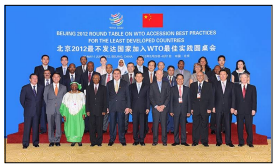


IMPACT OF CHINA'S WTO MEMBERSHIP OUTSIDE USA

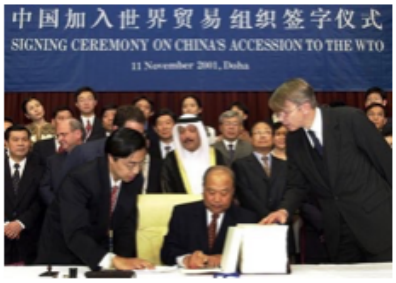
PAKISTAN : NEW ELECTION & CHINA

AUSTRALIAN DROUGHT DRAWS GLOBAL ATTENTION

CHINA/US TRADE DISPUTE OVERHANGS GLOBAL COTTON PRICES

JERNIGAN GLOBAL
KNOWLEDGE IS THE NEW CAPITAL

WTO BETRAYAL OF AN INDUSTRY: HOW THE US ALLOWED AN INDUSTRY TO COLLAPSE



China WTO Signing Ceremony

Abandoned Carolinas Textile Plant

Abandoned U.S. Textile Plant

Today, we are witnessing across the globe the most rapidly changing global cotton textile and apparel supply change since 2001. During the past 12 months we have come to realize the full extent of the scale of destruction suffered by the US and other textile and apparel supply chains due to the various trade agreements. For many of us that have been involved in cotton for so long it has been a sad to see the destruction that has changed so many lives. It has also become clear just how many billions of USD US cotton growers have lost as the result of those agreements. Our investigation has even shocked us. In the early 1990's no one on either side of the political isle openly debated the impact on the cotton industry first by NAFTA and then later by China's WTO accession. In our hometown we saw firsthand the wonderful way of life of our childhood vanish after factories which once paid good middle class wages were shuttered overnight with little to no notice or employee severance and moved operations first to Mexico. The city is still haunted by empty building which were closed suddenly and now drugs are the new challenge of the day. Let me make clear these results were not caused by the Mexican people or later the Chinese or for that matter any other nationality where production moved but rather they were caused by the politicians failing to protect US industry and ultimately US workers. The desire to increase profit margins and get access to cheap labor made everyone look the other way. If we fast forward to today, what we know is the industry has yet to fully stabilize as additional factories have closed in the past 1 - 2 years.

We know the experience of the US textile and apparel industry has been replicated across many industries. US government agencies, as well as, many elected officials with oversight in this area

have been absent from the process. The industry's lobbyist, after failing to find support on many earlier agreements, refocused their support on CAFTA, yarn forward regulations and other agreements which would salvage the remaining industry. While this saved the basic US spinning industry it has left major holes in the industry. In retrospect, the lack of support and planning from government agencies and politicians necessary to prevent the collapse of the industry is shocking. The industry cried out for help but no one seemed to be listening or came to their rescue as bankers pulled loans, customers said match the price of China or lose the business while the government leaders turned a blind eye. All of this resulted in workers being unemployed at middle age and older and unable to transition into other industries. Workers with 100 years of skills and knowledge simply died away. Communities went from proud working class neighborhoods to very desolate areas.

The reason that experience is important today is that another major change in the supply chain is underway and a new supply chain in the Americas will be needed. A simple solution is not to be found as each of the potential supply chains in this hemisphere has significant barriers to expansion. Recently we attempted to manage the production of a high-end shirt made from non Pima high-end upland cotton in a complete US supply chain or even a CAFTA/NAFTA chain. First, the US cotton industry needs to face the new reality which you may find as shocking as we did; only one spinner of ring spun 60 and above count yarns exists in the US and it is devoted to Pima and their volume is small. Actually, we suspect the USDA's estimate of 30,000 bales of ELS cotton annually is an overestimation. The bulk of US cotton spinning capacity is devoted to open end yarns moving into CAFTA. As bad as this condition is, the next stage is even worse. The fabric sector has also become a commodity fabric producer with more and more of the higher-end specialty sector continuing to close. The closure of the White Oak denim plant was a watershed event which we have not heard much commentary about from the cotton industry. This plant provided high-end denim to the booming local US designers and cut & sew operations. This industry has had a rebirth but the closure of Cone has forced many of these groups to now source their denim from Italy, Japan and India. For Cone the closure appears to signal a focus on China and Mexico operations and the replacement of cotton with man-made fiber fake denim.

