Winter 2011

Staple Review



Weak Demand, **But...**

New Directors **Elected**

Weak Demand, But...



Meredith Allen
President & CEO

A year ago I wrote in the winter edition of StaplReview about "Robust Demand." Unfortunately, this year the opposite is occurring with textile cotton demand—it is extremely weak. The cotton industry is paying the price for the damage done to the textile industry by runaway cotton prices last season. USDA is projecting world ending stocks to grow by 10-11 million bales this season. The stocks-to-use ratio is projected to go from 36% last year to over 48% this year. This is not a pretty picture as the graph at right illustrates. The futures market has dropped over 50¢ per pound from a year ago. Despite a smaller U.S. crop, prices have continued to decline due to larger crops around the world along with weaker consumption worldwide. As has been stated often, a lot of market share was lost to synthetic fibers last season as cotton prices exploded to the upside. How long it takes to get this consumption back is very difficult to answer. We do know that it will take time to see an increase in cotton consumption, especially in a struggling world economy.

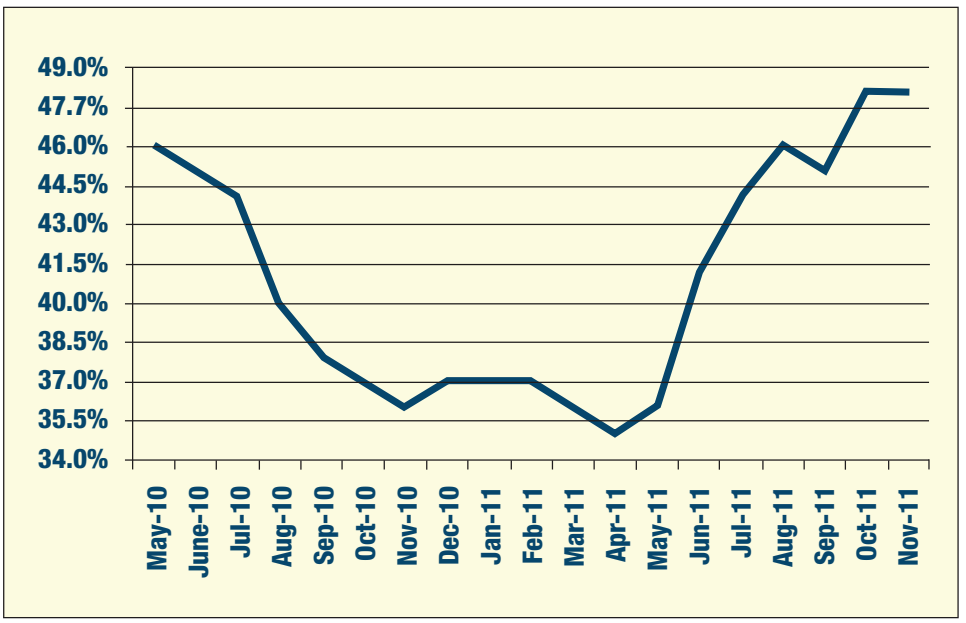
One bright spot this season is the expectation that the Chinese State reserve will begin acquiring a significant quantity of cotton around the world to replenish their depleted cotton stocks. The Chinese have had a policy to hold reserves of cotton to try to stabilize prices. Their intent is to purchase cotton when prices are low to stabilize their farmers' incomes and to sell it into the market when prices are high in an attempt to cap prices to help their textile industry. During the summers of 2009 and 2010, the reserve released most of their stocks to try and hold down rising cotton prices. With the reserve stocks depleted, as crops failed and strong demand emerged, the Chinese government did not have the ability to cap prices. Hopefully, with the reserve restocking their cotton supplies, they will provide support below the market this season and have the ability to stabilize prices in the future. It is believed that the Chinese reserve will purchase 10-15 million bales over the next 1-2 years. So far this season, it seems that their buying has provided considerable support to cotton prices around 95¢ per pound. In an otherwise very weak demand market, the Chinese buying has been a benefit to cotton producers. I believe that we will see a gradual increase in demand from the broader textile industry going into 2012.

New crop supply and demand fundamentals will play an integral role in what cotton prices ultimately do from this point forward. We understand that the cost of cotton production has risen rapidly around the world, not just in the U.S. While cotton prices are currently higher than the historical average, we expect them to remain reasonably attractive relative to grain prices at planting time. This will be necessary to attract enough cotton acres to support what we believe will be improving demand and reserve restocking.

