

Winter 2024

# StapleReview



**Sustainability  
Means Opportunity**

**Stapldiscount  
Turns 100**



## As Demand Comes Back, Cotton Prices Will Take Note



**T**he U.S. balance sheet is the most influential and widely followed fundamental statistic in the cotton market. According to the latest USDA estimate, U.S. cotton stocks are forecast to be only 2.8 million bales on July 31, 2024, and the stocks-to-use ratio is forecast to be 20%—generally considered to be a supportive level for prices. Despite the U.S. producing a historically small crop for the second straight year, cotton prices in many countries have remained below the high post-pandemic cost to grow it until recently. Greater availability of southern hemisphere cotton crops in Brazil and Australia, which are highly interchangeable with U.S. cotton, have been available to fulfill import demand that would otherwise be focused on U.S. supply. The ag complex has not helped cotton prices either. Weakness across agricultural commodities stemming from both a decreased speculative fund appetite for futures market length and heavy corn and soybean balance sheets has helped keep a lid on our market as well. But perhaps cotton's biggest challenge is the most basic concept of all—weak demand, 18 long months of it.

While there has been a recovery in global spinning rates from the depths of the slowdown, the recovery in consumption for the 2023/2024 marketing year has thus far proved underwhelming at only a little over 1% better than last year's dismal consumption statistic (according to the latest USDA estimate). As this article is being written in early February of 2024, there seems to be a little more optimism that brands and retailers are finally coming back to the market with the orders that have been so elusive in recent months. Will the improved sentiment be short lived? Or, perhaps, despite all the geo-political and macro-economic uncertainties that exist, maybe the inventory glut that has been challenging our industry is abating so cotton consumption can normalize? The answer to that question will have a lot of influence over cotton prices in the coming months and into next year.

There has been a disconnect between U.S. retail clothing and clothing accessory sales and cotton consumption that is notable in my opinion. Global cotton consumption over the current (2023) and prior (2022) crop marketing years is projected to average about 7.5% less than it was during the 2017 and 2018 crop marketing years. The cotton converted into apparel and home textile furnishings from those years would have largely been sold at retail during the 2019 calendar year. The U.S. retail clothing and clothing accessory sales for calendar year 2023 averaged over 14% more than those of 2019, so U.S. clothing sales have increased while raw cotton consumption has decreased. How long can this last? Fiber substitution, on-line retailing, inflation, global clothing sales versus U.S. sales—all these factors come into play and make global cotton consumption's

true relationship to U.S. retail sales of clothing and clothing accessories difficult to gauge, but logically it is hard to see how this continues. U.S. consumers have remained more resilient over the past year than most expected they would, and clothing sales have benefited from that resiliency. Retail sales rose 0.6% in December 2023 with clothing and accessory store sales headlining the strength.

With more global production possible next year, demand will not only need to recover but remain steady for better prices to prevail for the longer-term. The world has been facing many challenges over the past few years and many of those remain unresolved, but if there is a global economic soft landing and interest rates level off or decrease as disinflation occurs, cotton spinning rates should enjoy a more robust recovery throughout the second half of the 2023/2024 marketing year and hopefully into next season as well. For cotton prices to be profitable, we simply need more spinning demand, which is ultimately driven by finished product orders. Of course, cotton does not exist in a bubble and there will be significant influence from the overall ag-complex, speculator commodity investment inflows and outflows, and global geo-political and macro-economic forces. But the U.S. balance sheet is currently supportive, and global demand may finally be waking up from more than a year-long hibernation. If both continue, cotton prices have a fundamental reason to be better than they have been in recent months. 🌱

*Hank Reichen*

## NEW BOARD CHAIRMAN AND NEW MEMBERS

**M**ike P. Sturdivant III retired as Board Chairman of Staplcotn and Stapldiscount on September 20, 2023, after serving in that role since 2014.



**Mike Sturdivant**

Sturdivant first joined the Board as a director in 1992 and immediately put his many talents and years of experience to work. His 31 years of devoted service to the Associations were recognized in a

resolution honoring him at the Annual Meeting. The resolution distinguished him as being “one of the Boards’ most dedicated and influential members” and recognized his “passionate desire to do what is right for his constituents.” Sturdivant is known for being very experienced and intelligent as well as down to earth and extremely likeable. He will be missed by his peers and the staff as well.

