A Six Part Series on Cotton Futures and Options

by Joseph J. O'Neill
President of the New York Cotton Exchange

New York Cotton Exchange

INTRODUCTION

The following booklet is a compendium of articles which appeared in COTTON FARMING'S PROSELECT issue from February through July 1993. Mr. Joseph J. O'Neill, president of the New York Cotton Exchange (NYCE®), contributed these articles on cotton futures and options to further educate cotton producers and other industry participants about the advantages of these markets. This series marks the sixth year the Exchange has contributed articles in each PROSELECT issue.

The cotton futures and options markets provide a vehicle for risk management to both individuals and institutions actively engaged in the cotton industry. By participating in the cotton futures and options markets, cotton producers, ginners, merchants and textile manufacturers can reduce their exposure to the risks inherent in producing, ginning, shipping and milling cotton. And, since October 1992, there are two additional vehicles available to the international cotton industry as well as the trading community—Cotlook World Cotton™ futures and options. These contracts are based on an index of world cotton prices commonly known as the Cotlook "A" Index. This world cotton price is recognized as the price barometer of world cotton. These contracts help the international cotton industry better manage its price risks.

The articles discuss topical issues in the cotton industry as well as various marketing alternatives available to cotton producers.

The New York Cotton Exchange, the oldest futures exchange in New York, is a not-for-profit corporation and has been serving participants in the cotton industry since 1870. Other contracts traded include Cotlook World Cotton™ futures and options as well as frozen concentrated orange juice (fcoj) futures and options under the auspices of the Citrus Associates of the New York Cotton Exchange, Inc. On the FINEX® division, U.S. Dollar Index® (USDX®) futures and options, European currency unit (ecu) futures and options, Treasury Auction Five Year note futures and options, and Treasury Auction Two Year note futures are traded.

For more information on the New York Cotton Exchange's futures and options contracts, please contact your commodities broker or the New York Cotton Exchange, Four World Trade Center, Suite 5572, New York, New York 10048 or call (212) 938-2702.

The following cotton futures and options brochures are available from the Marketing Department:

- Cotton Futures
- Cotton Futures and Options Contract Specifications
- Introduction to Options on Cotton Futures (for hedgers)
- Introduction to Hedging with Cotton Futures
- Introduction to Cotton Futures Options (for investors)
- Cotton Deliverer's and Receiver's Guide
- Fifteen Year Cotton Chart with Volume and Open Interest (Weekly High Low Friday Close)
- 200 Year Cotton Price Chart
- Average Price Orders (APOs)
- Cotlook World Cotton Futures and Options Information

Information on prices, volume and open interest can be obtained 24 hours a day by telephone.

Cotton Futures: (212) 432-2821
Cotton Options: (212) 432-7274
Cotlook World Cotton Futures and Options (212) 488-7418

Ticker Symbols:

Cotton Futures: CT
Cotton Options: CO
Cotlook World Cotton Futures and Options: CI

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The New York Report

Joseph J. O'Neill
President
New York Cotton Exchange

I am **pleased** to be invited back for the sixth consecutive season to speak to cotton growers about the numerous advantages of using cotton options as a powerful marketing tool. In this season's articles, I would like to open up the column to answer any questions the cotton community might have abut the Exchange, including the cotton market, individual option strategies or procedures. I feel most cotton growers are aware of the basics of cotton options and are now ready to take the next step. For those who are not familiar with cotton options, you should refer to previous COTTON FARMING articles that we will gladly provide to you.

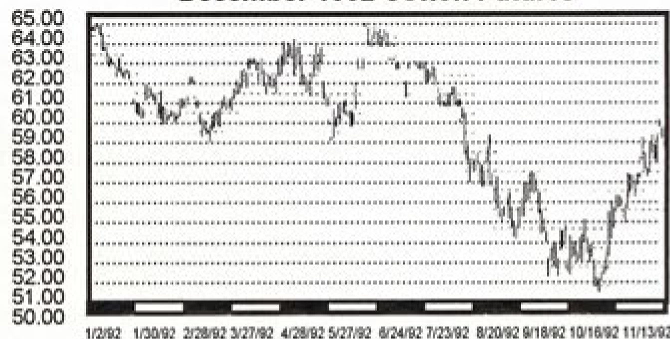
As early as January and February, groups such as the USDA, NCC and ICAC have looked ahead to the 1993-94 season. How is this going to affect U.S. planted acreage? Harvested acreage? And ultimately U.S. production? How is a 17 million bale U.S. crop going to affect the price level and equity values in December of 1993. The NCC has announced its preliminary survey for 1993 planted acreage at 13.5 million acres. This is throwing out the first sign of a crop in the area of 16 million to 17 million bales. Of course, no one knows how the weather is going to hold up, but this is laying the groundwork for what is about to come in the next six to eight months in terms of price ranges.

