

# Cotton Market Outlook

FCC Board of Director's Meeting  
Dallas, TX April 4, 2011

# Where We Have Been



# Market Fundamentals

Very low stocks—43% stocks-to-use ratio last year, potentially 25% this year. Stocks declined 26% this year.

Production problems in Australia and Pakistan

Australia is small, but all production goes to exports in “off-season” relative to U.S.

Increased demand from developing countries

Always exhibited positive growth during recession—showing real signs of inflation at the moment

Weaker U.S. dollar

# Short-term Outlook

Observed over \$1 range this past year...will it happen again?

Quite a range (December Contract)

\$0.90—Low end; higher than average U.S. production on more acres, good weather in Australia and Pakistan, better production in China and Brazil

\$1.10—Mid-high range; Average production globally, continued higher textile demand

\$1.30—High end; lower production (weather events)

\$1.50—Possible; severe adverse weather or rapidly increasing demand

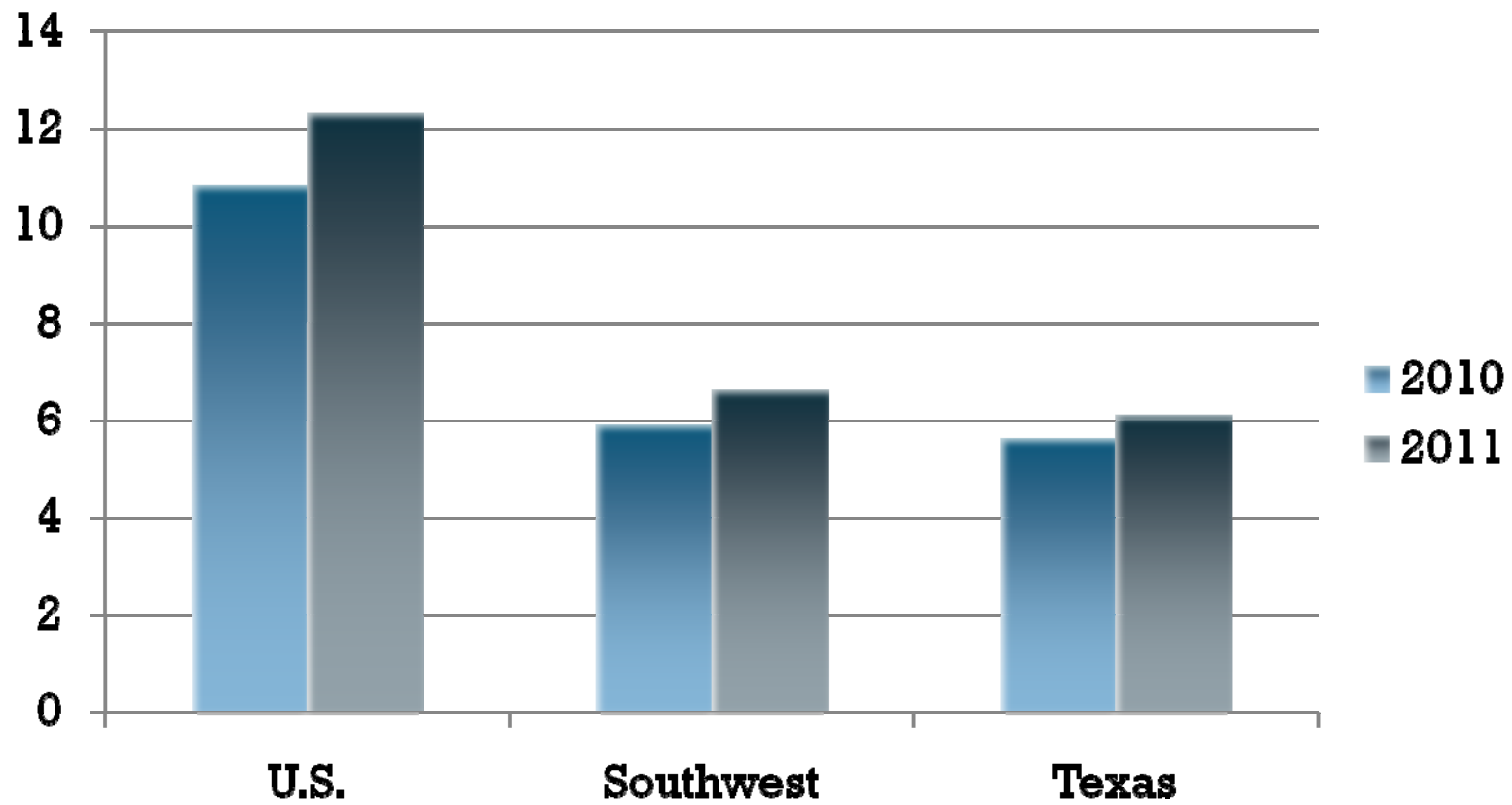
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# The Coming Year

