

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

# COTTON MARKETING NEWS



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The final (actual) 2003 crop Counter-Cyclical Payment (CCP) will very likely be less than the preliminary rate announced by USDA-FSA in October. FSA announced a projected rate of 5.73 cents per pound. Based on the formula for the CCP, this implies a projected Marketing Year Average (MYA) price of 60 cents per pound:

$$CCP = 72.4 \text{ cents Target Price} - 6.67 \text{ cents Direct Payment} - \text{higher of } 52 \text{ cents Loan Rate or MYA Price}$$

$$72.4 - 6.67 - 60 \text{ cents MYA Price} = 5.73 \text{ cents CCP}$$

A partial payment of 35% of the projected CCP was available to eligible producers beginning in October 2003. A second partial payment of 70% minus the first payment will be available in February. The first partial payment in October was 2.01 cents per pound. The second payment will be 70% of the projected CCP minus the 2.01 cents if already received. So, if the projected MYA price remains at 60 cents, the second partial payment will be 4.01 cents (70% of 5.73) minus 2.01 cents if already received.

Well, the table below shows the calculation of the MYA thus far for the 2003 crop marketing year which began in August '03 and will run through July '04. The MYA is a "weighted average price"-- each month's average price received weighted by that month's proportion of the total bales marketed to date.

	Bales Marketed		Price Received	
	Monthly <sup>1</sup>	% of Total	Monthly Average <sup>1</sup>	Price x %
August	420,000	8.60%	46.3	3.98
September	769,000	15.75%	55.7	8.77
October	1,783,000	36.50%	68.0	24.82
November	1,912,000	39.15%	63.4	24.82
December <sup>2</sup>			63.1	
<b>Total To Date</b>	<b>4,884,000</b>		<b>Weighted Average</b>	<b>62.39</b>

<sup>1/</sup> SOURCE: *Agricultural Prices*, USDA, monthly.

<sup>2/</sup> Marketing data for December to be released 1/30/04. Price for December is USDA preliminary estimate.

At the end of November '03, the MYA was 62.4 cents per pound compared to USDA's projection of 60 cents. The final actual MYA and CCP will not be known until the end of July '04, but the MYA to date would result in a CCP of only 3.33 cents per pound compared to USDA's first estimate of 5.73 cents:

$$72.4 \text{ cents Target Price} - 6.67 \text{ cents Direct Payment} - 62.4 \text{ cents MYA} = 3.33 \text{ cents CCP}$$

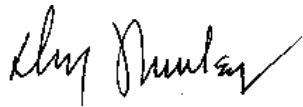
The estimated price for December was 63.1 cents and prices during January have been even higher. This means the MYA is expected to continue to rise and the actual CCP decline. Prices during the October through February period are the most crucial to the CCP calculation as these are typically the months with the largest proportion of cotton marketed.

The CCP is zero if the MYA Price is equal to or greater than 65.73 cents per pound. More importantly, producers who have already taken the 2.01 cents advanced partial payment will have to repay a portion or all of that payment if the actual final MYA is greater than 63.72 cents:

$$65.73 \text{ cents Maximum MYA} - 2.01 \text{ Partial Advance} = 63.72 \text{ cents}$$

If remaining 2003 crop prices continue to rise, particularly as we move into and through February, the MYA will rise and at least a partial repayment to FSA is likely.

Further, FSA may revise it's estimate of the 2003 crop MYA (60 cents) which may result in less or no second partial payment in February.



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