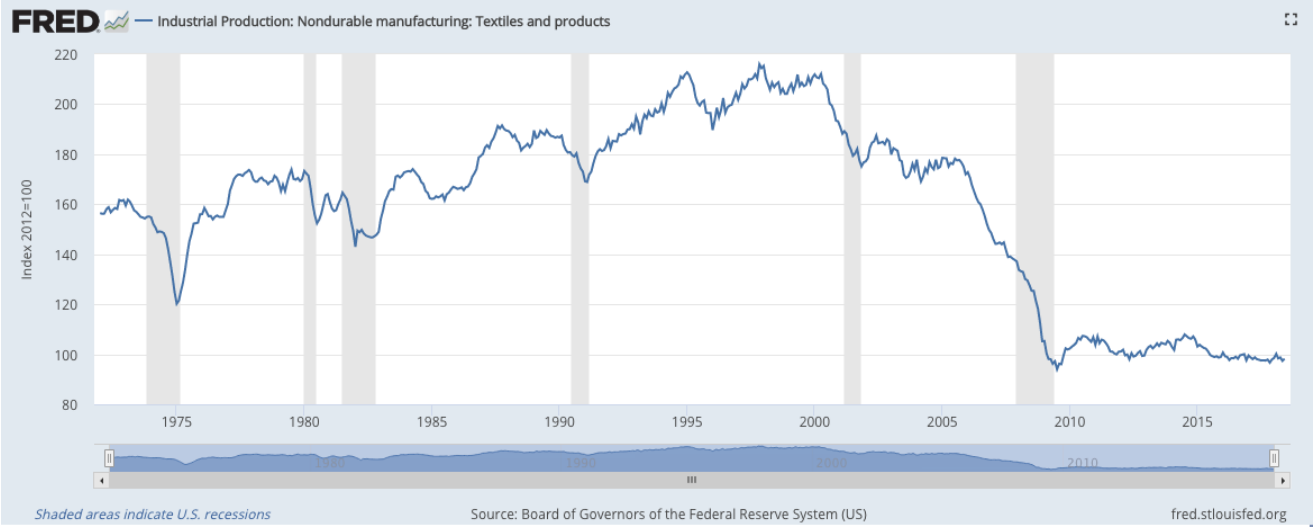
In the fabric sector the industry has been affected by the closure of Alice Manufacturing, which closed its 50 year old Ellison Plant in Easley, South Carolina, on June 30 and Alamac Fabrics closure before that.

The number of people employed in the textile and apparel sector in 1996 had been near 1.5 million people and by the end of 2017 it had fallen to near 500,000 with an additional 10,100 jobs lost in 2017 in the apparel sector alone. This shrinking has occurred even as much hype has been given to a revival of Made in America.

Cone White Oak Denim Plant Closed 12/17

US textile and production, as measured by the Federal Reserve Index of Textile Industrial Production, peaked in January 1998 at 215.2916, which occurred after NAFTA took effect. At the time NAFTA was implemented the index stood at 212.7463 and then fell to 198.49 as the first plants closed, then recovered to the January 1998 high before the index began to collapse as the market prepared for China's accession to the WTO. The index moved lower as the industry collapsed before

stabilizing at a low of 93.9044 in July 2009. The decline in production coincides with the loss of more than a million jobs. At the first year of the NAFTA agreement the US imported 3.211 billion USD of textiles and apparel from Mexico and Canada, however, by 2000, just before China's WTO membership, it had increased nearly 400% to 13.042 billion USD. Thus, the industry was under major assault by the time of China's membership, in 2002 the first full year of China's membership in the WTO, US imports from China had reached 8.744 billion USD reflecting a 2.218 billion USD increase for the year, which was dramatic. There were stories about containers lined up to hit the US just prior to the agreement becoming effective. This volume compared to total US imports of 4.58 million USD ten years earlier. Imports from China increased by 2.864 billion USD in 2003, increased another 2.948 billion in 2004 and soared an additional 7.847 billion USD in 2005. After the surge in imports in 2005 US textile and apparel production collapsed with hundreds of major companies going bankrupt, closing or moving offshore as total output fell over the next five years.

