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

COTTON MARKETING NEWS

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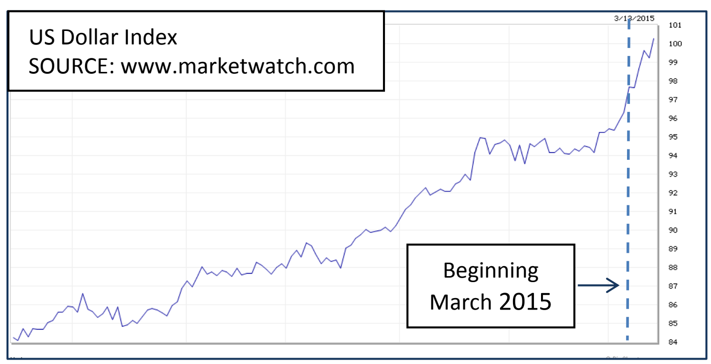
It's March Madness as Prices Tumble

Thus far, March has not been kind to the cotton market. After a very welcomed rally from late January to late February, prices (May15 futures) have since fallen over 5 cents/lb. The big hit was on Tuesday this week when prices fell 138 points. This was followed by another 54 point loss on Wednesday.

USDA released its March production and supply/demand estimates on Tuesday this week. There were only minor/marginal changes from the February estimates but the market nevertheless reacted negatively.

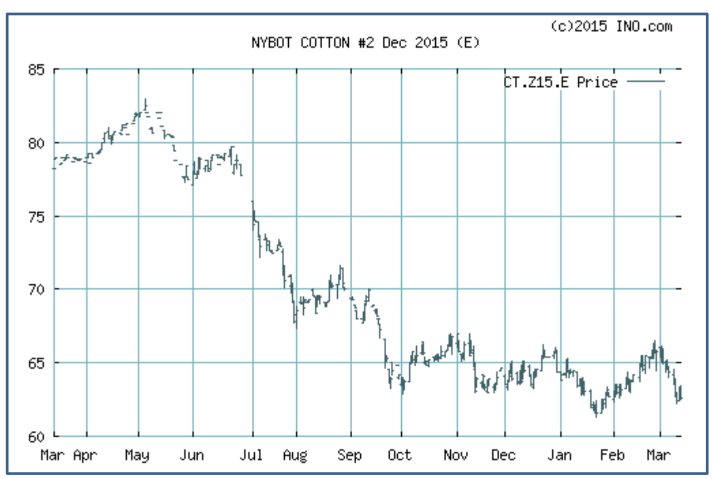
The USDA March numbers lowered World production just slightly, lowered World mill Use by 290K bales, and raised World ending stocks to now just over 110K bales for the 2014-15 market year. The decline in the estimate for mill Use was accounted for by a ½ million bale drop in the estimate for China. The US numbers were unchanged from the February forecasts.

Prices should still find support just under 60 cents; further weakness, however, puts us in the 58-cent neighborhood. The decline will also likely solidify the 65-cent area as our ceiling for now. Price decline is offset by an increase in the LDP/MLG. The MLG in effect for the week beginning today through March 19, is 4.95 cents compared to 2.83 cents for the week ended yesterday.



This weeks "meltdown" seems to be evidence that this market, both old crop and new crop, are still more bearish than bullish. There are, frankly, still too many unknowns and caution flags out there for prices to mount a strong effort upward. Not yet. Ending stocks continue to grow. China's mill Use continues to slowly dwindle. The dollar soars making US exports, like cotton, more expensive. The market seems to want to reinforce the signal that less cotton acreage is needed.

New crop Dec15 futures hover around 62 ½ cents. This is down from the recent high of roughly 66 cents a couple of weeks ago. Continue to be patient and wait on an opportunity at 70 cents of better. This is because your opportunity cost of doing nothing should be around 70 cents when considering POP/LDP and quality premiums. Another strategy to consider might be purchase of out-of-the-money Mar16 Call Options when/while prices are low.



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