Right now all signs are pointing to another season of strong cotton production, and price levels in the 80 cent to 90 cent per pound range are unlikely. This does not mean that a grower cannot enhance his income with the use of put options. History has proven over time that cotton prices tend to rally in the spring and summer months. This is the point in time a grower should consider locking into a price by purchasing a put option. It is almost impossible to pick a top in the market, but the more learned a grower is to news events in the market, the better the odds are of him locking into a good selling price. We are very familiar with growers in Texas who use both fundamental and technical on a daily basis to try to lock into the highest price possible. Let me give you a very simple example. If you look at a price chart of cotton and see that prices have been trending higher for the past month or so during the planting season, what do you do? Lock in or wait? Some good advice in this situation is to follow the trend until prices start to stabilize or move lower. You are not going to pick the top of the market, but you have waited to see if prices ere going to move even higher before you decided to purchase your put option. Growers must realize that prices do not move from 50 to 60 cents over night but may happen over the course of a month or two, and it is mandatory that a grower keep on top of where prices are on a daily or at least a weekly basis.

Once the put option is purchased the grower no longer has to worry about falling prices because, for the cost of the option premium, you are locking into a minimum guaranteed price (the strike price minus the cost of the option), and if prices do move higher into harvest, you will be looking at a higher spot price. Take a look at what has happened over the past two growing seasons as represented by the December 1991 and December 1992 price charts below. Look where prices are in the spring and summer relative to November and December. These past two seasons are significant because the upcoming season is being predicted as very similar fundamentally. This does not mean that prices are going to follow the same exact path as they did during these two seasons, but by using put options, you will be making a very wise marketing decision and protecting yourself on both sides of the market: up and down.

December 1991 Cotton Futures

December 1992 Cotton Futures



Again, we encourage you to send any questions or comments to us here at the New York Cotton Exchange, Four World Trade Center, Suite 5572, New York, NY 10048. Include your name and hometown, but let us know if you do not want your name printed in the magazine. Any person whose question is chosen will receive a special item from our company store, the NYCE Trading Post, such as a sweatshirt, umbrella, golf item or T-shirt.

The New York Report

I discussed in last month's article the new format for this season. Cotton farmers have seen my face and read my strategies for five consecutive seasons and I thought it was a good idea to turn the series over to you, the producers, who consistently deal with pricing dilemmas season after season. Also, I think it is more potent for a grower to learn from a fellow producer who actually participates in cotton option pricing strategies. I want to share an option strategy sent to us from Rick Parsons of Vance, Mississippi.

Rick's strategy is to buy December at the money put options and sell December out of the money call options. Rick is looking into buying December 63 cent puts and selling December 70 cent calls. This strategy is often called a "fence" and usually is used to combat high option premiums. This marketing plan provides price protection with less capital outlay than an outright put option strategy. At the time of this writing, a December 63 cent put was trading at 4 cents and a 70 cent call was trading at 1 cent, giving Rick a net cost of 3 cents.

This strategy is taking on a position which incorporates the concept of selling options. I want to discuss the implications that go along with being "short" an option. When you sell a call option, you are obligated to provide the call option buyer with a long futures position at the specified strike price (in the above strategy the buyer of the call will become long one futures contact at 70 cents and you will become short one futures contract at 70 cents) in the event that it becomes advantageous for the buyer to exercise the call option, namely, if futures prices move above 70 cents. The seller of the call option will collect and keep the premium paid by the buyer, but is required to keep margin money in his account (usually in excess of the premium) and could receive additional margin calls if prices move against this position. The fence strategy is used to guarantee a minimum price if the market falls and a maximum price if the market rallies. With the price levels used above, the minimum net return would be 60 cents and the maximum return would be 67 cents. The easiest way to examine this strategy is to go through each possible outcome and see what would happen.

FIRST CASE SCENARIO:

December futures fall from the current 63 cent level to 52 cents into the harvest period.

