

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

COTTON MARKETING NEWS



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Market Update. Prices (Dec08 futures) have made a nice recovery since the decline to the 80-cent level or less a couple of weeks ago. Dec08 closed at 85.08 today—up 3.64 cents for the week. The market has gained almost 6 cents from the recent low 3/31.

The 85 to 86 cent level appears to be a hurdle to negotiate in the short-term if we expect to see a continued rally to much higher prices. The 79 to 80-cent level appears to be support. So, we will likely see prices fluctuate within this 5 to 7-cent range of so in absence of any major/fresh news developments.

USDA released its latest supply/demand numbers on Wednesday. The report increased the '07 crop US yield from 871 lbs per acre to 888—which added another 370,000 bales to the crop. US domestic mill use was raised 100,000 bales but exports remained at an estimated 14.5 million bales.

On the foreign side, about the only things worth noting were that India production was raised ½ million bales. Chinese production was unchanged but imports dropped ¼ million bales. World production was raised due largely to increase in the US and India and Use was raised due to increase in Pakistan. Ending stocks were increased about ½ million bales. All in all, the report is slightly bearish due to the increases in US production and World stocks. Encouraging notes include the increase in World consumption (due to Pakistan increase), increase in US use, and no change (no further decline) in expected US exports.

Plantings. The *Planting Intentions* number of 9.39 million acres may end up being on the high side. Intentions were based on surveys conducted the first 2 weeks of March. During this time, Dec08 futures average just under 90 cents/lb. Contracts were mostly unavailable but the level of prices still could have influenced farmer's response. In recent weeks while cotton prices have settled back to the 80-85 cent area, corn has continued to trend up with futures prices now over \$6.00. Soybeans, after declining to around \$11.00, are now back over \$12.00/bu. Farmers are making decisions on those last still undecided acres. Cottons competitiveness will depend not only on prices, but also on basis, availability of contracts, and expected stability/instability in prices.

Farm Bill. The 2002 farm bill was "extended" to March 15 then again to April 18. Most of the debate has centered not on provisions, but on budget and funding-- although budget does impact provisions. A permanent disaster program is also being debated. There has been talk of the '02 bill simply being extended another year or two if a new bill isn't completed by April 18. I believe there is every intention to finish the negotiations and have a new farm bill rather than extend the '02 bill even if the so-called April 18 "deadline" is not met. The House finally appointed conferees and House and Senate conferees have been meeting. Based on what was contained in the House and Senate versions and time frame now being dealt with, it seems likely that the new farm bill will be a "tweaking" of the '02 bill but very likely contain changes in the AGI cap and payment limits. We can also expect an option to the DCP program—a version or modifications from the ACR or RCCP as proposed.




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