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

COTTON MARKETING NEWS

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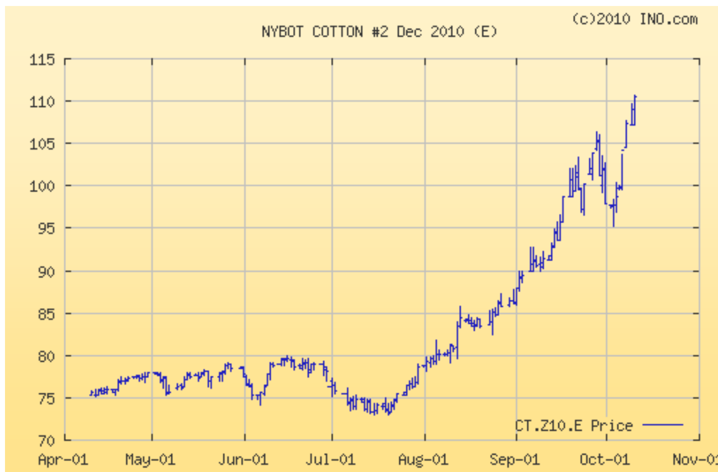
Prices Skyrocket



NOTE: This is being written on Monday, October 11, 2010. After what appeared to be the anticipated "adjustment" downward, cotton prices did a surprising about-face and soared later in the week to close the week at $1.0717 per lb.—up 9.15 cents for the week. This morning, prices are up another 3+ cents and currently over $1.10.

For the past 3 months, it has been one bullish event after another that has kept prices marching upward. Farmers, many having sold much of their crop back in the 70's and 80's when that was considered the likely "top", now sit in amazement at what has transpired. We all are.

Prices declined from over $1.05 to the upper 90's and were at just under 98 cents on Monday. This apparently generated a fresh round of buying at those relatively "cheap" prices. Prices quickly moved back over $1.03. Then on Friday, USDA released in October supply/demand report and that pretty much blew the top off everything. Prices were up almost the limit on Friday and we're up another 3+ cents so far this morning.

I have to agree with other analysts that, at least for the near term, there appears to be little resistance to these price levels. There is "support" at the 95 to 97-cent area and it's going to take not just one but perhaps a series of bearish events now to push us down below that level. We are in unchartered waters.

- If you have any 2010 crop left to sell, it's hard to argue against letting it go at these prices. Prices could move at bit higher but you have to decide if you want to risk that or not.
- If you've already sold everything or if you sold most of your crop back in 70's and 80's—don't kick yourself. If you want to try and capture more money, you'll have to gamble that the market is eventually going to go down. You can do this by buying Put Options. It's a gamble but one way to try to capture more money off this market.
- December 2011 futures are around 87 cents. It's hard not to go ahead and price a part of the expected 2011crop. Further tightening stocks and/or continued bullish factor in 2010 crop prices will spill over into 2011 crop prices as well. So there is likely further increase possible in 2011 prices. But pricing or buying Puts at current levels can hardly be considered a bad idea.

In the latest USDA supply/demand report, cotton demand continues to improve, foreign production was reduced, and as a result World stocks continue to shrink. Compared to the September numbers, Foreign mill demand was raised about ¼ million bales; China beginning stocks were lowered just over ½ million bales; China production was lowered 1 million bales; and World ending stocks tightened further—lowered another ¾ million bales. China ending stocks were lowered another 1 ¼ million bales. India exports were lowered 200K bales.

Forecast US exports remained at 15.5 million bales. Given the further tightening foreign situation, this is somewhat of a surprise but exports may increase in subsequent reports. The "gap" between foreign production and foreign mill demand grew from 18.8 million bales to 19.4 million bales. This gap is typically a good barometer of US export potential. In summary, the already very tight World supply situation is tightening further. Prices have increased beyond expectations. Grain and soybean prices have escalated ($5+ corn and $11+ soybeans and $7+ wheat) and add support to cotton as well.

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