The purchase of the put option will always provide protection against downside price risk and will appreciate in value relative to this drop in price. The call option that was sold would expire worthless and Rick would keep the premium of one cent (the buyer of the call has no advantage to exercise a 70 cent December call when December futures are trading at 52 cents). The net return to Rick would be 60 cents; sell crop at harvest for 52 cents, the 63 cent put option appreciates 11 cents, the 70 cent call option expires worthless for a gain of 1 cent, the cost of the put option is 4 cents, coming out to the net 60 cents (this return does not include the local basis level).

SECOND CASE SCENARIO:

December futures rally from 63 cents to 75 cents into the harvest season.

First, Rick now has his crop to sell at 75 cents. The 63 cent put option would expire worthless at a cost of 4 cents, the call option would lose a net four cents (the in-the-money amount is 5 cents less the 1 cent premium collected) for a total option loss of 8 cents. The 75 cent sale of cotton minus the 8 cents gives the net maximum return of 67 cents. This part of the strategy has to tie in with the principles discussed in last month's article about the awareness of cotton growers as to what is going on around them and their expectations about cotton prices. Will cotton prices see 75 cents in December based on the way the fundamentals are shaping up? Another point is that once this strategy is undertaken, it is not etched in stone and does not have to be held until December. For example, if conditions change during the planting or growing seasons, warranting drastically higher prices, the short call option can be offset by buying it back and eliminating the 67 cent maximum value that would be received. Again, this is where grower participation in knowing what is going on around him will come in very handy and help aid the overall outcome: HIGHER RETURNS!

THIRD CASE SCENARIO:

December futures stay at 63 cents into the harvest period.

This outcome is highly unlikely given the historic price volatility levels, but is still possible. If December futures do remain at 63 cents, the 63 cent put option would expire worthless at a loss of 4 cents, the 70 cent would expire worthless at a gain of 1 cent. The net return would be 60 cents, but the mandatory protection was there just in case prices did fall to 52 cents in December.

This is how the fence strategy works and it is up to each grower to decide if this strategy is right for them. There is still time to implement this strategy. Option premiums should be watched as volatility levels change the pricing of individual options. I will keep in touch with Rick and see how this strategy is working out for him.

Again, we encourage you to send any questions or comments to us here at the New York Cotton Exchange, Four World Trade Center, Suite 5572, New York, NY 10048. Include your name and hometown, but let us know if you do not want your name printed in the magazine. Any person whose question is chosen will receive a special item from our company store, the NYCE Trading Post, such as a sweatshirt, umbrella, golf item or T-shirt.

The New York Report

I appreciate the feedback from those of you who have sent in questions and comments regarding futures and options hedging strategies. I continue to urge cotton producers to let me know about their marketing strategies and how I can be of any assistance. In this month's article, I don't want to discuss a marketing strategy in particular, but want to talk about price history and December futures. I also want to discuss current price levels and December option premiums.

I mentioned in the first article of this season that cotton prices tend to rally in the spring and summer months. Here is the proof! Looking back to 1982, these are the exact dates when the December futures contracts made their highs and lows. The time frame focused on is the January 1 to expiration period for each year.

	HIGH (Date)	LOW (Date)
Dec. '82	74.88 cents 6/30/82	61.22 cents 11/29/82
Dec. '83	83.10 cents 8/30/83	66.70 cents 2/09/83
Dec. '84	78.40 cents 5/29/84	63.75 cents 11/13/84
Dec. '85	68.80 cents 1/03/85	57.51 cents 9/10/85
Dec. '86	54.95 cents 12/08/86	30.15 cents 7/21/86
Dec. '87	80.25 cents 8/27/87	51.00 cents 2/19/87
Dec. '88	68.20 cents 6/21/88	48.65 cents 8/23/88
Dec. '89	77.34 cents 8/24/89	55.20 cents 1/04/89
Dec. '90	77.00 cents 7/05/90	62.90 cents 1/03/90
Dec. '91	76.35 cents 5/21/91	55.85 cents 11/22/91
Dec. '92	65.00 cents 6/12/92	50.68 cents 10/28/92
Dec. '93	63.30 cents 3/10/93	58.75 cents 1/04/93

This data clearly shows that December futures prices have consistently made their highs in the spring and summer months. In the two years above when they were not made during these periods, extenuating circumstances prevailed, such as the 1985 Farm Bill.