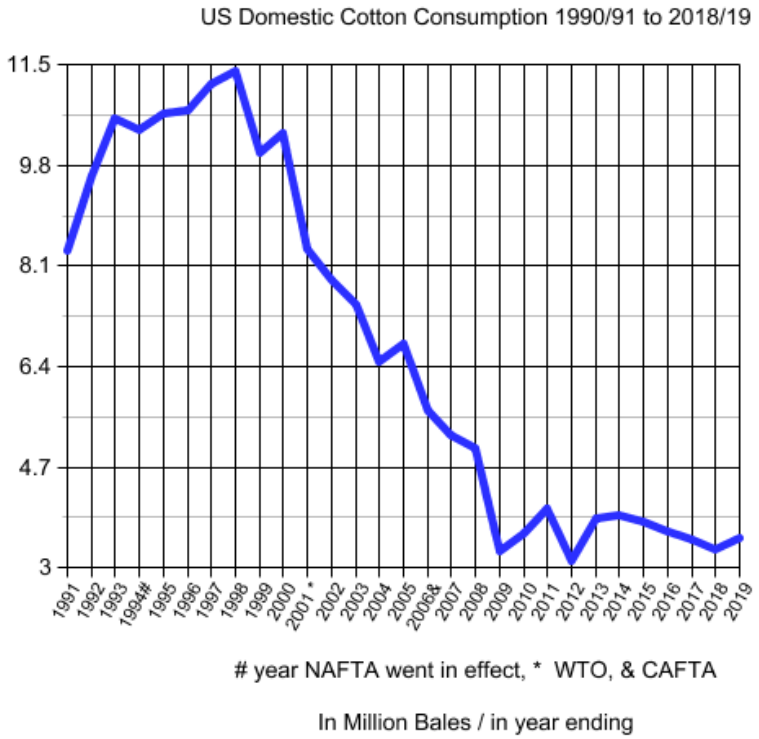


This surge in imports coincided with a steady collapse in domestic cotton consumption which peaked near the same time as the high in domestic industrial textile and apparel production in 1997/98 at 11.3 million bales. As China entered the WTO the US consumed 10.339 million bales in 1999/2000. The domestic industry quickly began to suffer as retailers switched sourcing origins and by 2001/02 consumption dropped to 7.876 million bales. At this same time the domestic retail market was in collapse as mass merchandisers used the new sourcing options to dramatically drop prices driving many local retailers out of business who attempted to continue to source domestically. This dramatic event also contributed to collapse of the economy in many small towns. By 2006 the largest US retailer was a mass merchandiser that is estimated to have purchased 27 billion USD of goods from China that year. This retailer forced brands and retailers to move quickly offshore in order to not lose the business. One US apparel manufacturer reported being called to a meeting with the retailer and told to either meet the price of China and other suppliers or the orders would be switched. At the time China's labor rates were among the cheapest in the world at about 1/20 of the US. Those suppliers who attempted to meet the mass retailer's prices soon went bankrupt as each year they demanded a lower and lower price. They also made clear they carried nothing about the impact on US jobs.

Between 2002/3 and 2006/7 domestic cotton consumption fell from 7.439 million bales to 5.238 million bales. Then, as the squeeze on US suppliers further accelerated as the mass retailers each year demanded a lower price; never had the hostility between retailers and suppliers been as nasty as that which prevailed at this time. This attitude quickly closed most remaining textile and apparel companies and the industry that remained began to attempt to find specialty niches. Domestic cotton consumption declined to 3.278 million bales in 2008/9. The domestic cotton spinning industry was provided a savior with the passage of the CAFTA trade agreement which included a yarn forward requirement which meant CAFTA apparel manufactures had to use US yarn and fabric in order for

duty free entry back into the US. This appeared to stabilize the domestic consumption and continues to be the source of most of the US consumption. By 20017/18 we estimate that approximately 80% or more of the domestic cotton consumption was processed into mostly open end yarns headed for CAFTA and the other free trade agreement markets. Another 10% or more of domestic use moved into fabric which also moved to CAFTA and a much smaller volume went to Mexico, Peru and Columbia.

The number of spinners left focused on the domestic apparel manufactures account for the remainder of the usage. Before we go into what lies ahead for the industry we should view the cost of the collapse. We realize all estimates are subject to debate and we except that. First, the simple employment statistics indicates that more than a million jobs have been lost in the textile and apparel sector. Add to that the losses for suppliers and service providers to the industry across the country which means that number greatly increases. Then add the job losses in the retail sector and lower wages that prevailed in the jobs that followed. Next, the income loss experienced by US cotton farmers from the switch to the export market. This loss is complicated because at times the USDA provided subsides to move cotton to export which pushed up FOB gin yard prices. In the years following China's entry into the WTO US exporters had to aggressively seek new markets, at the same time spinning was also collapsing in all the traditional markets of Developed Asia, Europe and the Americas. This meant the US had to spend billions to stimulate cotton exports , remember the Step 2 program which came into effect in the 1990 farm bill but proved very expensive as the competition accelerated after 2000 and was ended in 2006. That program would eventually be called illegal by WTO and set the stage for cotton to be finally withdrawn even as a covered commodity . US tax payers paid a big price to move the US cotton to export as the domestic consumption collapsed. The cost of this subsidy is ironic in that one of the greatest beneficiary was Chinese Mills which used the cheap cotton to further pressure apparel prices and accelerate the collapse of the Industry.

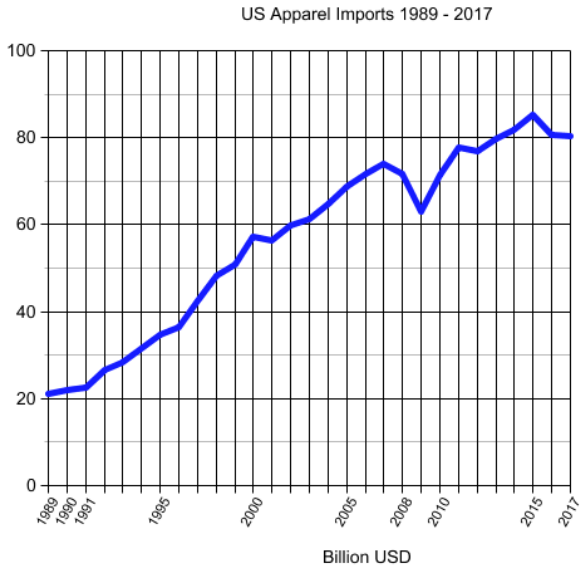


The industry now faces three major challenges, interest in reshoring has surged but the problems are so great that the larger groups appear to have given up on the effort. The current unrest in the supply chain and the switch from a China centric focus is providing options for returning to the US. The first major challenge in the lack of spinning capacity in the ring spun, higher count yarns. Just as the US cotton industry is producing its highest quality crop on record the domestic industry is unable to use it for its true purpose. A large bloc of cotton which could be spun into 40s and above ring spun combed yarns is instead moving into lower open end counts headed for CAFTA. As was briefly discussed, only one domestic spinner currently can produce 60s and above ring spun yarns and that spinner is currently doing Pima only. Moreover, there is only one spinner in Mexico and none in CAFTA producing higher count yarns. Thus, in 2018 the booming economy of North America with a GDP greater than any other region on earth cannot spin its own higher fine count yarns. A few other spinners talk about being able to spin but when you attempt to arrange an order they cannot or will not commit to it. This has to

change and we are surprised that we are first to launch this discussion. One new Chinese owned spinner is opening a ring spun facility but it remains unclear if 60s and above can or will be spun. As we move forward in this discussion please just remember this fact: in the Nearly 20 Trillion USD US economy only one devoted fine count cotton spinners remains . This is a major wake up call to the US Cotton Industry.

