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

COTTON MARKETING NEWS

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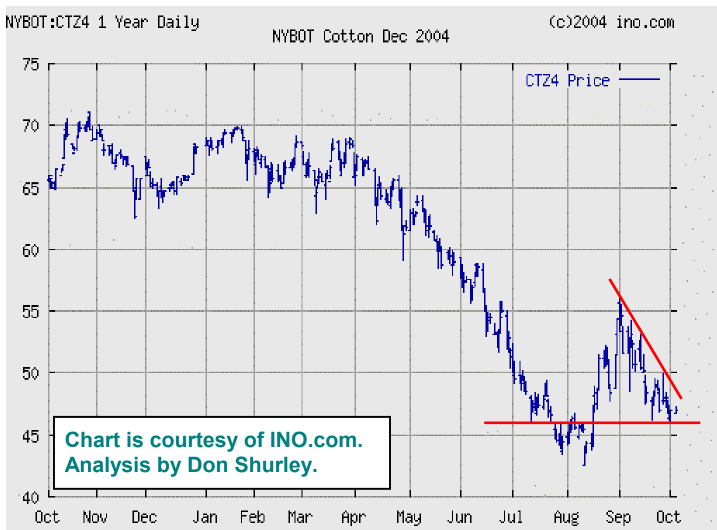
USDA will release new production and supply/demand numbers October 12th. There seems to be much anticipation and anxiety surrounding this report. Will it again reveal a potential record US (20.9 million bales) and world (107 million bales) crop? This report will be based on October 1 conditions, so the numbers should reflect potential (estimated) losses in Georgia, Alabama, and Florida from hurricanes Frances, Ivan, and Jeanne. Whether or not this will be enough to spark an improvement in price is yet another matter.



The *"path of least resistance"* for price seems to be down. But you have to be encouraged by 2 things-- (1) prices have thus far held at the important 46-48 cent "floor" that we've discussed in previous issues of this newsletter and (2) prices have yet to show tendency to move to 2001 crop levels (something with a 3 in the front). If you were one of the fortunate ones to have priced a portion of your crop when December was in the 60's, the low(er) prices now mean you will tack a good LDP on to that and end up with total money in the 70's.

No one knows were prices will go from here. When I look at the expected large crop in China (7 million bales more than last year and knowing China purchased 5 million bales of 2003 US cotton) and when I look at USDA's current projection of US exports (only 1.6 million bales less than last year), I begin to wonder if USDA is too high for US exports and, if not, at what price can we move that much cotton in the face of record world production. Luckily, consumption is also expected to be at record level.

Because consumption has grown, because stocks are expected to be less, because the stocks/use ratio is expected to be tighter, because the dollar is weaker, and because the Step 2 competitiveness formula was changed with the 2002 farm bill-- there is reason to be optimistic that prices will not dip to the 2001 crop lows. If the large US and world crops are realized, prices could test the 40-44 cent area but at that level should find buying support that would pull prices back up. It is difficult to say what may transpire over the winter months. Prices could run at the 50-55 cent area again but right now that is certainly not the *"path of least resistance"*. From a purely risk-management standpoint, taking the LDP and purchasing Call Options or placing the cotton in loan seem to be preferred routes to take.

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