The major point I want to make by showing this data is for growers to understand history and seasonality and try to use it to your advantage in the future. I cannot say for certain that the highs are going to be made in the spring or summer of 1993, but when history has showed this to be the case in the last 9 out of 11 seasons, there is a strong likelihood that this will continue to happen in the future. The reasons behind this phenomenon should not come as a surprise. The spring planting season and summer growing season are the two most critical stages in the life of a cotton crop. Weather patterns during these periods are crucial and as each grower knows, Mother Nature never cooperates perfectly. A cool wet spring or a hot dry summer have had their effects on the cotton crop and on prices. But as growers also well know, the cotton plant is a tough one to kill and is very resilient. This shows up as the USDA gets a good grasp of the crop size in September and prices start to decline into the harvest. Take a look above when most of the low prices were established.

I have stressed this history lesson to keep growers aware of events that happen in the spring and summer that might temporarily rally prices higher and to use this opportunity to lock into a profitable price for the upcoming crop. It is still very difficult to predict when the high price will be set or if prices are going to rally further from here. Looking at charts and technical analysis will help. A good idea for a grower is to have price objectives in mind now. When and if these objectives are reached, at least some portion of your crop should be locked in.

All growers should keep price seasonality in their minds as they look at current December futures prices and wait for the right time to lock into a price by purchasing a put option or other marketing strategy thereof. I have included a December 1993 futures price chart to show you where current prices have been and maybe where they are headed. Prices have currently stabilized in the 60 cent to 61 cent area after rallying higher from November. In technical terms, prices are consolidating while awaiting fresh stimuli. Some events to keep in mind that will influence the direction of this chart are the recent planting intentions of 13.427M acres and the upcoming weather events. So far, the Cotton Belt is experiencing a rather wet, damp and cool spring. Meteorologists have predicted this type of spring, but to a lesser degree than last season. These conditions are hampering fieldwork, but right now it is too early to make a call for delayed plantings.

The New York Report

Marketing your cotton crop is as important as producing it. Hopefully, these articles serve as a motivational force for each grower to work for the best price for their cotton. I hope each of you are following the price of December futures on a regular basis. I will continue to include a December price chart in each of the remaining articles and point out some pertinent technical factors. Please remember, "Technicals are the leading indicator of fundamentals".

Since the Exchange did not receive a particular marketing strategy from a cotton grower this month, I have a few ideas that I want to share with you. Also, as mentioned earlier, this article will focus on the technicals. Then I will discuss a recent topic, which concerns all U.S. growers—the Arkansas Best case.

PRICE PROTECTION

Right now, December futures are trading at 61.00 cents. Given the option premium and basis levels, it will be hard to cover the cost of production. Some of you might say there is no need to hedge your price exposure. This is where a painful and costly lesson should have been learned in the past crop year. The December 1992 futures price only made it to a high of 65.00 cents on June 12, 1992. This price also might not have covered the cost of production, but it was enormously more profitable than the price low of 50.68 cents achieved on October 28, 1993. If put options were purchased when prices were at 65.00 cents at a premium of 4 cents, the minimum guaranteed price would have been 61.00 cents less local basis. Without the put option hedge, the maximum price would have been 50.68 cents less local basis if sold in the spot market on October 28, 1992 or the loan rate (the base loan rate was 52.35 cents) if placed under loan at this time.

The point to mention now is that you know the present price and that by purchasing a put option to cover at least a portion of your crop, you would know the absolute worst price you would receive. Currently, this price is higher than the loan rate. If prices do rise from here, you can lock into a higher price for the remainder of your crop. If prices start to fall, you have at least locked in a portion of your cotton at a higher price. It is crop years like 1992/93 and possibly 1993/94, where growers should not rely totally on the Farm program for their income if prices fall into the 50-cent area.

TECHNICALS AND WEATHER FORECASTS

So far this planting season, rainy and cool weather has occurred in the Delta and Southeast. However, planting has not moved into the optimum time frame and the National Weather Service is calling for a drier month in May. Areas in Southern Texas have been replanted and current weather conditions are improving. The West Texas area has received adequate moisture, while planting efforts have yet to begin. California will receive increased water allocations this year and weather is cooperating fairly well to date. I have gone through these weather updates to stress the point there might not be a scare to get the crop in the ground this year, and thus, no price rally pursuing. At the writing of this article, it is too early to tell the conditions of the planting season. Right now I think this fact has kept December futures trading in a range between 60.50 cents and 63.25 cents.

