

Fall 2016

StaplReview

Getting Closer

Two New Directors Elected

A Message from the President

Getting Closer

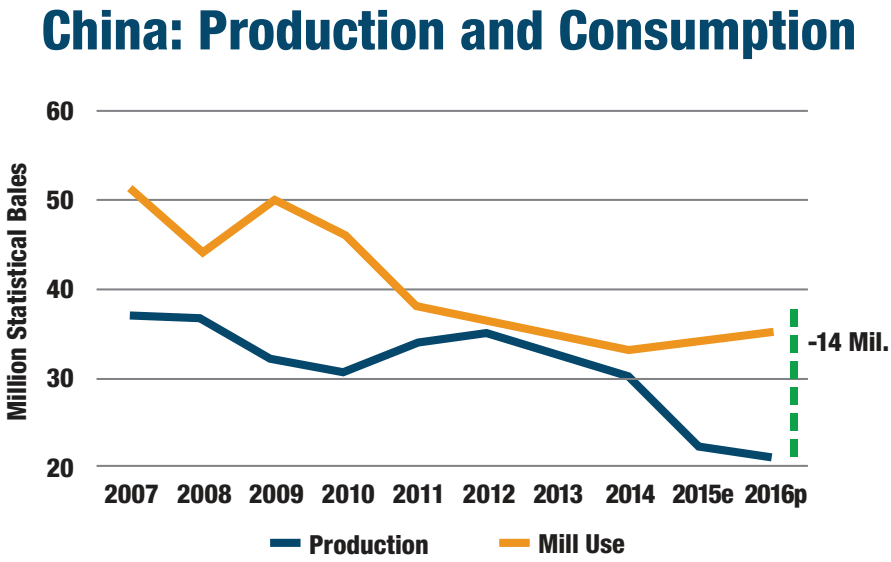


Back one year ago, in September 2015, world cotton stocks were forecast to fall to 106 million bales at the end of the 2015 crop marketing year, but in fact fell to almost 98.5 million bales as global production dropped by 19% in just one year. By the end of this marketing year (2016 crop) stocks are forecast to fall further to 89.8 million bales, which will be the second consecutive reduction. If these projections come true, it means the world's textile mills would consume 22.5 million bales more than its farmers grew over just two seasons. In normal times, that would be extraordinarily bullish for prices. In today's cotton situation, while this leads to a significant reduction in ending stocks, and is a step in the right direction, global stocks, particularly in China, remain elevated.

The Chinese government's policies these last few years have been primarily responsible for this unprecedented level of world cotton stocks. From 2011 until last year, the Chinese government has had programs in place to stockpile cotton and grain. This policy's primary purpose was to support Chinese farmers' incomes. However, two years ago, the Chinese government decided to modify some of its programs in an attempt to allow their commodity prices to be more "free market" oriented and to put a dent in their massive commodity stocks. Current government policies have reduced support for some of their farmers resulting in a reduction in cotton acres, particularly in Eastern China. In fact, Chinese production is projected to decrease for a second straight year from 22 million bales to 21 million.

So, with China consuming far more bales than it is growing, Chinese cotton stocks will continue to fall, thus reducing the pressure of their reserves on the global cotton and textile market.

Outside of China, stocks are more or less at equilibrium; therefore, as Chinese stocks become more balanced, so do world stocks. We are not too far from balancing world supply and demand, so it would appear we will be there in the next 2-3 years. An increase in cotton acres will be needed over the coming years to meet the projected global shortfall in supply. The U.S. should be a significant contributor to that increased global cotton acreage. Once supply and demand become more in balance, cotton prices should be less volatile and more profitable for our members. Cotton farmers have been waiting several years for cotton to return to more normal conditions, and we are definitely getting closer. Good luck with the remainder of your harvest.



Just two years ago China was growing 30 million bales of cotton. Compared to two years ago, Chinese cotton farmers reduced plantings by 3.5 million acres or 33%.

Another new development that has come under Chinese policy is the auctioning of the state reserves at more competitive prices. With more reasonably priced cotton available to Chinese textile mills, plus some incentives for new spinning capacity in Western China, Chinese consumption has increased over the past two years and reversed the trend of declining Chinese domestic consumption. While Chinese cotton acreage could creep up a little if demand continues to improve, a significant rebound in Chinese acreage seems unlikely. It is widely believed that much of China's lost cotton acreage will never come back to cotton.

Meredith Allen

Two New Directors Elected to Board

The membership of Staplcotn and Stapldiscount elected two new directors to their board on September 21, 2016, at the Annual Meeting held at the corporate headquarters in Greenwood, Mississippi. Mark Mosely Hanna of Donalsonville, Georgia, and Lance Ryan Whitehead of Fayette, Alabama, were both elected for three-year terms.

Hanna joined Staplcotn in 1995. In addition to cotton, Hanna farms peanuts, soybeans and corn. He received his Bachelor of Science degree in Marketing from Troy State University. Hanna serves on the board of directors for Miller County Gin as well as the AFG Feed Company. He is also a director for the American Peanut Growers Group. Hanna is a board member of the Donalsonville/Seminole County Chamber of Commerce and its past president. He is also a former president of the Donalsonville Lions Club. Hanna is an elder and Sunday school teacher at First Presbyterian Church in Donalsonville. He and his wife, Deanne, have two sons – John, who farms with him, and Hudson, who is a senior at Valdosta State University. Hanna is also the Staplcotn member who produced Staplcotn's 100 millionth bale in December of 2015.



