COTTON MARKET COMMENTS

Maximum Counter-Cyclical Payment Expected for 2008/09 Crop

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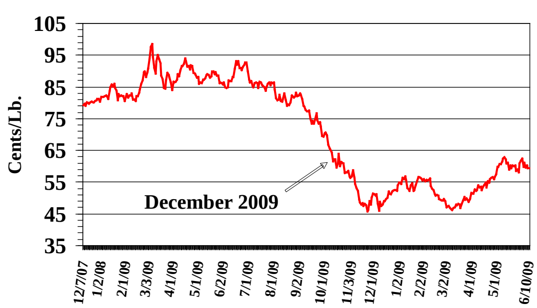
Since mid May, July ‘09 futures has declined about 6 cents to the mid-fifty cent level, and December ’09 has traded mostly sideways to slightly below 60 cents. The market reflects the abundance of cotton stocks available from the 2008/09 crop.

The USDA supply/demand estimates on June 10 were neutral. For the 2008/09 crop, U.S. exports were raised 200,000 bales and ending carryover stocks reduced by the same amount. The expected market year average price received by producers is 49 cents per pound. Thus, the counter-cyclical payment for the 2008/09 crop should be the maximum.

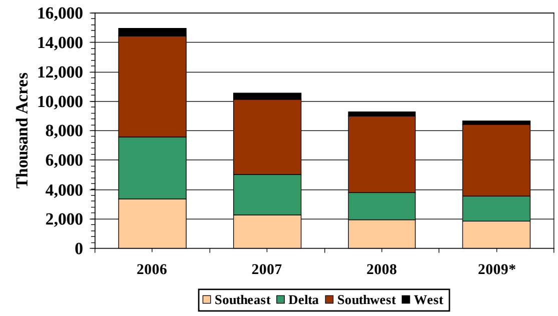
December 2009 Cotton Futures Settlement



The potential for a 10 or more cent rally for the December ’09 futures depends mostly on the size of the 2009/10 U.S. and foreign crops. Weather conditions, reduced acreage and strength of demand hold the key to market recovery. At this time, West Texas dryland cotton needs more rain and Delta area less rain. Most likely, some mid South acreage intended for cotton will be planted to soybeans.

Thus, U.S. planted acreage may slip to 8.5 million from the 8.8 million March intentions. Abandonment of planted acreage may reduce harvested acreage to near 7.25 million. An 800 pound per acre yield would produce a crop around 12 million bales. The result would be fewer cotton supplies and higher prices. The crop size will firm up in September.

U.S. Upland Cotton: Planted Acreage by Region, 2006 - 2009



* Intended

While demand for cotton textiles hinges on speed of economic recovery, pent-up demand will boost consumption when the housing and overall job market improves over the next 6 to 12 months. Yet, unless the foreign crop falls below expectations, December ’09 futures will have little fundamental reason to trade above 65 cents.

Improved cotton varieties in China, India, the U.S. and many other countries can increase yields and maintain sufficient supplies despite fewer acres. China is expected to produce 33.0 million bales and India 25.0 in 2009/10.

Certificated stocks (cotton approved for delivery on futures contracts) have increased rapidly for several weeks to over 300,000 bales the first week in June. Bales of certificated stocks are useful in forcing the cash and futures markets to converge in line with the cost of delivery. Unless a user of cotton wants delivery, these stocks tend to dampen any price rally in nearby July futures.

The Ag Market Network Teleconference will be Friday, June 12, 2009 at 7:30 a.m. Central Time. Speakers – cotton panel are O.A. Cleveland, Carl Anderson, Mike Stevens, and John Robinson. Pat McClatchy is the Ag Market Network Moderator. The conference will be live on radio station KFLP 900 AM Floydada, Texas; live over the Internet at www.AgMarketNetwork.net; or you can listen to a recording around noon at www.AgMarketNetwork.net. Weekly updates are made on Friday afternoon by Mike Stevens.

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