Fall 2015

Staple Review



Will Demand **Emerge?**

McLaurin Elected **to Board**

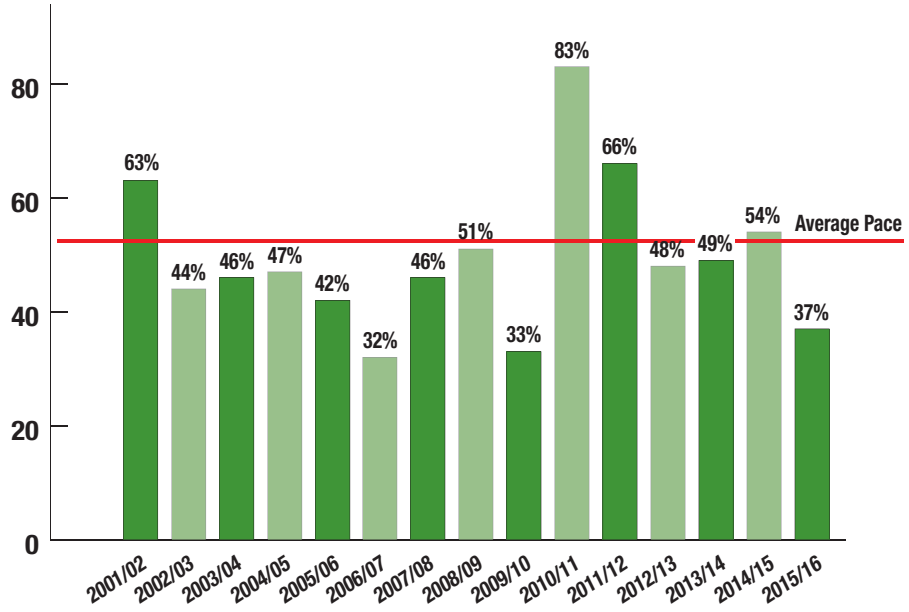
A Message from the President

Will Demand Emerge?



Thus far, the world's northern hemisphere cotton harvest is yielding less than was expected only two months ago. Unfortunately, for many producers in our territory this harvest season has been a challenging one to say the very least. With the world's cotton supply sharply lower from the previous season, could the case be made for higher prices sometime in the future? Certainly supply constraints influence prices, but we can't only focus on one side of the equation. Demand must be considered as well. While there will be less cotton production this season both globally and here in the U.S., demand is not as strong as we would have hoped. Both global consumption of cotton and the outlook for U.S. cotton exports are a major concern at this early stage of the marketing year.

In its latest World Agricultural Supply & Demand Estimate (WASDE) report, USDA forecasted global cotton consumption of 112.27 million bales. This forecast represents a 1.6% increase in global demand over the prior marketing year. However, for the past few months, USDA has reduced its estimated consumption for the previous marketing year while simultaneously lowering the forecasted demand for the 2015/2016 marketing year. In other words, the global cotton demand



October U.S. Export Sales Pace

outlook has weakened significantly over the past 3-4 months. The end result is that the much smaller crops globally have not led USDA's economists to predict a more pronounced drawdown in global stocks because demand expectations have also been tempered by a weak global economy, strong competition from man-made and other alternative fibers, and significant strength in the U.S. dollar.

Focusing in on the U.S. Supply & Demand situation, the U.S. crop is going to be considerably smaller than last year. Currently USDA is forecasting a U.S. crop of 13.34 million bales. Further, USDA forecasts that the smaller crop will lead to only 3.1 million bales in U.S. ending stocks this year versus 3.7 million in the previous year. On the surface, this is a friendly number as 3.1 million bales of ending stocks is far from a burdensome quantity. However, to drawdown the U.S. carry out to 3.1 million bales, exports will be the key. Remember that only about 3.7 million bales of the U.S. crop is spun into yarn in the U.S. The remainder of the U.S. production must find a home abroad or will be carried forward to the next season creating competition for the next year's crop. Presently, USDA is forecasting U.S. exports of 10.2 million bales. In comparing this export forecast to typical export demand experienced since the 2001/2002 marketing year, or the "modern export era", this number actually looks low implying it should not be much of a challenge. Since the 2001/2002 marketing year, the U.S. has averaged exporting around 12.9 million bales and the lowest export volume recorded during that time period is 10.5 million bales. But, the current pace of export demand tells a different story. Through mid-October 2015, U.S. cotton exporters have committed slightly less than 3.8 million bales of cotton to foreign buyers. These commitments represent 37% of USDA's 10.2 million bale export forecast. Looking back over the modern export era, around 52% of our final exports were typically committed by mid-October. So, clearly the pace is lagging when it comes to making this relatively small export forecast.

