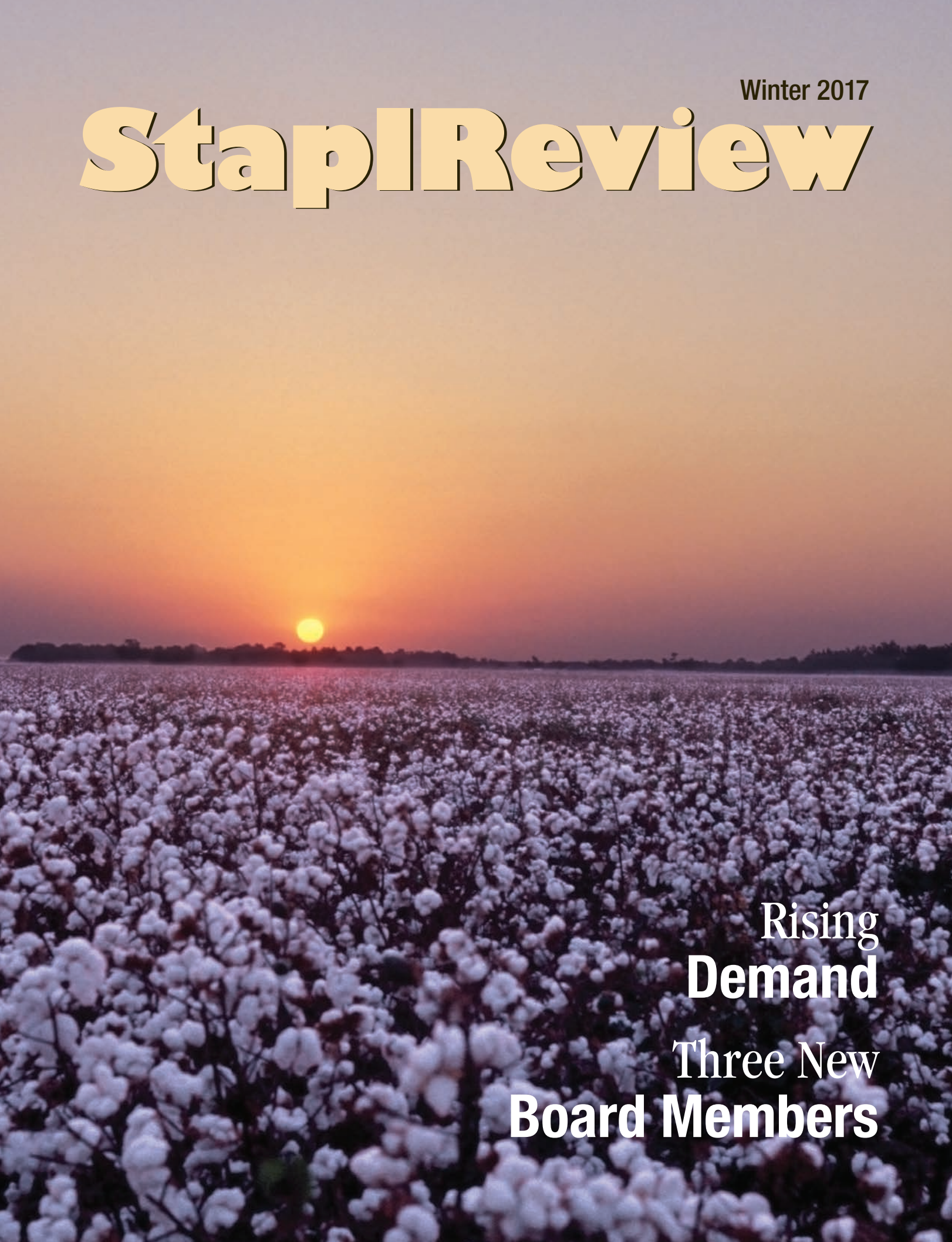
Winter 2017

StaplReview



Rising Demand

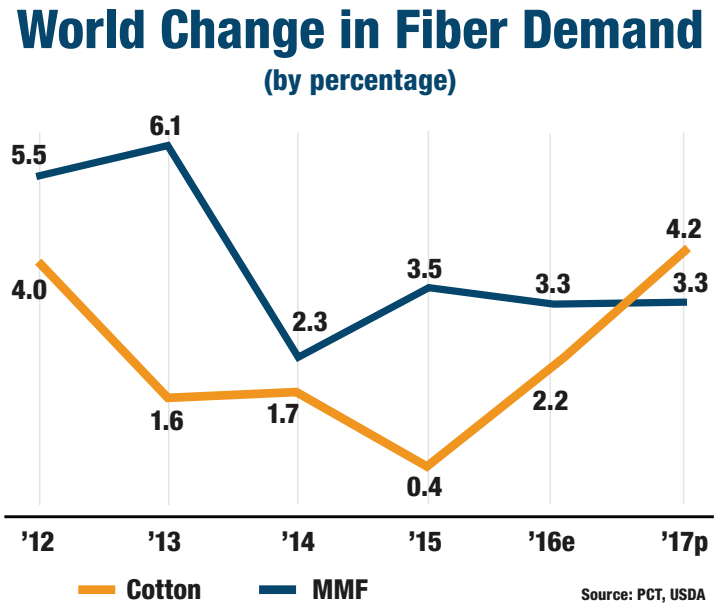
Three New Board Members

A Message from the President

Rising Demand



In the last StaplReview I stated, "It seems as though cotton's market share of the world fiber market has stabilized and the precipitous year-over-year declines are behind us." Indeed that statement is proving to be true. In its December 2017 Supply and Demand report, USDA forecasted that global cotton consumption would reach 119.6 million bales this marketing year, a 4.2% increase over the prior season and notably faster growth than the long-term average. Several factors appear to be behind the rise in consumption. First, world GDP growth is relatively strong right now. But more interestingly, cotton's demand looks to be growing at a faster pace than that of man-made fibers (see chart at right). We've seen more and more negative coverage in the news about man-made fibers' environmental issues, and prices for man-made fiber are inching up as producers of those fibers are encountering more regulation. And, maybe the fashion trend is swinging back towards cotton? In any case, after many years of cotton suffering year over year declines of fiber market share, it now seems we could finally be seeing good news when it comes to the fiber blend in textile products. Cotton prices have been reasonably supported this season thus far by good demand for a change instead of constrained supply. A demand driven market is always more desirable than a supply driven market.



Global demand is one of the main factors that is spurring strong demand for U.S. cotton abroad. In the last marketing year, the 2016/2017 crop, the U.S. exported the second most bales ever, 14.9 million bales. And, the international demand has continued this season with the pace of current marketing year U.S. export sales being the third highest on record for this time of year. With a larger global cotton harvest this marketing year, particularly in the U.S., better than average demand is critical to keeping prices from moving lower this season.

Another factor contributing to stellar demand for U.S. cotton is the supply of cotton available from other exporting countries. USDA's estimates indicate that there should statistically be ample supply this season, but the market price seems to say otherwise. Just how much cotton there is available to meet this growing demand continues to be a question on everyone's mind. We continue to