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 Seem To Have Found a Comfortable Level

Cotton has been in a 10-cent sideways pattern for most of the past 5 months. With the exception of a run to the $1.15 level in September, *December futures have traded mostly in a range of roughly $0.95 to $1.05.* Simply put, this means that cotton seems to have "support" (buying) in the mid to upper 90's and "resistance" when prices attempt to go above $1.05 to around $1.07.

December closed this week at 99.24 cents/lb—up ½ cent for the week. March closed at 98.04 cents. Cash market Southeast Basis has been very good, especially for better quality grades. *Merchants, if not already, will move to pricing off the March futures next week.*

USDA crop production and supply/demand estimates for November were released earlier this week. The US yield was reduced slightly and the crop was reduced 300K bales to 16.3 million bales. US projected exports were reduced by 200K bales to 11.3 million bales.

Foreign production was essentially unchanged but Foreign demand was reduced slightly- resulting in a slight increase in projected 2011 crop World ending stocks. China production and supply/demand was unchanged from the October estimates. Foreign 2011 crop year beginning stocks were revised upward and this combined with the slight reduction in Foreign use, perhaps are the reasons for the adjustment in US export projections.

Cotton prices have been supported by occasionally good/timely export numbers, especially to China. This week's slight adjustment down in US export projections is of some concern, however. China is buying cotton, in part, to build its reserves and thus not an indicator of current crop demand *but it is already putting cotton in the pipeline for next season.* Production is up this season in Australia, Brazil, and India and so are their exports. US exports, at 11.3 million bales, will be the lowest since the 2001 crop year. Of course this is due in part to the fact that the US crop is reduced but it is also due to increased foreign production and competition.

Near-term, prices have been mostly sideways. We've certainly settled to a lower level since mid-summer. At this juncture, prices into early 2012 appear to be most likely continued sideways to down with an occasional rally. Factors will include US export news and progress and condition of the southern hemisphere crop. Continue to use rallies as potential opportunities for additional/remaining 2011 crop sales.

December 2012 futures are around 95 to 96 cents. This may represent an early good opportunity to get started on pricing next years expected production.

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