Southern Cotton Growers, Inc.
REPRESENTING COTTON PRODUCERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA

COTTON MARKETING NEWS

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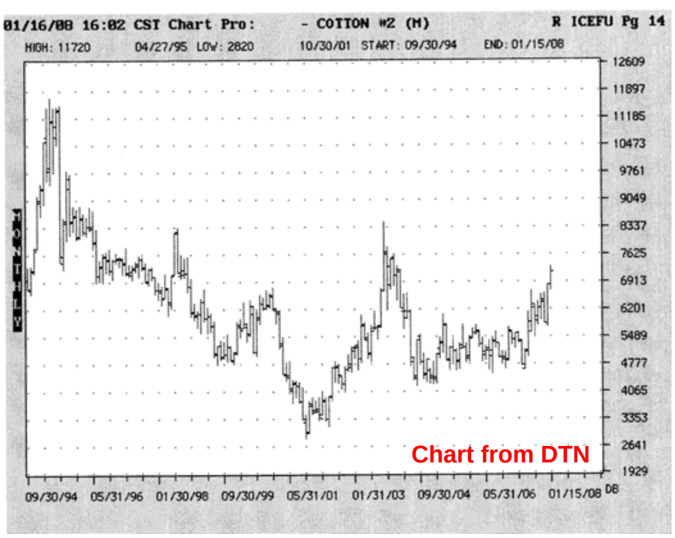
Prices Stabilize But Will Remain Volatile



New crop (December 2008) prices continued their assault on the 80-cent mark this week before closing down 123 points today at just under 79 cents (top right).

As I have mentioned in producer meetings so far this winter, this recent run is cotton's attempt to "play the game"—to make a serious bid for acreage in response to ever increasing prices for corn and soybeans.

Will cash price in the mid to upper 70's attract the attention of producers? To some degree I'd say yes—it may slow the decline in acres for '08 but there will likely be an acreage reduction nevertheless. Prices for other crops are high and considering the cost of inputs like nitrogen and fuel, crops like soybeans and peanuts would appear to have a cost advantage as well.

I had the honor of speaking at the Southern-Southeastern Annual Meeting in Savannah this week. During the session, growers were asked to comment on their 2008 acreage plans. Some said their acreage might remain about the same as in '07 but most indicated their cotton acres could be down 10 to 15%.

When prices begin to spark sharply upward the question often is "how far can they go?" No one really knows, but the long-term chart (right bottom) suggests the mid-80's as the next target and around 95 cents to a dollar after that. I'm not saying prices could go this high but I am suggesting that if supply/demand forces continue to call for higher prices, history shows us these would be the market objectives. With 2 years straight of acreage reduction, the market seems especially sensitive to weather impacts this spring and summer.

It sometimes is the role (duty?) of an economist to play the "spoiler" and throw water on the fire. With another decline in acres, US stocks could be reduced significantly if exports are good. The weakening dollar helps support exports. The big unknowns continue to be Chinese demand and foreign production. Marketing plans need to be flexible and provide both protection and further upside potential.

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