hear from our contacts that Indian stocks are significantly overstated in USDA's supply and demand numbers, and some believe USDA's Chinese stocks may be overstated as well. USDA has started to reduce stocks levels in the past few supply and demand reports, including a downward revision of 1 million bales to India's beginning stocks and smaller foreign crop production estimate in its latest report. Even if Chinese stocks are reflected correctly in USDA's statistics, we do know factually that burdensome Chinese stocks are declining rapidly. Chinese stocks have officially reduced from 66.9 million bales to 39.67 million bales in just the last three seasons. Out of this decline, the Chinese Government Reserve stocks account for almost the entire decrease. We believe the Chinese government wants to maintain a relatively sizeable reserve stocks position due to the large annual production and consumption gap that currently stands at 14 million bales. The Chinese stocks are approaching levels at which we believe the Chinese government will need to allow for increased imports in the not too distant future. Part of the reason for the coming need for an increase in Chinese imports is due not only to the lower reserve stocks, but also the lower quality of these remaining stocks. Whenever the Chinese decide to allow more imports, this should

continued back page

THREE NEW BOARD MEMBERS ELECTED

On September 20, 2017, the membership of Staplcotn and Stapldiscount elected Ronney Ledford, Jr., Mike Pike, and Ben Sanders to serve a three-year term on their board of directors. The annual meeting took place at the corporate headquarters located in Greenwood, Mississippi.

A member of Staplcotn since 2009, Ronney Ledford, Jr. of Vienna, Georgia, farms cotton and peanuts. He currently serves as a director of the Dooly County Farm Bureau and as a director of the Mid South Co-op (peanut buying point). Ledford is a former director of the Dooly County FSA. He is also a partner in the Salt Lick Sausage Company. Ledford has three children, Sam, age 23; Sydney, age 21; and Camille, age 17.

Mike Pike of Littleton, North Carolina, joined as a member of Staplcotn in 1998. He and his wife, Teresa, have three children, Brad, age 27; Meagan, age 24, and Justin, age 18. In 1990, Pike and family were awarded the Conservation Farm Family of the year by Fishing Creek Soil and Water Conservation District. Along with cotton, Pike farms peanuts, wheat, and soybeans and is part owner of the Roanoke Cotton Company.