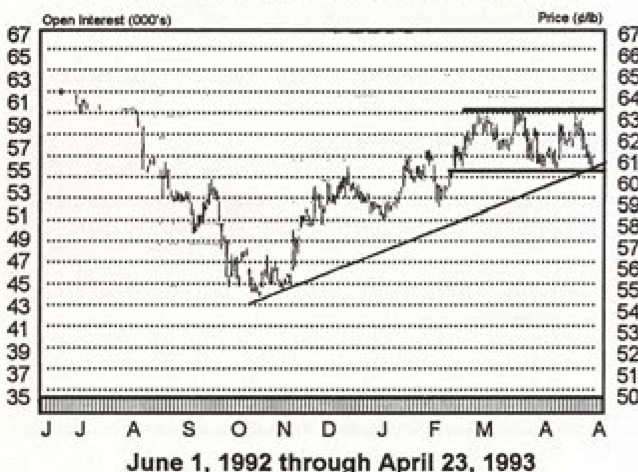
I think the technicals will look to the weather forecasts, primarily in the Delta and West Texas, to give the December futures price a direction: upward if the weather is rainy and cool, downward if the weather holds up. Then it will turn to the growing season for direction. The technicals are showing a longer term upward trend, but presently locked in a trading channel between 60.50 and 63.25 cents. A break of this channel in either direction will signify something is happening in relation to the planting process.

ARKANSAS BEST CASE

The Arkansas Best case decided by the Supreme Court has raised issues regarding the declaration of income from short futures hedges and put options. The IRS effectively ruled that losses from short hedges could no longer be treated as ordinary income losses, but would be subject to capital-loss treatment and the $3,000 annual limit on capital losses. Gains on short futures hedges also will be classified as capital gains and subject to the capital gains tax rate. A number of organizations are in the process of fighting this decision. If you are interested in showing your support, you can write the Secretary of the Treasury Lloyd Bentsen:

The Honorable Lloyd Bentsen
Secretary of the Treasury
15th and Pennsylvania Ave., N.W.
Washington, DC 20220

NY Dec 93 Cotton Futures



June 1, 1992 through April 23, 1993

The New York Report

The USDA has given the cotton industry its first glimpse of the 1993/94 season. They are estimating U.S. production at 17.5M bales; U.S. consumption at 10.3M bales; U.S. exports at 6.0M bales and a U.S. carryover of 5.7M bales. These estimates, if realized, are shedding a very bearish light for when harvesting approaches in October, November and December. There is still plenty of growing season left for Mother Nature to play a few tricks, but so far the spring has been adequate for plantings to take place. Just a few statistics: the U.S. produced 17.6M bales in the 1991/92 season and before that, not since 1937. The last time the U.S. carryover was above 5M bales was in 1988 at 7.1M bales. These estimates should prepare cotton producers to plan accordingly for what could happen to prices in December. Of course, there could be some sort of catastrophe such as a drought during the summer that will boost prices, but given the inputs so far, lower prices should be confronted now with an appropriate marketing plan.

A cotton grower should have a strategy to try and combat prices moving lower into autumn whether it be forward contracting, fixed price, put option strategy, or a combination of all three. Given current basis levels and equity price offerings, it will be hard for a grower to consider these choices for pricing the 1993/94 crop. Put options still represent an easy, effective way to lock into a minimum guaranteed price.

DECEMBER FUTURES PRICES

In this article, I want to talk about how the above USDA estimates have affected December futures prices so far. I also want to reiterate the importance of put options, their premium, and how they will become increasingly significant in the seasons ahead as the budget crisis is taking its toll on Farm Program benefits.

Since the reality of a larger supply has been supported by the USDA, December futures prices have reacted by moving into lower ground between 57.00 cents and 59.00 cents. The December futures contract has formed a downward sloping channel as seen in the chart below.

PUT OPTION PROTECTION

Doug Hlavaty, a cotton producer from Texas, made a very interesting point saying, "There have been many times in recent years that growers wouldn't even consider using put options at such low levels for price protection." Given current market conditions, put option protection in the low 60 cents area may turn out to be very fortuitous when December arrives, particularly on acreage that is not in the program.