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From Fields to Fabric - Cotton Camo

Have you ever had an idea that you just couldn't quit thinking about? Something that has stayed on your mind until you finally had to figure out how to make it happen? Hal Israel of Sumter County, Georgia, certainly had this experience. With vision, planning, determination, and an excellent project manager, Hal has transformed his idea into a really interesting side business – Cotton Camo, a clothing line of camouflage that has a cotton design.

Hal has been farming for 40 years. He has his own place known as Hal Israel Farms and helps his dad, Harold, on his farm as well. In addition to cotton, Hal farms corn, peanuts, soybeans and wheat. He has been a Staplcotn member since 1998. One day back in 2008, he saw a photograph of a man in khakis standing in a cotton field and noticed the cotton plants completely covering his pants with just a slight hint of the khaki color showing through. Hal thought to himself, "That would be a good looking pair of pants!"

Hal's idea of turning that image of those beautiful fields into a good-looking fabric was something he just couldn't get out of his head. "It stayed on my mind for about three years until I finally decided to see if I could make it happen," Hal explained. So in 2011, he hired Lisa Berry to be his bookkeeper and oversee the project. "She did most of the legwork because I had to be in the field," he said. They took some pictures in a cotton field and took it to a graphic designer who laid out the first print. Once the design was approved, Lisa began working on the marketing aspect of the business and searching for a manufacturer. They developed



their logo and started producing and selling small numbers of logo T-shirts, hats and other accessory items before the camouflage printed items were even completed. They were able to get a textile company whose home office was in New Jersey to create the first run. By March of 2013, their camo was ready to be sold.



Lisa's daughter Erika Belcher modeling Cotton Camo wear

Lisa explained how they started getting the line into the stores. "First we started by approaching local stores, smaller clothing stores and hardware stores and getting them to carry some of the line. We even did a few stores on consignment at first." They also went to trade shows and eventually hired a full time rep for a while. Their Facebook page now lists nearly 25 stores which carry their products. . "It became so popular that we were having a hard time keeping up with the orders," she said. Hal added, "One thing that we did not want to do, though, was not be able to quickly fill the orders because of waiting on inventory to arrive." For that reason, they pulled back some on pushing the product and now have a rep who works part time for them. "It's a good fit for us right now," Hal said. However, inventory management can be tricky. Hal remarked, "We are still looking for clothing manufacturers that don't require large minimum orders with a fairly quick turnaround so that we can keep our inventory managed better and our overhead down."



Currently, they have logo hats, visors, T-shirts, long and short sleeve camo button-up shirts, camo 6-pocket pants, camo T-shirts with and without the logo, various types of jewelry, coozies and more. The camo designed clothing are in adult sizes only. The logo T-shirts range from sizes 6 months

to 4X. Prices on all of these items vary. Cotton Camo can be found on Facebook at www.facebook.com/CottonCamo or by calling their office at 229-846-6477.



Hal's son Eric is almost invisible in the woods in his Cotton Camo.

One very rewarding service in which Cotton Camo became involved with in 2013 is sponsoring a local non-profit organization, Deep Creek Outdoors, based out of South Carolina and founded by Donnie and Sherry Stukes. This Christian-based organization takes disabled veterans and disabled or disadvantaged children hunting as an outreach program. "This program that the Stukes have is such a heart-felt service and we are happy to do our part with it. We donate the camo and hats, visors, T-shirts and other items for their guests," Lisa said.

As a man of great character, with a great product and a dynamic manager to see it through, it's no wonder that Hal Israel has been blessed with the "golden touch" when it comes to growing cotton – both in the field and in the stores.