Ben Sanders, of Lyons, Georgia, farms corn and peanuts in addition to cotton. He serves on the Toombs County Land Use Committee, the Toombs County FSA Committee, and is a member of the Toombs County Young Farmers. He and his wife, Kimberley, have two children, Kristen, age 28 and Brad, age 19. Sanders has been a member of Stalcotn since 1998.



Mike Pike



Ronney Ledford, Jr.



Ben Sanders

Board Chairman Receives Farmer of the Year Honor

Staplcotn Chairman Mike Sturdivant III has added yet one more accolade to his already impressive list of accomplishments. This summer, he was named the Mississippi state winner of the 2017 Swisher Sweets/Sunbelt Expo Southeastern Farmer of the Year award.

And, it couldn't have been given to a more deserving person. Of course, Staplcotn is somewhat biased in that Sturdivant has served tirelessly on the Staplcotn Board of Directors since 1992, becoming its Chairman in 2014. He is former director and chairman of the Federal Reserve Board of St. Louis, Memphis branch, and has been involved in countless agriculture



associations and organizations. He is a true leader in the cotton industry. "Serving on boards has definitely broadened my understanding of what farmers in other growing regions face year in and year out," Sturdivant told Brad Robb, a field editor for *Delta Farm Press*. "All farmers face obstacles, but our industry associations provide a unified way for us to work collectively and create the best plan to navigate through or around those obstacles," he said.

Sturdivant, along with his brothers Walker and Sykes, farms 12,000 acres of family land, known as Due West Farm, in the small Delta town of Glendora, Mississippi. Together they farm strictly row crops – cotton, corn, and soybeans. Jimbo Burkhalther, a former farmer and 20-year veteran Tallahatchie County Extension agent, nominated Sturdivant for the award. He was quoted as saying, "I've known Mike for a long time and I've always admired the way he and his brothers farm their land.

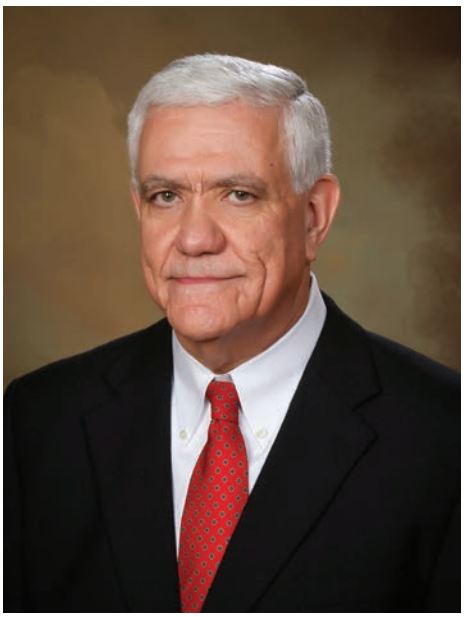
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Larry Gnemi Retires; Jason Lake is Named Vice President of Information Technology

Larry Gnemi, Vice President - Systems and Controls, retired on September 30, 2017, after 43 years of service to the company. "Actually, it was 45 years, but the first two years was with another entity that worked for Staplcotn in the same building," he stated proudly.

Gnemi joined Staplcotn in 1975 as an accountant. In 1985, he was promoted to Vice President of Sales Control and Traffic and then to his position of Vice President – Systems and Controls in 1986. Throughout his tenure at Staplcotn, Gnemi has witnessed the marketing and distribution of more than 80% of total number of cotton bales that the company has received since its inception. "We sat down and did the math, and I've been here for 80% of all the cotton that has come through Staplcotn's doors! That's a lot of cotton," he remarked. Staplcotn reached its 100 millionth bale milestone in December of 2015. Staplcotn will celebrate its 100th anniversary in 2021.

Gnemi and his wife, Pam, live in Greenwood and have three grown sons, Will, Matt, and Adam, who along with their wives and the Gnemi's five grandchildren, live in the Greenwood area as well. When asked what his plans are upon retirement, Larry said, "Well, I'll sure get to spend more time with my grandchildren, and that will be great! But, I'm still going to come up to the office and walk (for exercise) every day. Other than that, who knows?"



Larry Gnemi



Jason Lake

Meredith Allen, President and CEO of Staplcotn, commented, "We will certainly miss Larry. We've all had the pleasure of working with him the entire time we have been here at Staplcotn. His are very big shoes to fill!"

Upon Gnemi's retirement, Staplcotn's Board of Directors elected to name Jason Lake as the Vice President of Information Technology. After obtaining his Bachelor of Arts degree in Computer Information Systems from Delta State University, Lake joined Staplcotn in May of 1997 as a Programmer. In 2000, Lake was promoted to an Information Systems Analyst and in 2003 to the company's Information Systems Manager.

