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
The Coming Year

Projected increase
Closer to Home

![Bar Graph]

- **U.S.**
  - 2010: 12
  - 2011: 10

- **Southwest**
  - 2010: 6
  - 2011: 6

- **Texas**
  - 2010: 6
  - 2011: 6
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?