Assuming the role of Chairman is Thomas A. “Tap” Parker of Lake Providence, Louisiana, who has served in the role of Chairman-Elect since September of 2022. Parker has been a director at Staplcotn for 23 years and has a proven track record of stellar leadership on Staplcotn’s board as well as within the agricultural industry. In addition to being an integral part of Staplcotn’s board, he has served as president of Louisiana Cotton Producers as well as the East Carroll Parish Farm Bureau and is a former delegate to the National Cotton Council Cotton Board.

Parker is also a member of the First South Farm Credit’s board of directors



**Tap Parker**

and is the owner and manager of Deep Current Ag Management—a company that manages farmland and property for individual clients and private groups. He is a graduate of Louisiana Tech University with a degree in Ag Business. Parker and his wife, Jennifer, reside in Monroe, Louisiana, and have five children.

## Stapldiscount Celebrates a Century of Excellence

2024 is a year to celebrate as it is the 100-year anniversary of Staple Cotton Discount Corporation, known today as Stapldiscount.

In 1923, two years after the formation of Staple Cotton Cooperative Association, Delta farmers were struggling with the boll weevil infestation as well as with securing enough credit to finance their crop production. However, this hardship was not exclusive to the Delta—it was felt by farmers across the United States. In response to this growing demand



for more liberal and available crop production loans, the federal government enacted the “Rural Credits Act of 1923”. In the fall of that same year, Staplcotn founder, Oscar Bledsoe, and a committee formed within the members of Staplcotn, developed a plan to create a cooperative financing affiliate.

After thorough planning and preparation as well as Staplcotn membership approval, Bledsoe and fellow committee member, Alf Stone,

*continued on following page*

**T**he members of Staplcotn and Stapldiscount elected three new board members on September 20, 2023, at the Annual Meeting. Daniel Wilson Baxley of Dillon, South Carolina, and Laudies Dow Brantley III of Little Rock, Arkansas, were each elected for a one-year term. Thomas Stanford “Tripp” Hayes, of Clarksdale, Mississippi, was elected for a three-year term.

Daniel Baxley’s farming operation has been in Staplcotn’s membership since the late ‘90s. He is a director for Southern Cotton Growers and serves as a producer delegate for the National Cotton Council. He has also served as the state chairman of the NCC American Cotton Producers and is a commissioner for the Dillon County Soil and Water District. In addition to cotton, Baxley farms corn and soybeans.

Dow Brantley farms cotton, rice, corn and soybeans. He serves on the board of Ag Heritage Farm Credit and as chairman of the Arkansas Rice Federation. He is also a member of the USA Rice board. His



**Daniel Baxley**



**Dow Brantley**



**Tripp Hayes**

farming operation has been in Staplcotn’s membership since the early ‘90s. Brantley and his wife, Amy, have three daughters, Caroline, Virginia, and Ruth.

“Tripp” Hayes also has an impressive resume. He is a member of the Cotton Board, chairman of the Mississippi Boll Weevil Management Corporation, and board member of the Boll Weevil Protection Fund. Hayes serves as a director on Delta Council’s board, is a member of the Board of Trustees for NW

Regional Medical Center and serves as the board treasurer for First National Bank of Clarksdale. He is a former alternate for Cotton Incorporated and a former board member of St. George’s School as well as Lee Academy.

In addition to cotton, Hayes farms soybeans and corn. His farming operation has been a member of Staplcotn since the late 1960s. Hayes and his wife, Paige, have three daughters, Olivia, Martha Kathryn, and Mary Claire. 🌱

presented their plan to the president of the Federal Intermediate Credit Bank in New Orleans, Mr. T. F. Davis. Davis even accompanied them to Washington, DC, to present their plans to the Federal Farm Loan Board. According to the November 18, 1923, edition of Memphis’ *The Commercial Appeal*, after the presentations and modifications were made, Bledsoe received a welcomed wire from the commissioner of the board that said he saw no reason not to proceed with the organization. By February 16, 1924, the formation of Staple Cotton Discount Corporation

was approved. The combination of Staplcotn’s marketing organization with Stapldiscount’s newly formed financing corporation was said to have saved many farmers during that period from financial ruin. Ultimately, Stapldiscount became a “model” for future production credit associations and farmer-owned finance organizations nationwide.