Continued on back page

USDA Monthly World Stocks-to-Use Ratio

(May 2010-Nov. 2011 projected)





It's that time of year again—when producers are making planting decisions for their 2012 crop. In doing so, please remember to review Staplcotn's 2012 Mill Sales Program. If you have any questions or would like to discuss details prior to signing your contracts, please contact a cotton specialist in your area for additional information.

Area office locations are as follows:

Greenwood, MS - 662.453.6231
Yazoo City, MS - 662.746.4941
Greenville, MS - 662.453.6231
Clarksdale, MS - 662.627.7261
Tallulah, LA - 662.574.4420
Blytheville, AR - 870.763.0001
McGehee, AR - 870.222.5003
Brownsville, TN - 731.772.6042
Athens, AL - 256.771.0454
Albany, GA - 229.432.5500
Statesboro, GA - 912.764.5497
North/South Carolina - 662.820.7253

Two New Directors Named



Kent Fountain



Walter Corcoran

Kent Fountain of Surrency, Georgia, and Walter Corcoran, Jr. of Eufaula, Alabama, were elected to serve on Staplcotn's board of directors at the annual membership meeting held on September 21, 2011. They are replacing retired directors Kenneth Hood and Bob McLendon.

Kent Fountain is a Georgia native and has been a Staplcotn member since 2006. He graduated from Wayne County High School in Jesup, Georgia, and received degrees in Agricultural Engineering and Agricultural Economics from the University of Georgia in 1991. Kent farms both cotton and peanuts and is currently the President of the National Cotton Ginners Association. He is also President and CEO of Southeastern Gin and Peanut as well as President and CEO of Altamaha Oil Company. Additionally, Kent is a director for the National Cotton Council and is secretary of the Southeastern Ginners Association. Kent serves as Chairman of the Wayne County board of Education as well as Director of the Wayne County Chamber of Commerce. He and his wife, the former Missi Brinkman, have two sons, J.P., 12, and Sam, 11. They attend Jesup First United Methodist Church where Kent serves on the Board of Trustees.

Walter Corcoran farms cotton, peanuts, corn, soybeans, wheat, milo and cattle in his hometown of Eufaula, Alabama. He graduated from Lake Side High School in Eufaula and attended Auburn University where he received his BS in Agronomy. In addition to now serving on Staplcotn's board, Walter is a Director of Southern Cotton Growers, a member of National Cotton Council's American Cotton Producers and a Delegate of the National Cotton Council Alabama State Committee. He is also an alternate on the Cotton Board. He and his wife, Kim, are members of the First Baptist Church of Eufaula where he is a Deacon. They have three daughters, Sonny Lee, Caffie Ruth, and Julia Allison. Walter has been a Staplcotn member since 1996.

2011-12 Board of Directors

Chairman

Woods E. Eastland .....Indianola, MS

Meredith Allen.....Greenwood, MS
Coley L. Bailey .....Coffeeville, MS
Anderson W. Barham .....Oak Ridge, LA
Roy Baxley.....Dillon, SC
Laudies D. Brantley, Jr. .....England, AR
W. P. Brown II ..... Schlater, MS
Walter Corcoran..... Eufaula, AL
B. E. "Sonny" Davis.....Cottondale, FL
R. Bowen Flowers, Jr. .....Tunica, MS
Kent Fountain..... Surrency, GA
W. E. Harris ..... Benton, MS
John D. Hux, Jr. ..... Sikeston, MO
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Lawrence C. Long ..... Indianola, MS
Larry R. McClendon .....Marianna, AR
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Mike Newberry ..... Arlington, GA
John Nolan Newcomb.....Osceola, AR
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Kim Rentz ..... Colquitt, GA
Lowry Robinson..... Osceola, AR
Mike P. Sturdivant, Jr..... Glendora, MS
Warren W. "Tutt" Sullivan.....Tunica, MS
Hugh H. Summerville, Jr. .....Aliceville, AL
Mike Tate.....Meridianville, AL
Stewart Weaver, Jr.....Proctor, AR
Marty White .....Jonesboro, AR
Allen Whitehead .....Ashburn, GA
John Willis..... Brownsville, TN

