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

COTTON MARKETING NEWS

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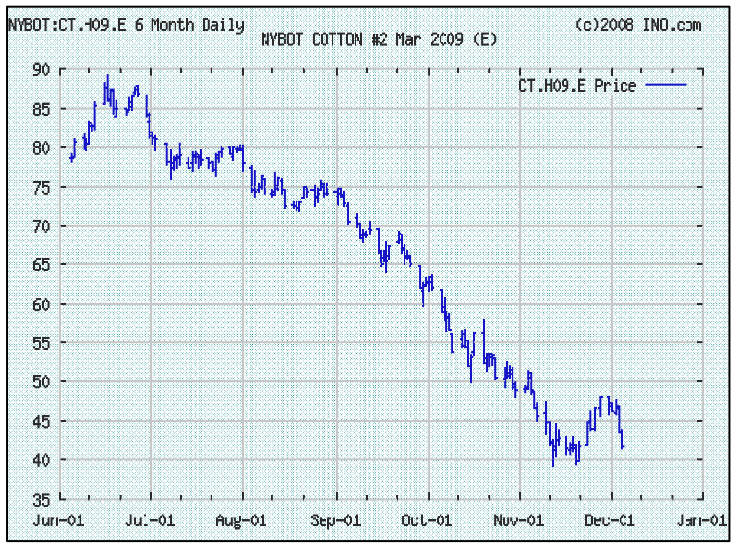
Thanksgiving Leftovers

Market. Prices jumped off the cliff this week. Both 2008 crop March09 futures and 2009 crop December09 futures were down-limit yesterday. Prices were hammered again today. After a bit of a rally last week to 48 cents, March futures held steady early week before taking the plunge yesterday and today. March closed today and the week at 41.37 cents. Cash prices for 41/4-34 in the Southeast are 3 cents under March or now just over 38 cents per pound.



Prices are being pounded by more bad US and global economic news. Export sales figured released yesterday were down 47% from the previous week and concerns continue to mount over the slowdown in mill business in China and elsewhere. Prices cannot and will not rebound significantly until the demand side improves.

For producers wishing to hold for the market to improve, any uncontracted / uncommitted cotton looks like it should be placed in Loan or POPed and sold followed by purchase of a cheap Call Option…………… Please Read On.

LDP. Right now, the A-Index and AWP and the cash market are headed in opposite directions. That happens occasionally. That's not a time to be taking the POP/LDP and selling cotton (see the discussion in my last newsletter). Eventually the A-Index and US prices will begin moving more together again.

The LDP declined from 16.05 cents for the week ended yesterday (12/04) to 13.69 cents for the week beginning today (12/05). So, prices are down as is the LDP. Back off and wait. Total money from a POP and sale right now would be just over 52 cents. If you can do so and still retain beneficial interest, wait for the cash market to improve and/or the POP/LDP to improve.

Some producers take the POP/LDP and then continue to hold the cotton. When you do this, just remember—the LDP is your protection (cushion) against the market going lower. You would no longer be protected, plus, if storing you would not be eligible for Loan and would incur storage charges. If the market improves and does so quickly doing this could still work and you end up with higher total money……. but it is risky.

MYA and CCP. I've been getting questions about the MYA (Market Year Average Price) and possible Countercyclical Payment (CCP) for this years crop. So, I thought I would share that information here as well. The CCP is determined by the MYA Price for the period August through July. Each month's average price received is weighted by the marketings that month as a percent of the total for the year. The CCP is the Target Price minus the Direct Payment minus the MYA Price or the Loan Rate (52 cents) whichever is greatest.

The 2008 farm bill lowered the target price from 72.4 to 71.25 cents per pound. This, in effect, lowers the CCP by 1.15 cents from what it would have been under the 2002 farm bill. Through October, the MYA is 57.68 cents per pound. Should this be the MYA for the entire marketing year, the CCP would be 6.9 cents.

Prices for November and December have been sharply lower than August through October. Marketings typically are highest for the November through February period so lower prices during this time will receive more weight and the August-October prices less weight in the calculation

The maximum CCP is 12.58 cents—5.68 cents more than the current projection. CCP on the 2008 crop could be at or near the maximum depending on how prices trend over the next 3-4 months.

Cotton in 2009. A lot of questions are being asked about the outlook for 2009 crop prices, production costs, and how various crops might compare in net returns. In my mind, because prices for all crops are down from where they have been over the past 1-2 years and because costs are still high, decisions on what to plant in 2009 are even tougher.

A lot will depend on whether or not corn and soybean prices rebound into 2009 and peanut contract offers and prices. Fuel and fertilizer prices have moderated and may continue to do so (except for potassium). Cotton has also benefited from high cottonseed prices to offset ginning, warehouse, and storage charges.

Target Price				71.25
Direct Payment				6.67
2008 Crop Marketing Year				
Month	**Avg Price**	**Bales [1]**	**% Total**	**MYA [2]**
August	58.5	1144	62.96	36.83
September	61.1	95	5.23	3.19
October	55.5	578	31.81	17.65
November [3]	50.8			0.00
December				0.00
January				0.00
February				0.00
March				0.00
April				0.00
May				0.00
June				0.00
July				0.00
Total		**1817**	**100.00**	**57.68**
CCP [4]				**6.90**

1/ Thousand bales marketed in selected markets
2/ Monthly price times % of marketings
3/ Preliminary, mid-month
4/ CCP based on prices and marketings to date.

I can't speak for other states and regions but Georgia has enjoyed 4 relatively good years in cotton. Yield has averaged 828 lbs per acre for the 4 years 2005-2008 compared to only 684 lbs for the previous 4 years 2001-2004. Yield this year is only 6 pounds off the state record set in 2005. Particularly in non-irrigated situations, cotton is still the cotton of choice for many/most Georgia farmers. But the economics has been tough but not as tough as it could have been thanks to good yields.

Based on our UGA estimates of production cost for 2009 and based on where the markets for 2009 are right now including any LDP, if applicable, cotton looks better than you might otherwise think. Its biggest competition right now appears to be soybeans but many Georgia farmers will limit soybean acres due to crop rotation and the risk of growing beans dryland.

So what will farmers plant in 2009? It all depends on prices over the winter and spring months, cost of production, crop insurance, credit availability, and crop rotation. US cotton acres may be down again in 2009. I'm not sure about Georgia. Right now, I'm inclined to think we have a decent chance of at least holding about where we were this year.

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