Today, Stapldiscount is authorized to serve accounts in eight states, and in the past century, it has provided financing for millions of acres of various crops and other agricultural activities, including financing for land,

farm equipment, gins, warehouses, and much more. Stapldiscount’s success and longevity can be attributed to its affiliation with Staplcotn and the management provided to them by a common board of directors, comprised of member-owners.

Plans are underway to commemorate this milestone in March of this year. It truly speaks volumes that Staplcotn and Stapldiscount have both reached their 100-year anniversary when only .5 percent of all businesses in the United States can lay claim to this same accomplishment. 🌱



# STAX or PLC for 2024?



**W**ith the 2018 Farm Bill being extended until September 30, 2024, and no changes to the Seedcotton reference price or STAX program, producers face a familiar choice—keep their Seedcotton ARC/PLC coverage or replace that coverage by purchasing STAX. Depending on where you farm, it's either the end or middle of the planting price discovery period for STAX and December 2024 futures prices have averaged roughly 81-82 cents per pound. From a price perspective alone, the area revenue protection afforded by STAX this year does not present a strong case for choosing it over the Seedcotton program. Since STAX coverage is based on planted acres while PLC is tied to Seedcotton base

acres, planted acres along with preliminary yield prospects in a farm's area versus expected applicable program yield are more important considerations. As we all know, the price support calculation of the Seedcotton program is full of variables and is a season-long adventure in arriving at a price because it's based on the producer prices received for cotton and cotton seed as reported by the USDA's National Agricultural Statistics Service. And though the reference price did not change, cotton seed prices have generally declined compared to recent years. This means a higher lint price may trigger a payment that would not have been triggered in years when cotton seed prices were elevated. 🌱

## Within the Push for Sustainability Lies Opportunity

*by Hank Reichle and Shane Stephens*

**T**he cotton grown by Staplcofn members eventually ends up in the supply chains of thousands of brands that sell their products in traditional brick and mortar stores or online. When those companies put their name on the label of a particular product, they own the story behind that merchandise and put their brand's reputation and its value at risk. Obviously, good brand names are worth more than bad ones.

In a world which now has an increased awareness of social and environmental issues, many brands are moving to better understand their supply chains so that they can strengthen and protect their brand equity. They aspire to better comprehend what's in the products they sell and how they are made. Certainly, brands have opted to do so to enhance and protect their brand names, but also to comply with existing and anticipated regulations. Most will want to document the country of origin of their products and the components within them and

if they are produced in a socially and environmentally responsible way. It's not just cotton and textiles, it's every input and process that goes into a brand's product line. For Staplcofn, this means there is a new need for greater connectivity between us and the brand that labels the products which contain our members' cotton. This movement by brands and retailers may create a sense of anxiety for all of us in the cotton and textile value chain given the complexities involved in tracking and documenting the production, processing, and distribution of our fiber. However, we believe it creates an opportunity to enhance value for our members and build stronger markets for your cotton.

When it comes to the "hot" topics of sustainability, regenerative, and carbon, we are extensively researching what this means for our members. Our aim is to find practical solutions that satisfy the brands and retailers' requirements while adding value for

our membership. Whether it's our advocacy for sustainability programs like The U.S. Cotton Trust Protocol or Better Cotton, or our participation in pilot regenerative programs so that we can evaluate them firsthand, we are actively working on this to help create opportunity for you. Our role is not to tell our members how to farm, nor will we require participation in any certain program. Our role remains to be your marketer just as it always has been, but with increased emphasis to tell the story behind your cotton through documenting production practices and data. We are certain that illustrating why our members are great cotton growers has never been more important. Our work in this increasingly important aspect of cotton marketing remains consistent with our mission of providing membership value. If you are interested in learning more, please contact your cotton specialist. 🌱



[www.staplcotn.com](http://www.staplcotn.com)

214 W. Market Street 38930

P. O. Box 547 • 38935-0547

Greenwood, MS

Address Service Requested

NONPROFIT ORG.

U. S. Postage Paid

Greenwood, MS 38930

Permit No. 49



*Calhoun Farms, Clio, South Carolina*



*Barksdale Farms, Clarksdale, Mississippi*



## StapReview

Winter 2024

Vol. 36 No. 1

StapReview is published  
as a service to  
members of Staplcotn.

Correspondence  
should be sent to  
The Editor  
P. O. Box 547  
Greenwood, MS 38935-0547

Editor:  
Jean Blunden,  
Communications & Public  
Relations Director