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

COTTON MARKETING NEWS

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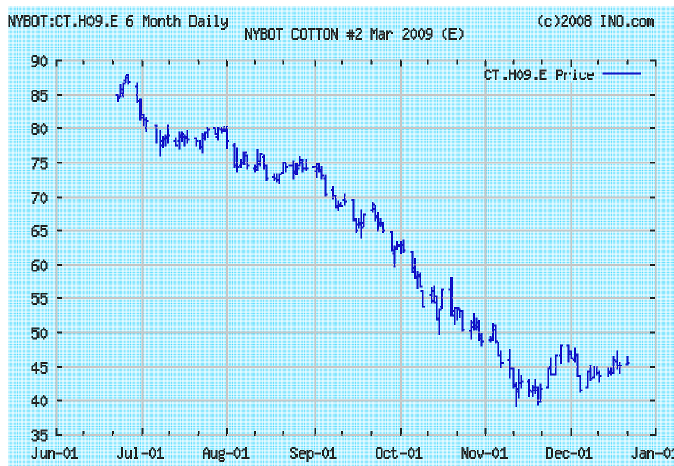

USDA's December supply and demand estimates raised US and foreign 2008 crop Ending Stocks. World stocks at the end of the 2008 crop marketing year are now expected to be 58.8 million bales—up almost 1.4 million bales or 2.4% from the November estimate.

The US crop was raised slightly and expected exports of the 2008 crop dropped 750,000 bales. As a result, US ending stocks were raised 900,000 bales.

The big blow was a 2.64 million bale drop in Foreign mill use from USDA's November estimate. Most of this resulting from a 1.5 million bale drop in China.

Despite this months bearish USDA report and lower export sales in yesterdays report, cotton prices (March futures) have trended upward over the past couple of weeks. March closed today and the week at 45.23 cents per lb—up 1.8 cents for the week and now up about a nickel since the lows set back in mid-November. This is encouraging but the longer term trend and further improvement in prices will depend on stability and improvements on the demand side (US export numbers) and plantings and the production outlook for 2009.

Basis in the Southeast for SLM 41-4/34 is currently 3 cents under March futures. Todays close puts cash bids at just over 42 cents for Base quality. The POP/LDP beginning today through 12/25 will be 15.83 cents. So the total of POP/LDP plus a cash sale is approximately 58 cents right now. If the market continues to rally next week with the POP fixed at this level, total money could approach 60 cents.

2009 crop December futures closed today at 51.25 cents per lb. Futures and cash prices for the '09 crop still have quite a ways to. As with the '08 crop, the trend that prices take over the next few months will depend largely on demand. As we (UGA) prepare budgets and outlook for 2009, I'm using 60 cents including POP/LDP as the "planning price". In my mind, 55 to 60 cents including LDP should represent the worst case scenario. There are multiple ways possible to do better depending on how markets move over the year and decisions the producer makes—but 55 to 60 cents total should be the pessimistic outcome.

We continue to look at production costs and net return comparisons for 2009. Fertilizer, with exception of potash, and fuel prices have moderated. This may all change by Spring and Summer but it is nevertheless a good sign that some costs are trending down.

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