

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

# COTTON MARKETING NEWS



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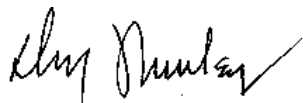
I don't believe it's quite time to abandon ship just yet, but the ol' tub has sprung a few leaks since my last commentary to you 10/31/03. Since the high close of 82.07 on 10/29, December futures declined about 9 cents/lb to close at 73.06 on 11/12. This price "correction" was not really a surprise, however, and I believe downside risk still appears to be at around 73 to 75 cents or so near-term. The biggest threat to high prices is very often high prices-- particularly if prices run too high too soon and optimism goes unchecked. This is precisely why I recommended selling a good portion of the crop when prices were at earlier levels and why it was recommended to use Call Options if you're bullish. If you purchased Calls at earlier levels, the recent downturn has you nervous-- you have either lost money or earlier profit has been reduced. Don't panic-- losses are limited to the premium paid. But if the market regains it's upward trend, don't get caught holding too long.

Merchants are now buying cotton basis the March futures. The latest reports show the Southeast cash (spot) price for 41-4/34 cotton to be 7½ cents per pound under March. That would place cash prices at about 70½ cents per pound based on yesterday's (11/13) close. Given the spread between December and March, this would be equivalent to about 3½ cents under December-- so the basis really has not widened as you might think. The spread between December and March was simply rolled into the basis when merchants switched to March. Typically, this wider basis is only temporary. Watch for this basis to narrow over the next few weeks. If it does, and particularly if futures prices rebound as well, that would signal a gain in cash prices and would be a good opportunity to catch up on additional sales.

China continues to be the major buyer of US cotton. For the most previous two weeks ending 11/6/03, net sales to China have totaled 373,500 bales. Export sales (total to all countries) slipped at the higher prices seen a couple of weeks ago but have since rebound somewhat. This sends a signal of what this market is and is not willing to take at this point. This market will move as high as exports will take it.

USDA, in it's November reports, increased the US crop to 18.22 million bales, dropped US mill demand slightly, and increased expected exports from 12 to 13.2 million bales. The Chinese crop was reduced from 25.5 to 22 million bales and the forecast of Chinese imports was increased by roughly the same amount as the decline in the crop. Based on the 1.2 million bale increase in expected US exports, sales to China are expected to remain strong. The outlook, in my opinion, remains bullish despite the recent set-back. The obvious questions that remain are have we seen the top already and even if we have or haven't, can we get there again. Growers may wish to take advantage of rallies back to or near the 80-cent area.

Forecast yields around the Southeast continue to be impressive and better than last year-- AL- 772 lbs/ac, GA- 800 lbs/ac, NC- 686 lbs/ac, SC- 730 lbs/ac, and VA- 734 lbs/ac.



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