The lack of new investment in this sector is related to the lack of assured orders as domestic companies are done with all the false hope and orders which the last 20 years have produced. We respect and admire the domestic companies that remain, however, doing the right thing ended as a general practice when the mass merchandiser movement began in the US. Our belief is it is returning and that a race to the bottom has ended. The new requirement to install environmentally compliant plants, especially for fabric production and dyeing and finishing means a more level supply chain is here. While we are focusing on the destruction of the US industry we fully realize China won the price war at great cost, the destruction of its environment. We admire the efforts of the Xi Jinping administration in addressing the issue in a serious manner, which has raised the cost and made every other country in the world face the fact that the allure of the fixed asset investment in this sector will come at a significant cost, which most are not willing to incur. Thus a major shakeup in the supply chain is underway and new companies and technology are emerging that reduce the environmental impact which makes the reshoring of a portion of the supply chain possible.

The second challenge is in the expansion of cotton fabric capacities. Many of the Made in the USA operations are requiring the latest color of fabric composition only to find it is not available from a US supplier. Major new investment is needed. The final significant challenge is the shortage of labor. In many regions the cut and sew companies face a critical shortage of skilled workers and workers willing to work at sewing machines. Even when very attractive wages are paid only a few workers apply or are qualified. The entire collapse of US manufacturing has left behind communities were people are very difficult to employ. Prior to 1980 workers could have confidence that US companies would treat them fairly and pay good wages. Retirement benefits and take care of them and their families in return for a devotion to their job. For the industry to return, first, it must have maximum automation and, secondly, it must have access to workers which means training domestic workers or foreign workers under a special emigration policy or guest workers program. Currently many of the efforts to restart the cut/sew operations have been centered in California. Despite California having the most complex labor and environmental



regulations in the US basis “sweatshops” have been built. These operations have many of the same features that are found in the cut/sew centers in the developing world.

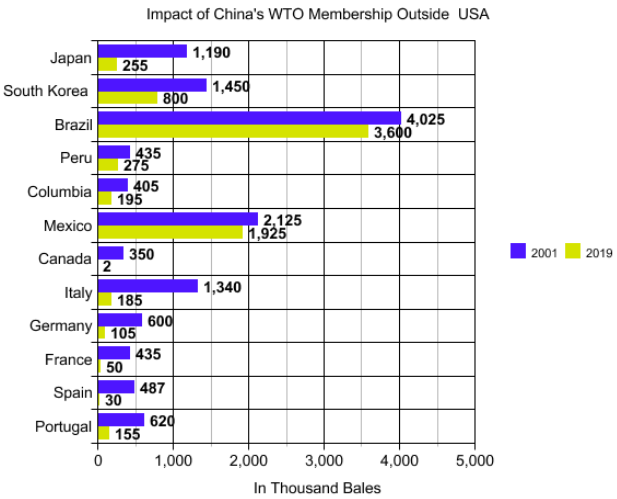
Signs of hope are emerging thanks to a new Chinese owned spinning operation which is expected to open in 2019 that will boost US cotton use. The details are not clear but it appears tied to another Chinese investment in the first large US cut and sew plant which will use the SEWBOTS, a US automation technology which will lower labor cost. From here we expect new disruption to occur. The days of the entire supply chain from the farmer to the cut and sew operation being squeezed is coming to an end. The current prevailing chain is unsustainable and this is now becoming very clear to everyone.

WTO IMPACT OUTSIDE THE US; SPINNING COLLAPSES IN EUROPE AND DEVELOPED ASIA

A review of cotton consumption in the major regions highlights that the US was not the only country impacted by the WTO accession of China. The reach of China remains far and wide, a closer look at the markets and prices suggest that subsidies are the driver behind the ability of Chinese product to still be competitive after the sharp rise in cost. In Xinjiang for example textile and apparel companies receive almost every imaginable subsidy, including some labor cost to locate their plant in the remote region. For example, China’s textile and apparel exports to Brazil are up nearly 25% in the first half of 2018 despite the Real exchange weakness and the freight cost and duty. This seems illogical without subsidies.

Cotton spinning in Europe has also collapsed since China joined the WTO. In 1989 the countries that make up the EU exported 1.246 billion USD worth of textiles and apparel to the US which accounted for over 10% of all imports. Italy was a major cotton consumer which in 2000 consumed 1.340 million bales; this season that volume has fallen 86% to 185,000 bales. Prior to WTO Italy was a sizeable force in the global industry with its excellent quality. Germany in 2000 consumed 600,000 bales of cotton compared to only 105,000 today. France consumed 435,000 bales but today consumption has fallen 88.5% to a mere 50,000 bales. The powerhouse textile industry of Portugal and Spain is gone. Spain consumed 487,000 bales in 2000 but today only 30,000 bales despite the country being home to one of the largest Fast Fashion companies in the world. Portugal has been able to hang on to a larger volume of the spinning, however, consumption has dropped from 620,000 bales to 155,000 bales. This has occurred despite its lower wages and cost structure .