Lake and his wife, Valerie, reside in Madison, Mississippi, with their four children, Abigail, Emily, Cason and Gradyn. Lake remarked, "I had the pleasure of working for and with Larry since I joined Staplcotn and he taught me a tremendous amount about the cotton business and the systems we work with in general. I certainly intend to maintain his standard of excellence for this department. I am truly honored to have been chosen for this position and to have the opportunity to work alongside people who I have witnessed firsthand to be the top performers in the industry."

Board Chairman, continued.

They believe in reviewing conclusive research findings before making decisions that will impact any production or economic aspect of their operation. From variety selection to new products or processes, they are adamant about being informed, and that has held them in good stead through the years."

According to Robb's article, Sturdivant was asked what qualities of a farmer he would look for if asked to be a Farmer of the Year judge. He replied, "I'd want to know what the farmer is currently doing on the operation, how well it's being done based on measurable metrics, and any plans to adjust or adapt to changing environmental and/or economic conditions when those unforeseen curve balls are thrown." As Robb stated in his article, that may be exactly why he was chosen.

Special thanks to Brad Robb and Delta Farm Press *for permission to use excerpts from their article and the Sunbelt Ag Expo for the photograph of Mr. Sturdivant.*

2018 Grower Meeting Schedule

ALABAMA

Athens
Tuesday, January 16
11:00 a.m.
First National Bank

GEORGIA

Statesboro
Wednesday, January 10
5:15 p.m.
Springhill Inn & Suites

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

Tifton
Thursday, January 11
5:15 p.m.
UGA Tifton Campus

LOUISIANA

Ferriday
Wednesday, January 17
11:00 a.m.
Panola Woods Country Club

MISSOURI

Sikeston
Tuesday, January 16
5:15 p.m.
Miner Convention Center

MISSISSIPPI

Columbus
Friday, January 12
11:00 a.m.
The Hyatt Place

Clarksdale
Monday, January 15
5:15 p.m.
Elks Club

Indianola
Wednesday, January 17
5:15 p.m.
Capps Center

NORTH CAROLINA

Edenton
Tuesday, January 9
11:00 a.m.
Nixon Catering

Halifax
Tuesday, January 9
5:15 p.m.
Halifax Extension Service

SOUTH CAROLINA

Latta
Wednesday, January 10
11:00 a.m.
Shulers

TENNESSEE

Memphis
Monday, January 15
11:00 a.m.
Bass Pro Shop

LaCour named Chairman of Cotton Board



Staplcotn director George LaCour, Jr. of Morganza, Louisiana, was elected to serve as Chairman of The Cotton Board for the 2017/2018 Program Year during its annual meeting in Durham, North Carolina, in August. The Cotton Board is the administrative arm and overseer of the Cotton Research and Promotion Program, representing U.S. Upland cotton. Their main focus is to "keep cotton the number one fiber choice in the United States."

LaCour is a delegate for the National Cotton Council, a Charter Member and Director of Tri Parish Gin, serves on the Pointe Coupee Electric Board as well as an advisory board member for First South ACA. He is a partner in Superior Land Management Company and Managing Partner of G & L Farming Partnership and General Manager of GNG Farm Partnership and Schwab Farms. In addition to cotton, LaCour farms soybeans, corn, wheat, sugar cane, timber, pecans, and crawfish.

Jimmy Webb, of Leary, Georgia, also a Staplcotn Director, will serve with LaCour on the board in the position of treasurer.

Staplcotn

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President's Letter continued

benefit U.S. exports even further.

Turning to the current season's crop, harvest is almost complete in the Mid-South and Southeast. This fall provided excellent harvest weather for most of our members, and the qualities of the crop reflect the great weather conditions. The entire crop is mostly color 31 and 41, and the staple is by far the longest on record. The percentage of high micronaire is the lowest in many years. With the predominant quality for U.S. textile mills being 41s and the strongest foreign demand being for 31s, the Memphis/Eastern crop will be easily consumed at relatively strong basis levels. We've been in a trading range from the upper 60s to low 70s for months now. With world production and consumption more or less equal, we could remain in that range for an extended period of time, albeit at higher levels than earlier this fall. But undoubtedly, the market will break out of this range at some point either higher or lower. If the current strong demand continues, the probability of a breakout to the upside seems more likely. With the low grain prices, however, it will not take much of a price increase to at least maintain current cotton acres and possibly draw in more acres for the 2018-2019 season.

Here at Staplcotn, we continue to be very optimistic about future demand and look forward to marketing your Memphis/Eastern cotton to the global textile industry in the year ahead.

Wishing you all a safe and prosperous New Year…



Staplcotn

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