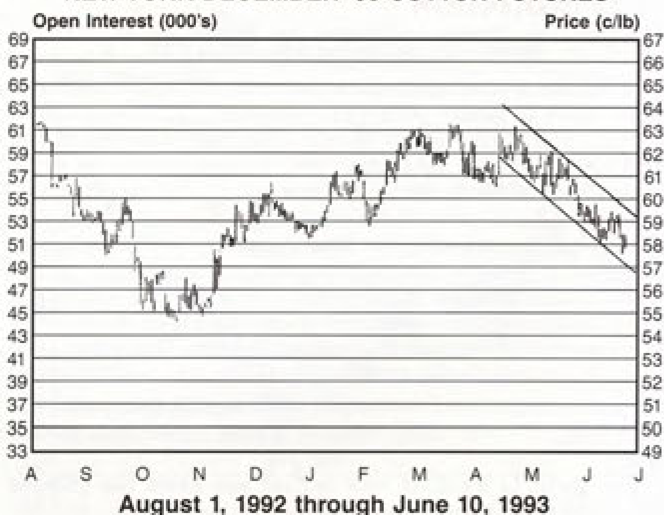
If you look back to the table that appeared in the third article of this season and see the dates December futures made their highs in the 1990/91 season and the 1992/93 season, it is very important to lock into a minimum price as early as possible. I am looking back at these last two seasons because the fundamental outlook is shaping up to be very similar.

Of course, weather events can be extremely different, but growers should be attuned to such an occurrence and can liquidate out of the put option if they see fit. Put option protection now can guarantee a grower a minimum price especially on out of program acreage. It is pricing of this acreage that becomes critical in establishing a successful year in terms of the overall price level achieved.

SIGNIFICANCE OF LOSING PAYMENT ACRES

In talking about out-of-program acreage, the crisis in Washington and Farm Program spending has become a very hot topic. Spending cuts are eminent and it looks like it is going to be on payment acres. A loss of payment acres to farmers means no price protection at all. This is where the futures and options markets will become mandatory for every grower if they want to have a profitable year.

December Put Option Premiums: A December at the money 58.00 cent put option is trading at 2.98 cents; a 59.00 cent strike is at 3.41 cents and a 60 cent put is at 3.98 cents.



The New York Report

We are now at the last juncture in this season's series of articles. I congratulate those of you who are well into your marketing strategies and urge those of you who have not undertaken one that there is still time. Recently, December futures prices have shown some life and have made it back into the 61 cents level. This may be the saving grace for those of you who have not entered a pricing plan for your crop yet.

Reasons for the run-up in price have been attributed to: the floods along the Mississippi River and the detrimental effect on the grain crops; the lack of rain in the cotton belt after extremely hot conditions; and the fact that the market has been long oversold due to heavy speculative participation on the short side.

This time period may be one of the last opportunities for a grower to lock into a minimum price floor with put options, as the increased acreage report in June by the USDA is sure to raise their current 17.5M bales production estimate in the July 12th supply/demand report. Additionally, the Corp of Engineers has stated that the Mississippi River will not flood in the Southern cotton areas.

MARKETING – KEY TO BEST PRICE

In this month's article I want to stress some of the points discussed in the preceding five articles. One of the most important facts I want each grower to realize is that MARKETING OF YOUR CROP IS JUST AS IMPORTANT AS GROWING IT. Some of the steps to achieving the highest price for your crop are timing and looking back into history to see when prices actually did reach their highest point in the season. I did this in article three, and found that prices tend to peak in the spring and summer months. This fact should go into your marketing tool box to use to your pricing advantage.

Another marketing tool mentioned in article one is that each grower should be aware of market events that will affect prices in either direction, and be ready to react accordingly. Such events as USDA planted acreage reports, production reports and world reports all have a bearing on establishing an equilibrium price for cotton. It is almost impossible to pick a top in the market, but the more aware a grower is of news events, the better the odds are of him locking into a good selling price.

Technical analysis was also mentioned in article one as a timing tool to pick the best time frame possible to lock into your price. I have given a brief technical comment in each of this season's articles, as well as this one, and have also included a current December futures price chart in each.

