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

COTTON MARKETING NEWS

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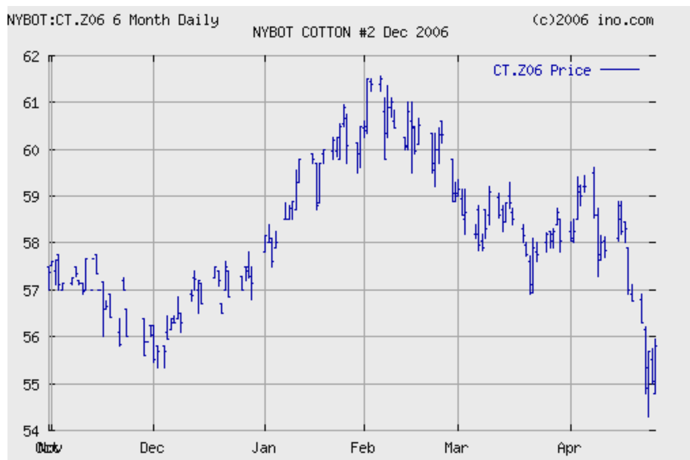
New Crop Prices Take A Nose-Dive

New crop (December) futures prices closed at 5585 today--recovering rather nicely from 5501 yesterday but still down 92 points for the week and 335 points since the April high of 5920 on April 7th. This nose-dive is unfortunate, but better that it happen now rather than 5 months from now.

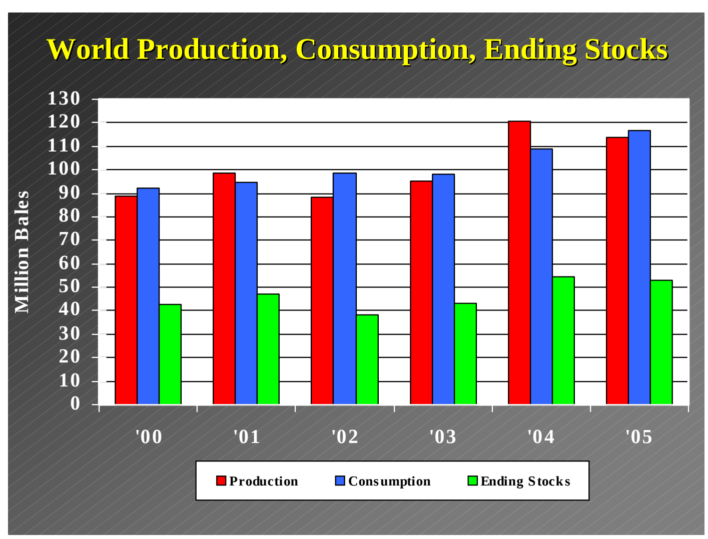


April proved several things to us— (1) that 59 to 60 cents is possible in this market but not guaranteed, (2) that 55 to 56 cents is likely (hopefully) the bottom for now and that it can be tested, and (3) that there is growing uneasiness as we look to the future and plot a marketing plan for the months ahead.

The reasons for the decline in price and growing uneasiness in the market are numerous and we have discussed some of them in this space in recent weeks. An excellent discussion of the market forces is contained in today's edition of *Cotton Market Comments* from Dr. Carl Anderson at Texas A and M. I highly recommend it.

World cotton consumption (use) continues to trend strongly upward. As we have stated before, the majority of the growth has occurred in southeast Asia and more specifically, one country—China. Prices were weak for the 2004 cotton crop because world production increased sharply and outpaced the demand growth by approximately 10 million bales. As a result, stocks increased. For the 2005-06 crop marketing year, we are looking at lower production and continued demand growth and, as a result, tightening stocks. So, prices have been stronger.

As we look ahead to the next few months and the outlook for 2006 crop prices…. demand growth must continue strong and indications are it will. US exports must remain strong. Numbers thus far have been encouraging although at times it seems the market ignores it. Exports will depend on continued growth in world use, 2006 China production, and availability/competition from other countries. Other uncertainty includes the impact of Step 2 elimination.



The recent price decline only signals that such a price level is among the many scenarios possible. There will likely be future opportunities for stronger prices. Producers should be poised to take advantage of better prices when they occur.

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