves the best or worst for last, and hardly anyone slips away to go to the bathroom.

His price outlook this year was generally upbeat. Declining carryover and more buying activity by China should bolster prices this year. Poor crops in some parts of the world also will trim supplies.

“At this point, I do not think new December has the potential to drop below 52 cents and could have an upside to 65 cents,” he said.

His question marks for the future include:

- The potential for production setbacks someplace in the world. The situation in Australia, with a 100-year drought and prospects for half a normal crop, was one case he cited. “Any problem with world production in 2003–04 could drive US and world prices higher, to well over 60 cents.”

- Potential for another September 11 incident or complications in a war with Iraq. In either case, Dunavant said, any projections he made in Nashville would be void.



Bill Dunavant Jr., Dunavant Enterprises.

- Action by commodity funds. These funds, he noted, “are 45 per cent long and can always be a threat to price if they decide to liquidate.”

The US textile industry

“It was just five years ago that we consumed 11.3 million bales, and this season we will be fortunate to consume 7.5 million bales...I think one thing the government can do to help the US textile industry is to better regulate textile imports. There are definitely illegal textile imports coming into this country.”

The Farm Bill

Dunavant admitted that he hasn't always agreed with every aspect of farm programs, though he believes they are necessary for US growers to survive.

Domestic carryover and exports

With projected exports and domestic consumption, Dunavant forecasts a 6.4 million-bale carryover, which is close to USDA's current estimate and one million bales less than last year's carryover.

World production

Dunavant's analysts see world production at 87.5 million bales and world consumption at 95.5 million. That will lead to a “major draw down” in world stocks. “We will reduce world carryover by 8.1 million bales. Compared to a year ago, that's certainly friendly to price.”

China

“We think China will end up producing 21.5 million bales compared to 24.4 million a year ago...We think Chinese consumption will be 27 million bales...The Chinese carryover this season will drastically drop to 9.4 million bales compared to 13.6 million last season. Yes, China will continue to be a buyer of all growths in 2003.”

But China will put up road blocks to purchases, “and they have always done this until they need the cotton.”

New crop projections

Dunavant projected the US will plant 5.7 million hectares this year and produce 17.5 million bales. Domestic consumption will decline to 7.35 million, but exports “will remain firm at 10.9 million.” US carryover will drop to 5.7 million.

But world production will increase by eight per cent, going from 87.5 to 94.5 million. World consumption will go from 95.5 to 97 million bales, a 1.6 per cent increase. That still means a net decline of 2.5 million bales in world carryover.

“It's interesting that we project nearly an eight per cent increase in world production but US production rises only slightly,” Dunavant observed. “It tells me that the world is certainly more price sensitive and responsive than the US cotton producer. I think the nature of our farm program definitely creates this situation. Cotton future prices need to rise to nearly 70 cents a pound to make cash prices better than the farm program protection.”