Donnie Stukes (left) and a group of veterans, all sporting their Cotton Camo, pose after a successful hunt.

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Hal and Lisa in the early stages of building the Cotton Camo and farm office

McLaurin Named New Board Member

Staplcotn and Stapldiscount welcomed a new board member on September 16, 2015. Henry "Allen" McLaurin, of Laurinburg, North Carolina, was elected by the membership for a three-year term.

McLaurin received his BS degree from Appalachian State University in Criminal Justice, Marketing and Management. He received his Master of Business Administration degree from Elon College. In addition to serving on Staplcotn's board, McLaurin is a member and former chairman of the Southern Cotton Growers Association, a director of the North Carolina Cotton Production Association, a trustee of the Scotland Memorial Hospital, and a board member of the Scotland Memorial Foundation. He has also served as a director on the Cotton Board, a producer delegate of the National Cotton Council, a director of Wachovia Bank, and is a former chairman of the Product Research Committee of Cotton, Incorporated. McLaurin was awarded the Laurinburg Jaycee's "Outstanding Young Farmer" award in 1992 and was the state winner of the "Young Farm Leader" award by the North Carolina Soybean Association in 1993. He received the Jaycee's "Distinguished Service" award in 1996 and the Rotary Foundation's "Paul Harris Fellow" in 2001. McLaurin was also presented the prestigious Boy Scouts of America's "Silver Beaver Award" in 2002.

McLaurin is married to the former Jane Burris. They have three children – John, Patricia, and David. They attend Laurinburg Presbyterian Church where McLaurin is an Elder.



Allen McLaurin

Kornegay Named Farmer of the Year for 2015

Staplcotn member Danny Kornegay of Princeton, North Carolina, was selected the overall winner of the Swisher Sweets/ Sunbelt Expo Southeastern Farmer of the Year award for 2015. As North Carolina's Farmer of the Year, Kornegay was chosen over nine other state winners who were finalists for the award. He was determined the winner by three judges who visited each of the 10 farms this summer. Nathan Reed, who was selected as Arkansas' Farmer of the Year, is also a member of Staplcotn. Congratulations to both!

2016 Staplcotn Grower Meeting Schedule

January 6	Wednesday	11 a.m.	Sikeston, MO
January 6	Wednesday	6 p.m.	Lake City, AR
January 7	Thursday	8 a.m.	Brownsville, TN
January 7	Thursday	Noon	Athens, AL
January 12	Tuesday	Noon	Edenton, NC
January 12	Tuesday	6 p.m.	Halifax, NC
January 13	Wednesday	8 a.m.	Dunn, SC
January 13	Wednesday	Noon	Bennettsville, SC
January 14	Thursday	11 a.m.	Metter, GA
January 14	Thursday	5 p.m.	Tifton, GA
January 15	Friday	11 a.m.	Leary, GA
January 18	Monday	11 a.m.	Clarksdale, MS
January 19	Tuesday	11 a.m.	Ferriday, LA
January 19	Tuesday	6 p.m.	Indianola, MS
January 20	Wednesday	11 a.m.	Columbus, MS

Note: Locations at each city will be announced at a later date.

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Message from the President continued

Why have U.S. export sales been difficult to generate thus far? There are several factors. First, demand for cotton is relatively weak as mentioned earlier. But, also the strength of the U.S. dollar versus other key currencies are making cotton crops grown in other weaker currencies more attractive to foreign buyers. Currencies that have been losing value versus the U.S. dollar like the Chinese RMB, the Brazilian Real and the Indian Rupee are making the basis of those growths on the ICE Futures market much cheaper than last year. At the same time, the U.S. continues to be offered into the global marketplace at a relatively strong basis as producers have not been willing sellers at basis levels that cotton merchandisers find attractive.

It is too early to tell if this year's crop problems will eventually lead to higher prices. They certainly may, but demand for cotton and specifically for U.S. cotton will need to improve over the coming months to make cotton supplies low enough to support a price rally. Good luck with the remainder of your harvest.

Meredith Allen

Staplcotn

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StaplReview is published as a service to members of Staplcotn.

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