

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

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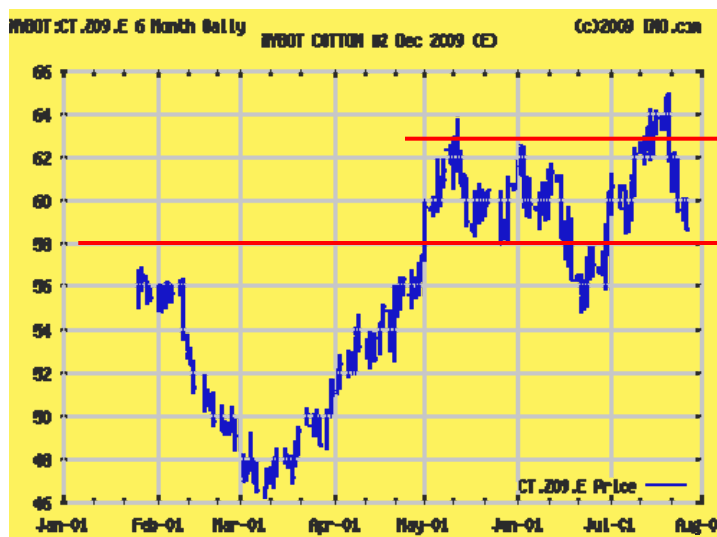
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BOING!!

When I was a little kid (probably no more than 10 to 12 years old), work crews were laying sewer line (the big 4 foot concrete pipe kind) out our way. After crews had laid a long section, my brothers and I thought it would be fun to run through one end of the pipes and come out the other. This was probably 100 yards long and consisted of 6 to 8 foot sections of this concrete pipe joined together underground.


We took off running, stooped over through the dark section of pipe. Me, being the oldest and tallest, had more stooping over to do than my brothers. Well, what I didn't know was that there was a section that the crew had joined together very well. One section of pipe was actually 2-3 inches lower than the other section. Running stooped over through the pipe, the top of my head found it. It almost knocked me out. My brothers help me to my feet and took me bleeding and screaming out the end of the pipe. Luckily, a man was driving by. He wrapped my head in newspaper and drove us home. My mom took me to the ER and 12 stitches and a couple of weeks later I was fine. I still have the "W" shaped scar on the top of my today but I'm not bald (yet) so it is not noticeable.



I say all that to say that sometimes banging hard off something can hurt. Cotton prices went "BOING" this week. December cotton futures actually broke through the upside at about 63 cents and went to on to 65 cents before hitting that something hard. I mean hard. Call it a correction or a slap or a wakeup call but whatever it was, it gets our attention. Prices, after peaking at 64.86 cents/lb on Monday, closed at 59.61 today—down over a nickel from Monday's close and for the week. So, we rallied beyond the previous 2 highs at around 63 cents but then retreated quickly back down. We still stand above what should be support at the 58-cent level. Hopefully, that will hold. Next week will tell.

Well, what can be learned from this? First, market forces don't seem too shy about 60+ cent cotton. We've been there 3 times now. Granted, each time the move has met with resistance, but we've been there. That's a good sign. Second, each time a move to the 60's had been followed by a decline to the 56 to 58 cent area. This week's decline was dramatic. Can we hold above 58? If not, a decline to 56 could emerge.

Near term, prices are likely to hang in the 57 to 62 cent area. There remains uncertainty about US crop prospects due to drought conditions in Texas. The August supply/demand report on August 12th could be an important indicator. I believe most expectations are that the crop may be below the current 13.25 million bale estimate. But exports and US mill use (demand side potential) are also important. If the US crop comes in less than expected, prices could make another run provided demand does not weaken. Having gone "Boing" 3 times now, protection on at least a portion of the crop at better than 60 cents might be prudent.



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