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

COTTON MARKETING NEWS

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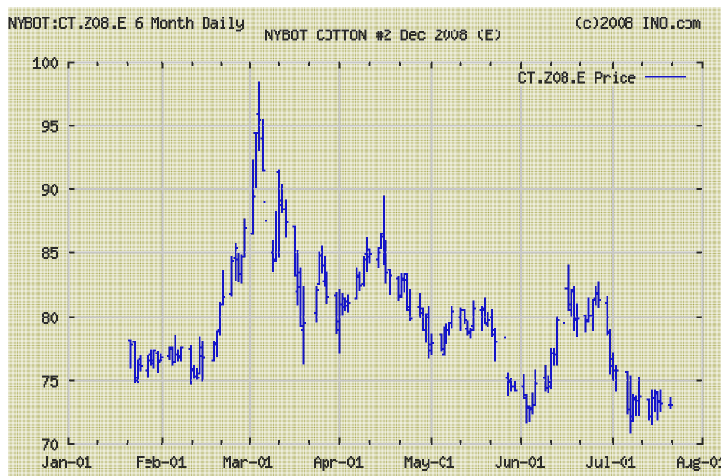
Strategies and Looking Ahead



When making decisions about what to plant, producers consider prices at that time (what the futures market price is and/or what is available by contract, for example), cost of production, crop rotation and other management objectives, and what prices might be at the time of sale (will prices later this be higher or lower than the current price). So, there is always risk because price, and therefore the relative net returns of each enterprise, will change over time.

On April 1, cotton was 81 cents/lb (Dec08 futures), soybeans were $11.47/bu (Nov08 futures), and corn was $5.98/bu (Sep08 futures). On May 1, cotton was 77 ½ cents, soybeans $11.93, and corn $6.27. Today, closing futures prices were roughly—cotton 73 cents, soybeans $14.50, and corn $6.00. Since April 1 and May 1, corn and soybean prices have held up with soybeans increasing. Cotton has trended downward and lost ground relative to other crops.

Today's price at 73 cents translates into 70 cents or less cash price for most producers. So, if prices remain at this level into harvest and considering the sharp increase in production costs this year, profit margins will be "thin" to say the least. I'm sure this is not exactly what the producer had in mind back in March, April, and May when the decision was made to plant the crop.

Most analysts continue to point to later this season and into 2009 and say that prices will get better. Due mostly to the sharp decline in US acres and production, World production and stocks are expected to decline considerably. Questions remain about the Texas crop which should further heighten supply-side uncertainty. Yet, here we are struggling to maintain the low-70's.

Lower prices seem to spark export business but sales then seem to fall off if prices rally. So, it seems we have a battle between a supply-side that wants to be bullish (thinks prices should be higher) and a demand side that still wants to play the game like a bear (wants prices to remain low). At some point, one side is going to fumble and turn the ball over at which point the bears or bulls will ultimately win.

For the producer, this is a tough market to be in. Right now, the bears have the ball and appear to be winning. There is clearly not much incentive to do anything at these prices. To make matters worse, Options premiums have been very high and basis very wide which discouraged doing anything even when prices were better. One hope is that prices will turn up and improve as we move into harvest and into 2009.

Dec09 is at roughly 85 ½ but so was the '08 crop at one time. Will the demand side let it stay there?

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