Mark Hanna



Lance Whitehead

Whitehead received his Bachelor of Science degree in Agribusiness from Auburn University. He is a director of the Fayette County Farm Federation as well as the Alabama Farmers Federation. Whitehead serves of the board of Southern Cotton Growers, Inc. and is a delegate of the National Cotton Council for Alabama. He is also a member of the Alabama Cotton Commission and serves as an alternate for Cotton, Incorporated. Whitehead and his wife, Heather, attend Fayette Church of Christ with their two children – Alex, age 13, and Laci, age 10. Whitehead farms cotton, corn, and peanuts in Fayette and Pickens County, Alabama. He has been a Staplcotn member since 1999.

FRIENDLY REMINDERS

1. **Remember that your 2017 Option Notice Forms must be completed before you can be in position to price any 2017 crop in Staplcotn's Call Option. Contact your Cotton Specialist to get your paperwork filled out for next year's crop.**

2. **If you are interested in receiving your cotton settlements and equity payments through Direct Deposit instead of by mailed checks, your Staplcotn regional office can assist you in preparing your forms. Direct Deposit is a convenient way of getting your payments in a timely manner and alleviates the risk of lost or stolen checks.**

2017 Grower Meeting Schedule

NORTH CAROLINA



Edenton
Nixon Catering
Tuesday, January 10
Noon

Halifax
Halifax Extension Service
Tuesday, January 10
5:15 p.m.

SOUTH CAROLINA



Latta
Shulers
Wednesday, January 11
Noon

ALABAMA



Andalusia
Tabby D's
Friday, January 13
11:00 a.m.

Athens
First National Bank
Tuesday, January 17
Noon

GEORGIA

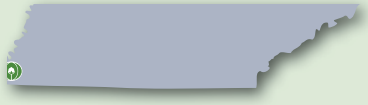


Statesboro
SpringHill Suites
Wednesday, January 11
5:15 p.m.

Leary
The McClendon Barn
Thursday, January 12
11:00 a.m.

Tifton
Tift County FSA
Thursday, January 12
5:15 p.m.

TENNESSEE



Memphis
Bass Pro Shop
Monday, January 16
11 a.m.

LOUISIANA



Ferriday
Panola Woods Country Club
Wednesday, January 18
11 a.m.

MISSOURI



Sikeston
Miner Convention Center
Tuesday, January 17
5:15 p.m.

MISSISSIPPI



Clarksdale
Clarksdale Country Club
Monday, January 16
5:15 p.m.

Indianola
Capps Center
Wednesday, January 18
5:15 p.m.

Columbus
Ramada Inn
Thursday, January 19
11:00 a.m.



Reichle Promoted to Executive Vice President

The Board of Directors of Staplcotn and Stapldiscount recently promoted Henry N. "Hank" Reichle to Executive Vice President. Reichle began his career with Staplcotn in 2004 as a member of the marketing staff and was promoted to Senior Director of Export Sales in 2005. Reichle was promoted to Vice President of Export Sales and Market Administration in 2010 and to Vice President of Marketing in September of 2014. He is responsible for directing all marketing activities in domestic and foreign markets as well as developing new markets.

Prior to joining Staplcotn, Reichle worked for Ernst and Young in Memphis from 1997-2001 as an auditor. In 2001, he accepted a position with the newly formed internet-based cotton exchange, The Seam, as corporate controller and was soon promoted to Chief Financial Officer. A native of Columbus, Mississippi, Reichle holds a B.A. degree in Accountancy from the University of Mississippi. He serves on the board and the executive committee of Cotton Council International and is involved with several community organizations outside of the cotton industry. Reichle currently holds the position of Vice President of the Greenwood-Leflore Chamber of Commerce and is Commissioner of Greenwood Utilities, a city-owned electric and water company. He is also a member of the Administrative Committee of St. John's United Methodist Church in Greenwood.



Hank Reichle

COTTON USA™

Barrier Tours Southeast Asia as CCI Executive Delegate

Frederick Barrier, Staplcotn's VP of North American Sales, was selected to be an Executive Delegate for Cotton Council International (CCI) and joined seven other delegates on a tour of Southeast Asia in August. Their purpose was to promote the advantages of U.S. cotton to textile and garment leaders in Vietnam and Indonesia.

The group met with mill owners and top level managers, cotton buyers, and textile association leaders. They also had the opportunity to meet with the Counselor of Economic Affairs and his staff from the U.S. Embassy in Jakarta, Indonesia, as well as the Economic Officer and Political Section Chief of the U.S. Consulate in Vietnam. Each delegate gave formal presentations to these groups on topics which varied from a general economic update to the cotton balance sheet, quality control, water use and sustainability.

Barrier remarked, "Both Indonesia and Vietnam are enjoying an increase in demand for their textile products as well as growth in their local economies. We were pleased that we had great participation from both countries and were able to not only give presentations but to answer any questions they may have about U.S. Cotton."



Frederick Barrier

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