In Developed Asia the Japanese industry has also been a big loser with consumption dropping by 78.5% since China joined the WTO and will account for only 255,000 bales in 2018/19. South Korea has been able to hold on to much more of its industry but still cotton consumption in 2018/19 is expected to reach 800,000 bales as compared to 1.450 million bales in 2000. It remains a notable supplier to the US market.

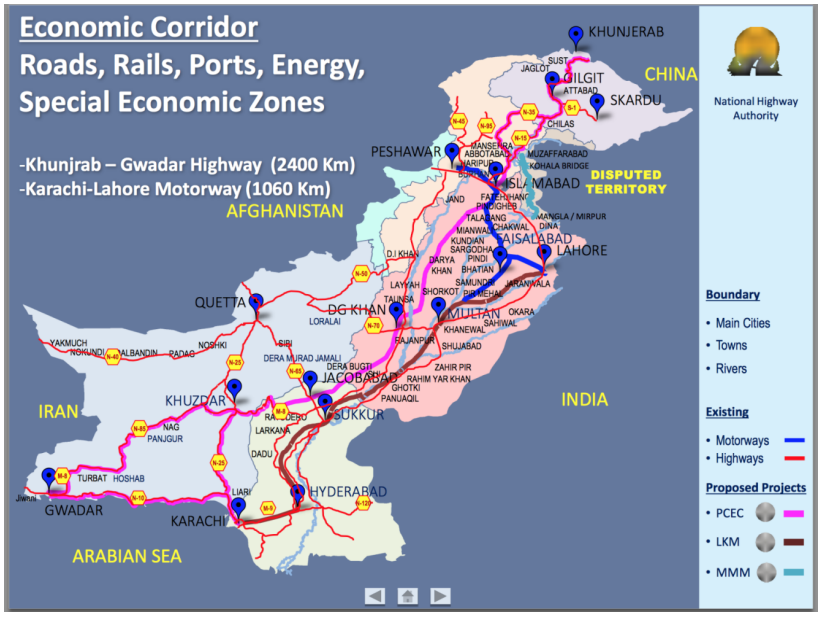


The neighbors of the US have also fared quite poorly as well. Canada today is estimated to consume only 2,000 bales despite being home to several major brands. In 2000 Canada consumed 350,000 bales. At the same time Canada lost all its spinning capacity its economy experienced a doubling in its GDP. Mexico has maintained its spinning but been unable to expand in face of

Chinese competition. In 2000 it consumed 2.125 million bales compared to 1.925 million in 2018/19. Despite free trade agreements with the US Peru and Columbia have suffered a reduction in cotton spinning since China joined the WTO. Peru is estimated to consume 275,000 bales this season vs 435,000 bales in 2000 while Columbia's consumption in 2000 was 405,000 bales compared to 195,000 bales today.

Brazil has a well-developed textile and apparel industry and great designers. Since China joined the WTO its economy has expanded 300% with a GDP now larger than Canada. Despite this cotton spinning has declined since China joined the WTO; in 2000 it consumed 4.025 million bales and its textile companies had begun to stimulate export business into the US and Europe. Then came the wave of much cheaper product from China that not only ended the export momentum but also flooded the domestic market. In the first six months of 2018 Brazil had a nearly 2 billion USD deficit in textiles and apparel led by imports from China. While the Brazilian government has made its domestic industry uncompetitive heavy import duties have not been able to halt the flow of Chinese apparel.

CHANGING SOURCING PATTERN; PAKISTAN'S NEW ELECTION AND PENDING DEBT ISSUES WITH CHINA

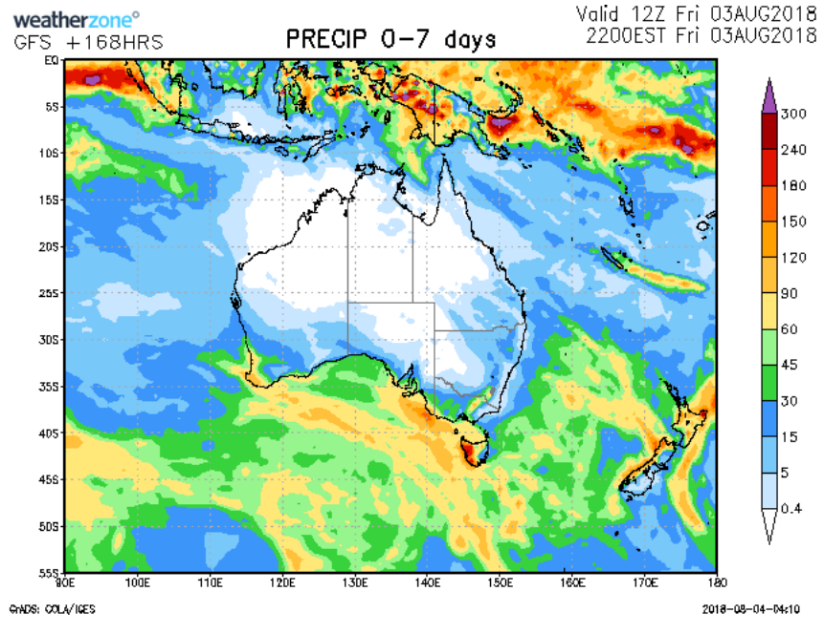


Pakistan has shown great promise in recent months due to a the switch back to cotton and improved electricity supplies but now the country appears to find self in the middle of the US/ China trade dispute. The new government is expected to seek a new IMF aid package, its largest ever of 10 - 12 billion USD following a drop in FX reserves which now equal only 2 months of imports. Pakistan not only owes Chinese companies billions from the ongoing Pakistan/China Economic Corridor but also has been heavily borrowing from Beijing for their operating budgets. Since the election and the increasing talk of the IMF bailout, the US is beginning to indicate that an IMF loan will not be able to be used to repay China for loans and that several changes in spending patterns will be required. This quickly complicated everything as Pakistan is already benefiting from the new Chinese built power plants and the agreement on those plants has set electricity rates to include a payback of China's investment and also for a return on investment.