2012 Grower Meetings

Halifax, NC
Monday, January 9 at 6 p.m.
Halifax County Extension Service

Dillon, SC
Tuesday, January 10 at noon
B&C Steak & BBQ

Statesboro, GA
Tuesday, January 10 at 6 p.m.
Bulloch Ag Center

Tifton, GA
Wednesday, January 11 at 7:30 a.m.
GA Agrirama

Leary, GA
Wednesday, January 11 at noon
Bob's Barn

Clarksdale, MS
Friday, January 13 at 11 a.m.
Knights of Columbus

McGehee, AR
Monday, January 16 at 6 p.m.
AAM Building

Vidalia, LA
Tuesday, January 17 at noon
Conference Center

Rayville, LA
Tuesday, January 17 at 6 p.m.
Civic Center

Blytheville, AR
Monday, January 23 at 6 p.m.
Crisp Center

Brownsville, TN
Tuesday, January 24 at 8 a.m.
First South Bank

Athens, AL
Tuesday, January 24 at noon
Days Inn

Indianola, MS
Thursday, January 26 at 11 a.m.
Capps Center

Eastland Honored with Distinguished Citizen Award

The Chickasaw Council of the Boy Scouts of America honored Woods Eastland with the 2011 Distinguished Citizen Award on November 3, 2011. This award was established by the Boy Scouts of America to recognize noteworthy and extraordinary leadership of citizens in communities across the United States. In describing the purpose of the award, the Council wrote, "Honoring distinguished citizenship delivers a message to our youth that character counts. The lives of distinguished citizens put into place guideposts that serve to inspire our youth to lead, to accept responsibility, and to care about principles and causes beyond self-interest."

The award was presented at a dinner given by the Scouts in Eastland's honor at the Greenwood Country Club in Greenwood, Mississippi. This annual event is a significant fundraiser for the Council. Chairpersons of the event are selected, an organizing committee is formed, sponsorships are solicited, and tickets to the dinner are sold. With more than 275 friends and family in attendance, this year's event raised nearly $60,000 to benefit the Scouting program. The area that the Chickasaw Council serves includes 17 counties of Mississippi, Arkansas and Tennessee. There are more than 16,000 Scouts in the Chickasaw Council.

Meredith Allen, President and CEO of Staplcotn, and Mike Sturdivant, Jr, farmer and Staplcotn Director, were co-chairmen of the event. Allen commented, "I was more than happy to co-chair this event for Woods. He has done so much for the Scouts over the years and is such a great role model for so many. I have worked with him for over 25 years and I can't imagine anyone more deserving of this honor."



From left: Meredith Allen, Woods Eastland, and Mike Sturdivant, Jr.

Dr. Robert Khayat, former chancellor of the University of Mississippi, was the keynote speaker for the evening. In his remarks, Khayat said, "I jumped at the chance (to speak at the event) because it's not often that you have the opportunity to speak publicly about truly extraordinary people. That's what we do tonight. We support the Boy Scouts, and we honor a family which is truly, truly remarkable." Khayat compared Woods Eastland's character to that which describes a Scout in the Boy Scout Law, "A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent. That is a description of Woods Eastland."

Eastland has been very involved in Scouting as an Executive Board member, Advisory Board Member and a District Board Member. He has served as a Friends of Scouting Chairman for many years. He has also participated in Eagle Scout ceremonies and has been awarded the District Award of Merit and is a Silver Beaver Recipient. Eastland also chaired a previous Distinguished Citizen Award Dinner which honored the family of Mike Sturdivant, Jr.

In addition to Eastland and Sturdivant, the family of Bowen Flowers, Staplcotn Director from Clarksdale, Mississippi, has been a previous recipient of this award.

CHICKASAW COUNCIL
BOY SCOUTS OF AMERICA

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For more information, call 1-800-293-6231

President's Message continued

On another matter, we at Staplcotn continue to get questions about the price difference in our two seasonal pools. As you know, we have an "all seasonal" pool and a "split seasonal pool." We have stated many times in the past that these pools will have different prices. The split seasonal receives the overs and/or unders in production from the split call option. This makes the yield risk much greater for the split seasonal pool than it does for the all seasonal pool. The all seasonal pool does not get bales added to it or taken away from it as does the split seasonal pool; therefore, it is a more stable pool to predict. We have also stated many times that the split seasonal pool would be influenced more by harvest prices than would the all seasonal pool. This is because when prices are attractive early in the year, a larger percentage of the all seasonal pool can be hedged since yields are much more predictable in this option. This pool receives 100% of the members' production from the acres signed in it. In the end, although prices in the pools will be different, I believe that the results in both pools will be satisfactory to our members.



NOTE: This article was written on November 16, 2011.

Staplcotn

StaplReview

Winter 2011
Vol. 24 No. 3

StaplReview is published quarterly as a service to members of Staplcotn.

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