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

COTTON MARKETING NEWS

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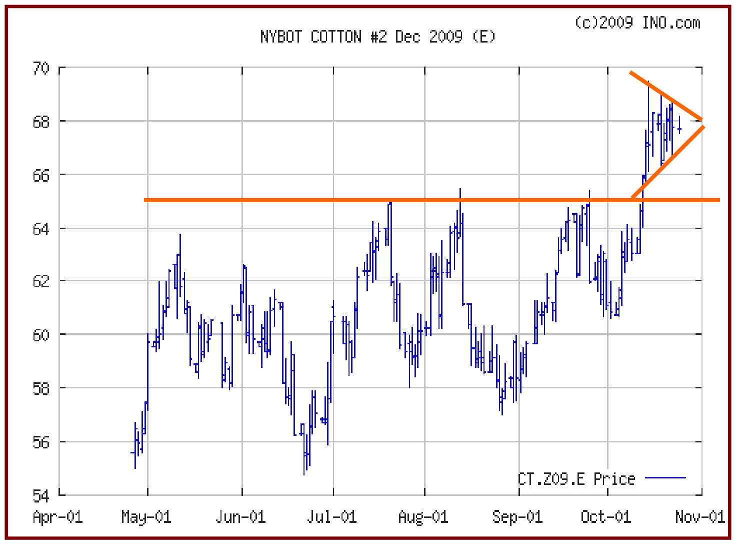
Weather Market Develops



A couple of weeks ago, on October 9, USDA estimated the US crop at 13 million bales—down from 13.44 million bales estimated in September. That cut in the crop was due to late season weather impacts. Since then, weather has continued to adversely affect the crop.

Rain has continued to hamper the Mid-South and Alabama crops and more recently, rains that earlier had passed north of most of the Georgia crop, have hit and gotten the crop a little strung out. Also, below normal cold temps over the past week or more have pretty much shut the late-planted Georgia crop down—meaning a lot of bolls (some yield potential, how much who knows) will not be realized.

So, the US crop is likely going to get smaller. As a result, prices have finally been able to rally above previous resistance at 65 cents. The China crop is also forecast by Cotlook to decline further. The market is also getting support from a weaker US dollar (making exports cheaper for foreign buyers) and there continues to be bullish spec interest supporting the uptrend.

December futures closed today at 67.38 cents/lb—actually down 1.17 cents from yesterday and down 0.83 cents for the week. New support is now at 65 cents and is likely fairly firm at that level but we could still challenge that mark or lower again on negative news. The market seems to be "consolidating" at the 68 cent area—meaning that may be the "equilibrium" for now. Higher prices are possible if the crop get smaller, if export demand is not weakened by these higher prices, and if World stocks continue to shrink.

Growers who priced a portion of their crop on rallies to the 65-cent area were nonetheless wise to do so as that provided a good risk management strategy. Now that the market has moved to a higher level, producers not making earlier decisions could use this as an opportunity to take some protection. Producers with some of the crop already priced, could sit pat and see what happens or may take additional action on this latest move.

There are a couple of things to be on the lookout for. The basis right now for 41-4/34 is 2.75 cents under December. That's pretty good. So cash offers are around 65 cents +/- fiber quality differences. Keep an eye on the basis. Somewhere around the 10th to 15th of November, merchants will move to the March futures and the basis may temporarily widen somewhat before resuming a more normal amount. Also watch the POP/LDP—currently less than 1 cent and could go to zero. But, remember, you're trying to get the most total money cash cotton plus POP/LDP. If prices come back down, the LDP will come back into play.

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