The China/Pakistan Economic Corridor has China making a 62 billion USD investment in Pakistan which includes power plants, roads, ports, etc. Of that total 19 billion USD has already been spent. Full details of the agreement is not available for review. A leak to a Pakistan paper has indicated it involves extensive Chinese involvement in the economy, including the creation of economic zones for Chinese companies to freely operate.

Setting aside for a moment the drama surrounding a possible IMF rescue, the agreements clearly open the way for massive Chinese investment in the textile and apparel sector. It appears Pakistan would provide one possible way for Chinese companies to expand investments into cotton spinning and then send the yarn duty free back to China, just as it is doing in Vietnam. The agreements would suggest that incentives may be included for Chinese companies to expand into fully integrated operations in the special economic zones. This would allow Chinese companies to avoid any future US trade disputes and would also benefit from Pakistan's lower duties in many markets. The well trained labor force in textiles and apparel make the investment even more attractive. The biggest challenge is for the government to maintain safety for the Chinese workers that are now in Pakistan. The new Gwadar port has been a major challenge in both security and lack of infrastructure. Nonetheless, the port is a very important part of the project, which has included access by Chinese military ships further adding to the difficulty in US relations.

AUSTRALIA: WORST DROUGHT IN YEARS CONTINUES - RAIN CHANCES ARRIVE

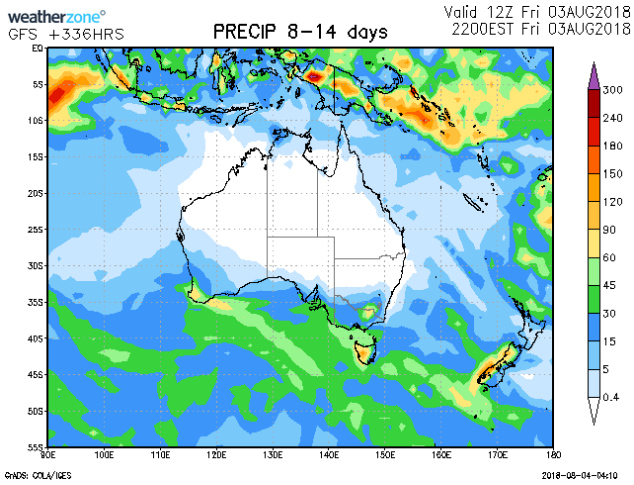


Planting of the 2019 crop has started in upper Queensland, the first region to plant. As the planting window for the larger crop areas nears the concern over the lack of rainfall and water supplies is increasing. The 2018 winter in New South Wales has been the driest on record as 98% of NSW and 66% of Queensland is in a drought with reports of 100 year old trees dyeing from the lack of moisture. The cotton belt will have the first chance of rain in a while during the next 14 days. On Friday a few storms blew across the southern areas of NSW which stand the best chance of rain in the short-term. The extended forecast has a better chance of rain extending up into Queensland. Any rainfall is welcome and crucial. The current soil profile suggest little dryland acreage will be planted without significant improvement.

Production prospects without a boost to water in the dams or on farm storage are declining as water supplies shrink. The government of NSW announced a 500 million AD aid package. The debate with the environmental groups over the water supplies also continues with this group pushing for releases into the natural flows instead of being used by farmers. Very large investments in almond orchards

are at risk in the south due to the drought which is also bidding up the cost of water.

Trade in the 2019 crop appears mostly at a standstill, Chinese mills are quite and others are resisting basis levels with US cotton offered so aggressively. Merchant's bids for new crop ended the week at 655 - 660 Australian Dollars a bale or just over 97 US cents a lb., FOB the gin yard. The 2020 crop ended the week at just over 590 AD a bale or about 87.56 US cents a lb. These are great prices, however, the problem is water.



AS AUGUST ADVANCES US WEST TEXAS CROP MOVES TO CUTOUT

The combination of high night time temps and near record day time temps in the US West Texas region has pushed the crop 15 days ahead of normal on both dryland fields and irrigated acreage. This has raised fears of a higher than normal percentage of higher mike cotton. Isolated pockets of showers continued last week but no meaningful rain event occurred. The next real chance will come Thursday – Saturday, August 9th – 11th. It appears abandonment may ultimately exceed the current USDA estimate but it may not be until the September or October crop estimates until fully reflected. While Texas has burned the Southeastern belt has continued its wetter than normal pattern. The forecast suggest that a high pressure ridge will push into the region providing for drier, hot conditions which will be welcome. The Mid-South is expected to experience a round of 2 - 4 inch rains in the week ahead.

Overall, we expect the US crop to reach the 18.5 million bales or higher as a result of record yields in much of the Mid-South and Southeast.

