

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

COTTON MARKETING NEWS

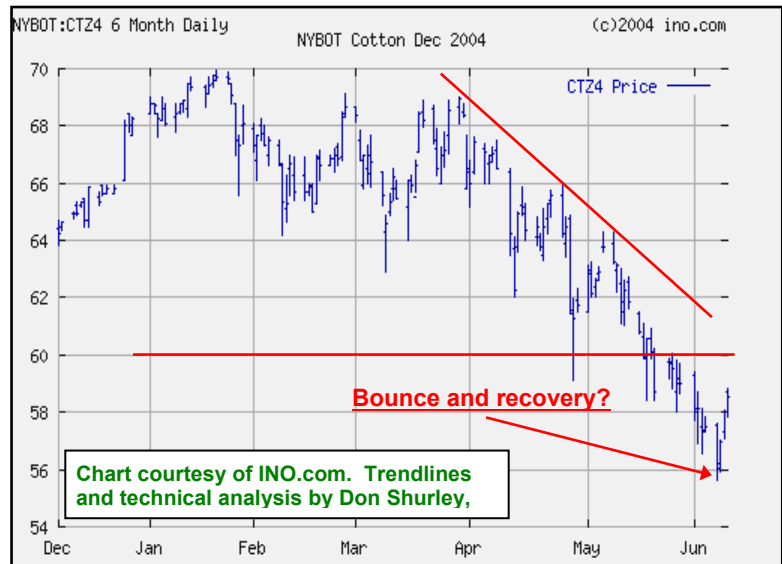


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NOTE: If you missed the discussion of the possible shift in the world stocks/use situation and it's impact on prices in the May 28th issue, it is available at the UGA Cotton webpage at: <http://www.griffin.peachnet.edu/caes/cotton/>

The trend in new crop (Dec 2004 futures) continues down. News lately has been mixed but mostly good, however, and prices may (I say, may!) be trying to muster some type of recovery. Time will tell. In my mind, a recovery would not be confirmed until we can break the 60-cent area. Even so, unless something of real substance (positive or negative) comes along, the market is likely to meander in the 57-61 cent range. The market is closed today in observance of the



National Day of Mourning for former President Reagan and will re-open on Monday. December closed yesterday at 58.54 cents per lb—up 2.35 cents since the low set on Monday.

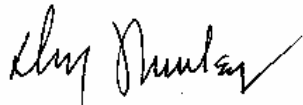
USDA, in it's June numbers released yesterday, give us the first inside glance at some of the specifics of how this year's production and supply/demand picture might shape up. Like the old saying goes... "the devil's in the details". Interesting figures from the report include:

- Foreign production in 2004 is expected to be 10 million bales higher than last year. Of this increase, 6.7 million bales (two-thirds) is expected to come from one country-- China. So this probably (should) add an element of the unknown to the overall picture.
- World stocks at the end of the '04-'05 marketing year dropped 1.1 million bales from the May report due largely to an increase in mill use. Projected use now stands at just under 100 million bales.
- World stocks are expected to increase from 32 million bales to just over 35 million bales. Of this 3 million bale increase, 1 million bales (one-third) of the increase is expected in one country-- Brazil and over half the increase accounted for by 2 countries-- Brazil and China. Because China is a *net importer* of cotton, an increase in Chinese stocks would tend to have a depressing impact on prices because it *reduces the demand for imports* from other countries. Conversely, because Brazil is a *net exporter* of cotton, an increase in Brazil stocks would tend to have a depressing impact on prices because it *increases the supply of exports* available to other countries. Along these same lines, I'd like to draw your attention to an excellent commentary by Jarral Neeper, VP, Marketing for Calcot in the June 4th edition of Cotton Marketing Weekly (<http://www.cottonexperts.com>)... a discussion of world stocks/use and Brazil, specifically.

Exports of the 2003 US crop continue to move rather well. China continues to be a buyer but other countries such as Turkey, Pakistan, and Mexico have been good buyers as well. Export numbers will continue to be important. With a potential good size US crop out there and US mill use expected to decline from 2003 levels, a strong export trend must be maintained on the new crop as well to hold prices a current levels or better.

The cotton crop is off to a good start overall with only some exceptions. Overall the US crop is ahead of schedule and in mostly fair to good condition and in better shape than last season at this point. FYI, eastern Georgia continues to be dry and needs rain. For the most part, the rest of the state in doing well. Alabama, Florida, North Carolina, and Virginia are doing well. The South Carolina crop is not in quite as good a shape as in other areas.

I'm still holding out for a rally before the summer is over. Much will depend on how the US crop is shaping up and the numbers from overseas.

A handwritten signature in black ink, appearing to read "Don Shurley". The signature is fluid and cursive, with a prominent flourish at the end.

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