

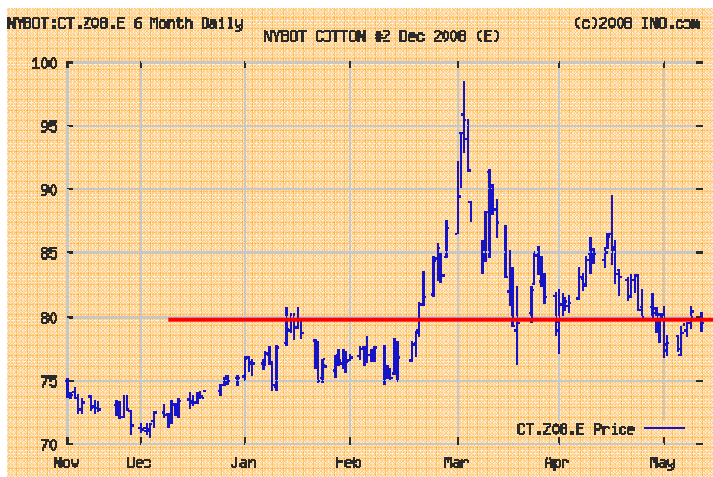
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### Market Finds Support and Rallies

New crop Dec08 cotton futures found support this week and rallied to close today at 80.23 cents per pound. Dec08 gained 2.39 cents for the week and this takes us back to the previous level of support at around 79 to 80 cents. The market closed at 77.45 cents/lb on May 1 but did not dip quite low enough to test support at around 75 cents.

With the break below support at 80 cents, it's probably a safe bet to say we're now likely in a 10-cent range of 75 to 85 cents depending on market fundamentals and speculative buying.

For now, odds probably favor the middle of that range or 77 to 83 cents. Compared to the mid-80's (which remains a hopeful target for a more full "recovery"), lower prices for now seem to spark improved export sales and speculative interest—both needed in balance for the market to effectively do it's job.



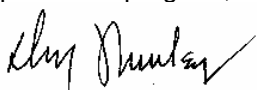
USDA released in May supply/demand numbers this morning which included estimates for the 2008/09 crop. Based on prospective plantings and average yield and abandonment, the '08 crop is pegged at 14.5 million bales. US stocks would drop by 4.3 million bales. For 2008/09, foreign production is expected to be up about 2 ¼ million bales but consumption up almost 3 million bales. A somewhat tighter foreign position combined with the large drop in US acres and production is forecast to reduce World stocks by almost 10% or 6 million bales. The '08 crop fundamentals combined with the weak US dollar seem to offer support for prices.

### Farm Bill Situation and Progress

As I'm sure you know, the 2008 farm bill has cleared the Conference Committee. Details on the provisions of the proposed legislation have not yet been fully available. The conference report is expected to be filed on Monday, May 12 and then voted on by the House on Wednesday, followed by the Senate. Once filed, it should be available on the House or Senate Ag Committee web pages. Once it passes both House and Senate (as expected) it will go to President Bush for signature.

The President has threatened to veto. If vetoed, will require 2/3 vote in House and Senate to override. I understand there may also still be a last minute yet still unresolved issue with regard to budget "paygo" requirement.

Available summaries suggest the '08 bill would continue the DCP program but with an optional revenue-based protection program, with modifications in payment limits and AGI, and a permanent disaster program.



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