INDIA'S ACREAGE NEARS LAST YEAR AS RECORD MSP DRAWS GROWERS

Sowing of the Indian crop is advancing with total planted acreage estimated at 10,979,400 hectares or nearly a 4.5% decline from a year ago, this is nearly twice the size of the US acreage. The crop is in a variety of stages from just planted to heavy boll loads. The monsoon has continued to be a bit scattered and not producing the heavy general rains where needed. The above clip from a Gujarat newspaper got our attention. Gujarat is the most important cotton state in India due not only to its acreage but also it larger farmers which employ more advanced growing practices that result in higher yields than the national average. Ahmedabad is the capital of the state and the above chart illustrates that at this stage in the season the city has recd its second lowest rainfall in recent years of 5 cm, about 1.97 inches. The record high is 32 cm or 12.6 inches and the record low is 2.5 cm or about one inch.

This grabbed our attention since July is normally the wettest month of the year with normal rainfall of 7.52 inches. Some private forecast see the monsoon in a stalled pattern during the next 15 days. We continue to withhold judgement on the size of the Indian crop pending the final stages of the monsoon and the coming potential for the pink bollworm to cause damage.

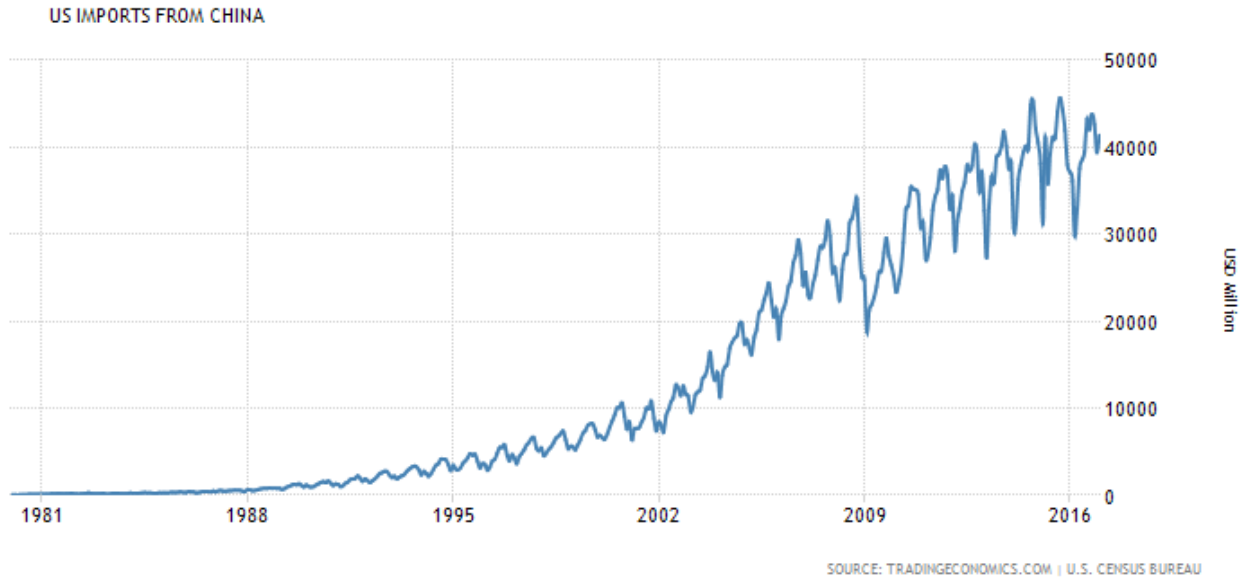
US TRADE DISPUTE REMAINS AN OVERHANG TO ICE FUTURES

It appears the reach of Beijing continues to haunt the cotton market today, even this long after the WTO agreement forced the collapse of the spinning industry in the US, South America, Europe and Developed Asia. As we close out last week we are just amazed at the news reports which carry the headlines of how the US trade dispute is an affront to China. This attitude simply defies logic; the high regard which the Chinese place on history needs to be directed to the impact of their WTO membership on the world outside China. While the US consumer and consumers around the world were able to buy goods at cheaper prices a much larger price was paid. The Chinese GDP grew nearly 900% since it joined the WTO compared to around 50% - 75% in much of the developed world. The growth in the economies of the developed world was transferred to China and the US is a greater example as more than half its industrial manufacturing base was destroyed. Businessmen around the world, regardless of nationality, realize no commercial agreement last forever and its terms are always evolving to meet the mutual needs of all parties. When any agreement becomes out of balance and one party benefits as the expense of others then it is usually time to renegotiate or end it. Therefore, it seem perfectly reasonable that the US would seek a new WTO agreement after 17 plus years of China winning. The attitude being displayed by China is simply amazing, on Friday it announced another round of import duties on 60 Billion USD of US imports and evidence continues to expands of a crackdown on any opposing views.

As we have previously discussed, global supply chains have begun the process of moving out of China, except for those seeking to serve its domestic market, and will no longer be the export engine of the past. In China there is a great promotional campaign being made to publish press articles highlighting China's ability to switch suppliers for their soybeans and other products from the US without the Chinese consumer incurring any pain or hardship. There is no more nationalistic country on earth than China and its companies are well practiced in absorbing any extra cost for the

Motherland. For the moment no real talks appear to be advancing as China shows no signs of admitting it needs to readjust its policy. Based on discussions with lawyers involved in trade it is clear that if the US wishes to push the issue China has created a significant violation of the WTO agreement when it placed a duty on US cotton under the protected WTO 894,000 ton quota. It is our belief that the US needs to now require duty free, quota free assured access for US cotton and other US agriculture products in new WTO negotiations. Without that we simply do not see how a return to status quo is possible. The lack of a willingness on the part of China to recognize the facts seems illogical in our mind. China is also making an effort to drive a wedge between the US and EU and other over the trade issue.