LEARN ABOUT FUTURES AND OPTIONS

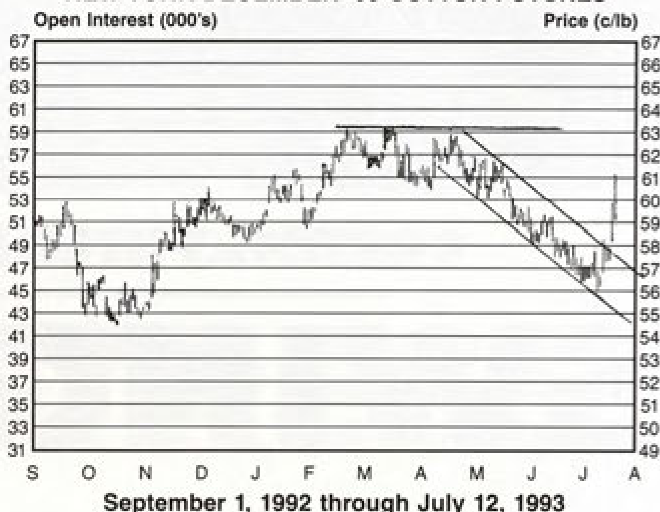
As the government begins to ease the financial burden of the federal deficit with budget cuts and tax increases in the years ahead, it will be imperative for growers to be innovative at working for the highest price for their crop. Cotton futures and options will become increasingly important for hedging price exposure if cutbacks in the Farm Program cut back farmers' income. A reliance on the Farm Program would shift to futures and options, and growers should make it their business to learn everything they can about commodity futures and options. I welcome any questions or comments you may have.

I have gone through this recap to get growers to develop a "tool box" of what is important in determining an equilibrium price for cotton and how to capitalize on the best price possible. I hope these articles are molding each grower into a better marketer and translating into higher incomes on the bottom line. I also recommend each grower go back and review this season's articles as well as read other articles written by cotton growers that have appeared in this magazine to get the overall picture of cotton marketing and see strategies undertaken by other growers that have proven effective.

Another topic of interest this season has been the Arkansas Best case. It looks like all the feedback sent to the Secretary of the Treasury Lloyd Bentsen has worked. The IRS will consider income from futures and options positions as ordinary income or losses instead of capital gains and losses as previously conducted.

DECEMBER CONTRACT MOVES UPWARD

The December contract has broken out of the three month long downward trend channel and has gained over 500 points in the last seven trading sessions. As seen in the December futures price chart over the last few sessions, daily ranges have been wide and mostly in the upward direction. There is no guarantee that prices will continue to move higher, even though the technical picture has turned from the bearish side to neutral/bullish. An outright bullish technical picture will develop if December futures trade above the previous highs at 63.25 cents, but heavy resistance has been established at this price point.



September 1, 1992 through July 12, 1993

COTTON FUTURES & OPTIONS

SWING EASY

We know cotton producers rarely get the chance to relax. Prices can swing back and forth and move in a direction you didn't anticipate. That's why it's important to get the protection offered by cotton futures and options. With cotton futures and options, you can lock in a price for your crop today and protect against unfavorable price movements.

For more than 120 years, the New York Cotton Exchange has helped cotton producers to reduce the risk involved in marketing their crops. And that has helped make those price swings gentle for all members of the family.

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New York Cotton Exchange

COTTON FUTURES & OPTIONS

LESS STRESS

Cotton producers can rest easier when they use cotton futures and options. Granted, it's difficult to kick back when cotton prices are changing from one day to the next. But with cotton futures and options, it's possible to lock in a price for your crop today and protect against unfavorable price movements. And with options, you don't have to sacrifice the opportunity to profit should the cash market move in your favor.

For more than 120 years, the New York Cotton Exchange has helped cotton producers to minimize the risks involved in marketing their crop. And with that type of support, there's simply less to be stressed about.

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New York Cotton Exchange

COTTON FUTURES & OPTIONS

IT'S A HIT

In baseball, a steady swing will work wonders. But in cotton farming the results of price swings are rarely so steady or predictable. A sudden downturn in prices can jeopardize what you thought was going to be a banner year.

To help level the playing field and to give you a chance to practice your baseball swing instead of worrying about price swings, get the protection offered by cotton futures and options. With futures and options, you can lock in a price for your crop today and protect against unfavorable price movements.

For more than 120 years, the New York Cotton Exchange has helped cotton producers to reduce the risks involved in marketing their crops. And that's helped to produce a lot of good seasons!

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