Winter 2019

StaplReview



A Trade Deal Under the Tree

Two New Board Members

A Trade Deal Under the Tree



President Trump is playing Santa Claus this year by delivering the first phase of a trade deal with China just in the "Nick" of time for Christmas. The details of the deal are murky, but seemingly there are more palpable commitments now versus when "Phase One" was first announced on October 11. There is hope that this deal is fairly concrete given that the U.S. has agreed to suspend the new tariffs scheduled for implementation on December 15 while also partially rolling back some of the existing tariffs currently in place on Chinese imports. In exchange for this tariff relief, China appears to have agreed to help address the trade deficit by purchasing around $200 billion worth of American-made goods over the next two years, as well as to tackle other U.S. trade concerns. The purchase commitments are supposed to be wide ranging, including agricultural, energy, and manufactured products. We still don't know exactly what this means for agriculture, or cotton specifically, in terms of quantifiable purchases. But we do know that in both October and December, when he spoke about Phase One, President Trump alluded to $40-$50 billion a year in Chinese agricultural purchase commitments. That's a really big number, maybe unachievable but positively aspirational. I say, "Let's give it a try!" Again, there is a lack of detail backing up that dollar amount, but it's been referred to twice by the President and his staff, so maybe there is some substance to it. In any case, it sounds promising. U.S./China agricultural trade has been severely impacted as this 20-month long chess match has unfolded. In 2017, the last full year before the trade war started, U.S. agricultural exports to China and Hong Kong totaled nearly $24 billion. The high watermark for U.S. agricultural exports to China was established back in the 2012 and 2013 when annual totals approached $30 billion. (Since it is Christmas time, let's reminisce for fun. During those years cotton accounted for $2-$3 billion of those exports and ag prices in general were significantly higher.) It goes without saying that a trade relationship that yields anything



close to $40 billion annually would be in uncharted territory. Moving towards this lofty goal should at the very least allow U.S. agriculture, including cotton, to begin taking back lost market share in commodity-craving China. The timing of these purchases is another unanswered question, but with a two-year timeline specified, hopefully trade will materialize sooner rather than later. The Chinese have downplayed the headline figure, indicating they would make an effort to buy U.S. but that they would do what is commercially viable and market driven. For the better part of two years, the cotton market has been dealing with a situation that featured the largest exporter and importer mostly unable to trade with each other. At least for now, under Phase One, we can see a path for increased trade. Hopefully the Trump administration will hold the Chinese accountable for purchases of cotton and other products as they have said they will do. For sure, prospects are better for trade now than with no agreement at all.

As I write this article, I just looked over at my market screen and saw the March 2020 futures contract is trading at 66.83 cents per pound. That is by no means a high cotton price, but is one of the better prices we've seen in recent months. We are moving in the right direction. Just a few months ago, hardly any equity could be achieved over government loan; at least today, there is something more available. A smaller U.S. and global crop than expected, healthy U.S. exports thus far, and more optimism on the trade front have combined to make the prospective U.S. and world carry-outs smaller compared to the massive over-supply that looked inevitable just a few months ago. With a smaller than expected harvest having materialized around the world, all we need to support prices is a healthier trade relationship with China and a boost of confidence in the textile industry.

Speculators in our futures market have been a tremendously negative influence on prices for 18 months now. Over that period, speculators moved from a very long position to the largest short position ever, and in doing so pushed futures prices down to the upper 50s. Although much of that short position has been covered, they still sit on a short position. Cotton speculators have displayed a tendency over the years to be long more often than short. At the very least, given recent developments with the

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2020 Grower Meetings to Begin January 7

Staplcotn's annual Grower Meetings are always a great way for growers to hear firsthand how their cooperative is performing, how the world is performing in cotton production and consumption, as well as future forecasts and trends. Members are given very informative presentations by Staplcotn Board Chairman, Mike Sturdivant III, as well as Hank Reichle, Staplcotn's President and CEO. These meetings are also a time of fellowship between the growers in that region and Staplcotn's management, staff, and board representatives.

This year, there are some changes to note in the Mississippi regions. Instead of having three meetings (Columbus, Clarksdale, and Indianola), Staplcotn will host two meetings – one in Columbus and one at the corporate office in Greenwood. We look forward to seeing you in January!

