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

COTTON MARKETING NEWS

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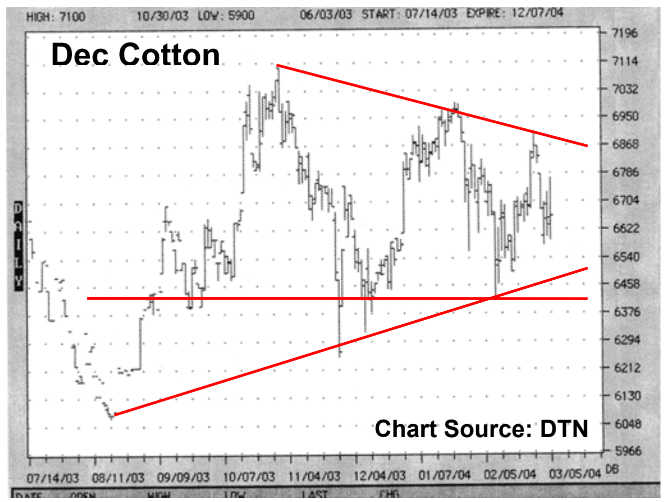

At a meeting yesterday, we were discussing marketing decisions for the 2004 crop and possible strategies (the advantages and disadvantages of doing one thing vs. the other, if anything) at this point in time. A remark was made by a producer that it's tough to price right now at 65 cents when we're coming off a year when we have seen 80 cents. I agree without reservation.

What the cotton producer can expect on the 2004 cotton crop is unknown-- and risky. It will depend on many factors-- primarily the size of the US and foreign crops, foreign demand, and competition for exports. While the futures market can give us a glimpse of what has happened in the past and may happen in the future, it is only that and nothing more. The role of futures markets is to estimate (project) what the price (of cotton in this case) may be at some time in the "future" given all we know at a given point in time. That's why it's called a "futures" price. More importantly, prices will change as the facts come in and how what we come to realize as fact compares with what was expected.

Alright, the point is this-- there is a lot of talk about prices eventually moving lower (some say much lower) for the 2004 crop. Now why is that? Well, it's entirely based on 2 things (expectations): (1) that world acreage (and production?) will be up in 2004 due to the high prices this year and (2) that this will in turn decrease the need for imports and increase the competition for exports thus driving prices down. Will this happen? Who knows. But as a cotton producer your choices are (a) take the risks as they come or (b) at some point consider protecting yourself.

New crop contracts in the Southeast are 350-400 points under December futures. So, at present a contract would bring about 63 cents per pound. A far cry from 75-80 cents thus I understand the reasons to be hesitant and cautious about doing anything just yet. I believe it probably is, in fact, a little early to be contracting because if China buys more cotton and until 04 acreage is verified and conditions known the market should have reasonably solid support at the 60-63 cent area-- risking about 4-6 cents from where we are now.

<u>*FLEXIBILITY*</u> is the key. If you manage a high-price contract and then should prices fall into harvest time, there will be a decent LDP to add and the total money will be very good. If you don't like contracting for fear prices may go up rather than down, then you'll either have to take that risk, seek protection with a Put Option, or use a minimum price contract. If you contract and should prices stay high or even go higher, you'll be stuck with a low price and no LDP and you are not a happy camper… but you can recover the LDP with a Call Option and profiting from the move up.

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