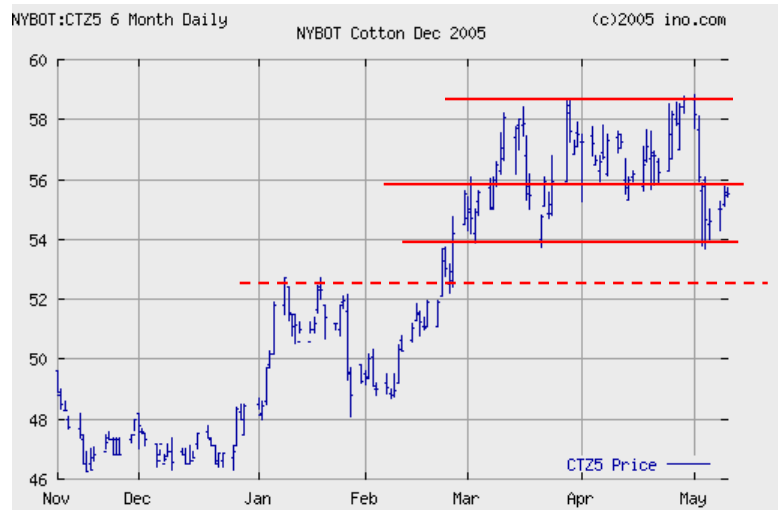


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Market Gets Nervous Jitters

New crop cotton prices (December futures) have suffered a bit of a setback. From the high closing price of almost 59 cents/lb on April 29, prices dropped a little over 4 cents to close at 54.6 cents/lb on May 6. Since the low, prices have recovered half the loss.

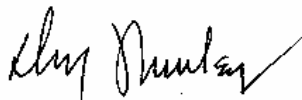
Let me make a few comments about what has transpired in an attempt to explain why this happened and what it means as we look out over the next few weeks. In my last newsletter to you (April 22nd) I'll confess I painted a fairly optimistic picture. While I, like you, was taken aback by the drop in recent days I am nevertheless encouraged by the new support found and the recovery. Hopefully, the "set-back" was only a "technical adjustment" (and I think that's mostly what it was) and that longer term we stand a good chance to work our way back up.



The market has found new support at the 54-cent level and has recovered back to the old support level between 55 and 56 cents. Clearly, the market broke out of that "triangle" I talked about last time but then hit that top at around 59 cents-- which obviously sent some folks running for cover and the sell-off was on. Again, the bounce back is encouraging (meaning that the overall sentiment is still somewhat bullish) but the 56-cent area most now be negotiated before we can say "whew". Any additional pressure could push December to around 53 cents but prices also could fully recover to the 58 cents area.

While a full "recovery" is possible depending on US and world crop conditions and demand, the train is not likely to run away. It's still very early (heck the crop is not even planted) so anything can happen but projected 2005 crop supply/demand numbers as we now understand them would not appear to support that. Recovery back to the 58-59 cent area would again likely be good pricing opportunities.

Recent export numbers have been good (including sales to China). This is encouraging because the pace was lacking for a while and a possible reason supporting the price slide. In fact, I must say I was surprised to see 13.8 million bales export sales so far with only 2.9 million of that to China... thanks to large demand by Turkey, Mexico, and Indonesia. Planting is behind schedule with the biggest lag being in Georgia, Alabama, California, Mississippi, and Tennessee. More recent weather has been cooperative so we are moving quickly now here in Georgia and should get back on schedule if conditions remain favorable.



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