ALABAMA

Athens
Monday, January 13
11:00 a.m. - First National Bank

GEORGIA

Millen
Wednesday, January 8
5:15 p.m. - Honey Café

Colquitt
Thursday, January 9
11:00 a.m. - Cotton Hall

Tifton
Thursday, January 9
5:15 p.m. - UGA Tifton
Campus Conference Center

LOUISIANA

Ferriday
Wednesday, January 15
11:00 a.m. - Panola Woods Country Club

MISSISSIPPI

Columbus
Friday, January 10
11:00 a.m. - Hyatt Place

Greenwood
Tuesday, January 14
5:15 p.m. - Staplcotn Corporate Office

MISSOURI

Sikeston
Monday, January 13
5:15 p.m. - Miner Convention Center

NORTH CAROLINA

Edenton
Tuesday, January 7
11:00 a.m. - Nixon Catering

Halifax
Tuesday, January 7
5:15 p.m. - Halifax Extension Service

SOUTH CAROLINA

Latta
Wednesday, January 8
11:00 a.m. - Shuler's BBQ

TENNESSEE

Memphis
Tuesday, January 14
11:00 a.m. - Bass Pro Shop

TWO NEW DIRECTORS ELECTED TO BOARD

Staplcotn and Stapldiscount are pleased to announce the addition of two new directors to their boards. Coley L. Bailey, Jr. of Coffeeville, Mississippi, was elected for a three-year term to replace his father, Coley Bailey, Sr., who retired from the board in September. Bernard A. "Bernie" Jordan, Jr. of Yazoo City, Mississippi, was elected for a two-year term to replace John Laney of Lyon, Mississippi, who also retired in September. They were elected by the membership at the annual meeting on September 18, 2019.

Bailey, a Staplcotn member since 1995, is a 1994 graduate of Mississippi State University with a degree in Agricultural Economics. He currently serves as president of the Yalobusha County Farm Bureau and is chairman of Yalobusha Gin. Bailey also serves as president of the Mississippi Boll Weevil Eradication Association and is a board member of Cotton Incorporated, as well as a member of the FSA and NRCS County committees. He is a former chairman of his local school board. Bailey and his wife, Jody, have two children, Mackenzie, 18, and Cole, 14. They are members of the First Baptist Church of Grenada, Mississippi, where he serves as a deacon and a Sunday school teacher.



Coley Bailey, Jr.



Bernie Jordan

Jordan, whose father also served on Staplcotn's board of directors beginning in the late '70s, has been a member since 1983. He too received his degree in Agricultural Economics from Mississippi State University. Jordan is the current chairman of Cotton Incorporated. He is co-owner and president of Yazoo Planters Gin Co., director and treasurer of the Mississippi Boll Weevil Management Corporation, and vice president of Delta Council. Jordan also serves as the president of the Yazoo County Farm Bureau, a director of the Southern Cotton Ginners Association, a member of the Mississippi Soybean Promotion board and a trustee of King's Daughter's Hospital in Yazoo City. Jordan and his wife, Susan, are members of St. Mary's Catholic Church in Yazoo City and have four grown daughters, Elise, Ellen, Caroline, and Anne Eliza.

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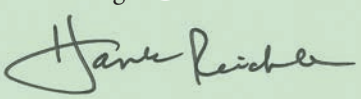
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Letter from the President, continued

crop size and trade, speculators should have less conviction about shorting our market to the extremes we witnessed earlier in the year.

The trade deal under the tree gives us something to look forward to in the new year. Let's hope the gift, when it is finally unwrapped and we know what we have, is as good as advertised. Merry Christmas and Happy New Year to all of you. I look forward to seeing many of you in your neck of the woods during our upcoming grower meetings.



Streamlining Progress Payments

As many of you have been informed recently, progress payments will be combined by member/entity rather than by member/FSA farm serial number beginning in January of 2020. Additionally, the detailed information that has previously been displayed on the check stub(s) for each farm number will now be found on Staplcotn's website through a locator code printed on the check stub of the combined payment. This information will be available on-line for ten years and will be printer friendly for those who still prefer to keep a paper file.

This payment consolidation will be very beneficial to Staplcotn's membership. There will be less mail, paperwork and clutter for the members as well as the Staplcotn staff to sort through. In fact, approximately two-thirds less paper will be used which translates into tens of thousands of pieces of paper when you consider we make four progress payments. The savings from the cost of paper purchases and postage costs will be significant.

Staplcotn is committed to making every effort to drive value for its membership. Streamlining the progress payment process is one way to do so.

Staplcotn

StaplReview

Winter 2019
Vol. 32 No. 2

StaplReview is published as a service to members of Staplcotn.

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