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

COTTON MARKETING NEWS

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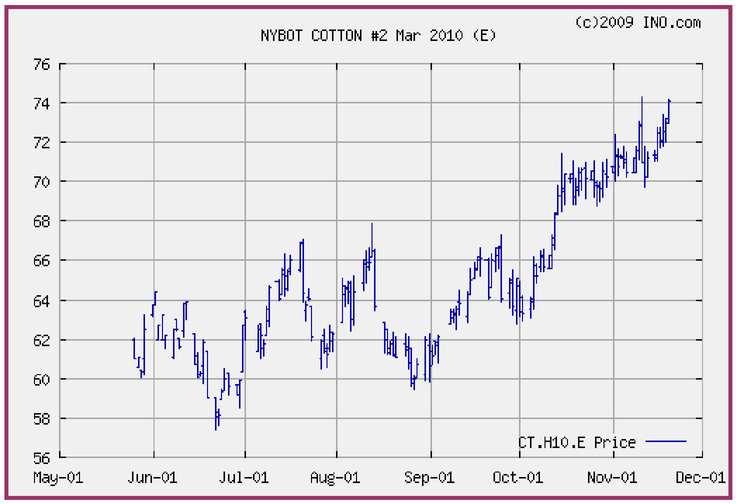
Cotton Market Now Testing Often Fallow Ground



Cotton prices continue to trek above 70 cents. The US crop has continued to shrink, World consumption is improved, US and World stocks are in decline, and spec mood remains bullish.

All this combines to make cotton producers some pretty happy campers right now if they've also managed to make a good crop. For the most part, yields (at least around Georgia) appear phenomenal and, given the rising cost of production in recent years, a good year is indeed a welcome sight.

Cash prices are now basis the March futures contract. March closed today at just over 74 cents/lb—up 2.71 cents for the week and up about 10 cents since the beginning of October. After leveling off around 70 cents, the market has since pushed higher and we now test the mid-70's mark. Prices have not been at these levels in 16 months-- since July '08. If we look back further, we'll see we don't plow this ground very often.

Spot (cash) prices for 41-4/34 cotton in the Southeast are currently 4 cents under March futures. So, this week's gains now put cash offers at over 70 cents +/- fiber quality adjustments. Two weeks ago in the space, I mentioned the December-March spread. That spread remains relatively wide at over 3 ½ cents and is an indication that the market favors the outlook (is willing to pay even more) for cotton 3-4 months down the road. This 4-cent basis should (or typically should) get smaller over the next few weeks or month.

Despite higher US and World prices, USDA's November supply/demand numbers kept US exports at 10.5 million bales and raised foreign mill use 880K bales. World production was dropped approximately 1 million bales so the net result was a tightening of World stocks by over 2 million bales.

This run in prices has been triggered largely by adjustments on the supply side (the US and foreign crops getting smaller) and bullish speculative buying. Ultimately, these higher prices can be sustained as long as the US can export the 10.5 million bales or more and as long as World (foreign mill) consumption continues to show improvement due to stable economic or other factors.

2010 cotton prices are currently at or around 77 to 78 cents (Dec '10 futures). There is a very good chance that cotton acreage will increase next year. This (a possible increase in US production) will eventually begin to weigh on the market. Producers, at some point, will have to consider taking protection on a portion of expected 2010 production—if not now, when?

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