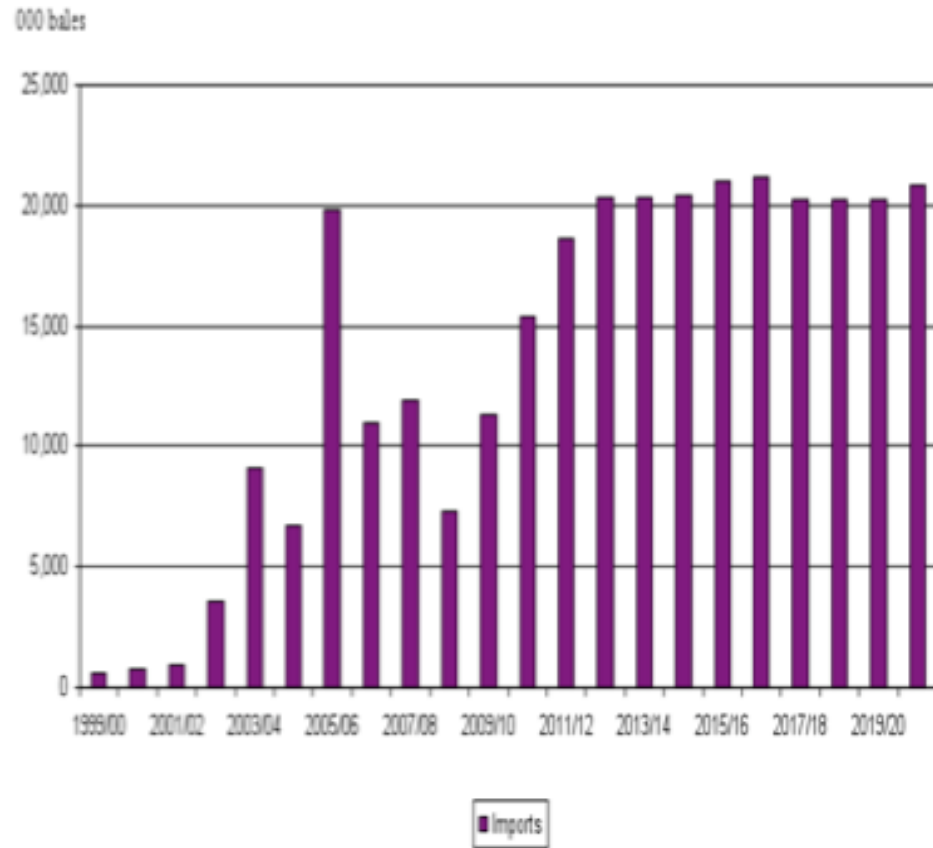
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# Closer to Home



# China Going Forward



# New China Policy

Committed to building strategic reserve of cotton

Minimum support price of \$1.40/lb

Baseline projections

2.54% average increase in U.S. farm price next 5 years

1.18% average **decrease** in U.S. ending stocks



# Factors to Consider

Operating with smaller U.S. ending stocks

Quicker movement to port facilities??

New revenue streams

Counter-party Risk

How much do you have at risk if your business partners go bankrupt?

Positioning for future growth in Southeast Asia?

Financial risks with higher inflation? Increasing interest rates?