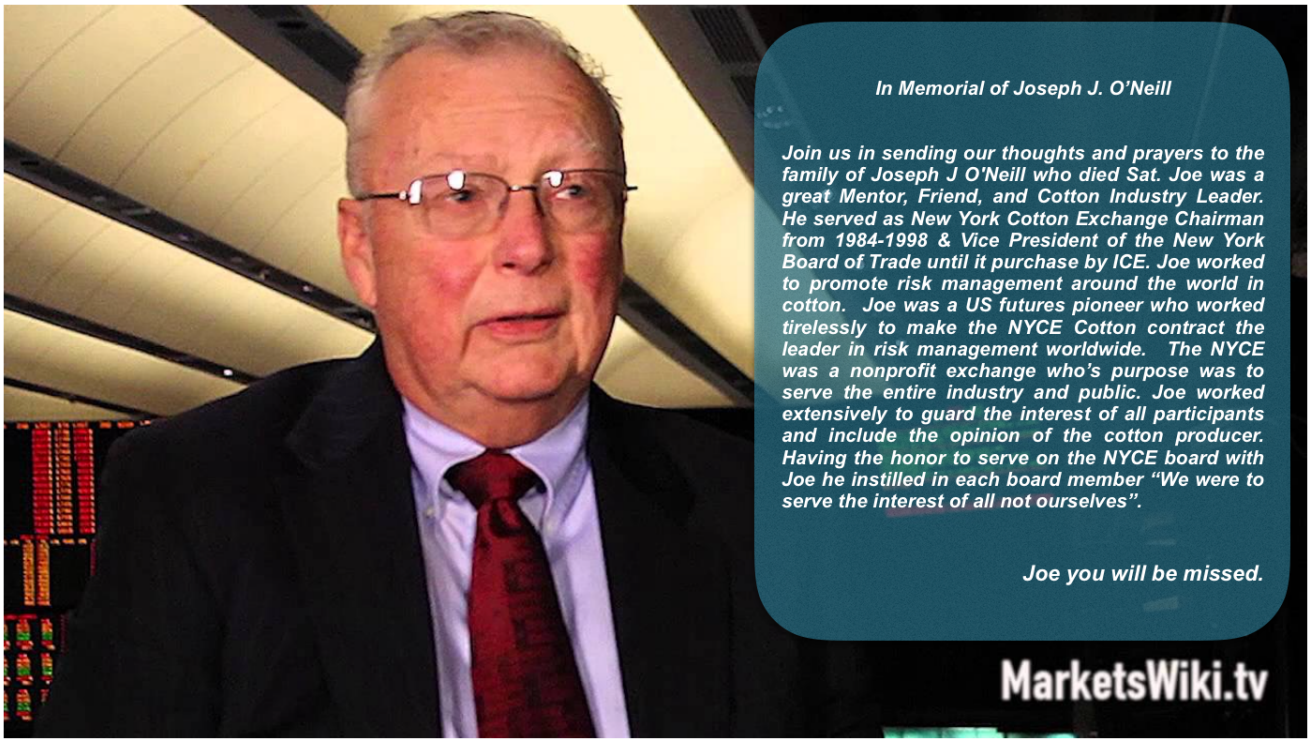
For Chinese companies the influence of Beijing is ever present. One of the most negative influences on the cotton market at the moment is the fact China's demand for imported cotton has slowed. Australian merchants are reporting poor Chinese demand since Beijing has failed to issue the additional import quotas which it announced just as the trade war began. The lack of issuance of the quotas has triggered fears the earlier announcement was meant to influence Washington and was aimed at US cotton and not a real relief for the domestic market. In addition, there has been no cancelation of the remaining open US sales to China which overhang the market so there is the fear that if prices surge the Chinese groups will arrange buy backs and cancel sales and book the profits.



Ice futures last week made a run toward the 90 cents area but this effort failed because the market lacked the widespread mill demand that was fueling the market before the Chinese trade dispute erupted. As Dec attempted to break out Trade selling halted the advance amid an absence of mill demand chasing the market. As the void of mill support became evident the HFT systems sold the market triggering some speculative selling, up through Tuesday the COT report showed that Managed Funds, Chinese Funds and small specs were the buyers. This stalemate created yet another outside range on Wednesday with prices closing below that range on Friday.

At the moment the attention is on the size of the US crop which appears set to fall in to a 17.5 - 19.0 million bale range. For the moment we continue to expect higher prices, however, we now have lots of company in that opinion, which we do not like. In addition, the China/US trade issue will not impact overall supply and demand but it is influencing buyer's physiological outlook. The close below Wednesday's outside range day is negative and opens the way for a deeper sell off. A clear close above the recent highs is needed to resume the upside. At present spinners should not rush to fix open On-Call sales but instead use any extended sell offs for fixations.

Growers need to practice extensive risk management amid the current global turmoil. As the above chart on Chinese imports into the US indicates the disruption of those supply chains will cause great unrest and uncertainty and will have long-term ramifications. This has the potential for great impacts on cotton prices at various stages. The switch from man-made fiber is underway and the end of China's cheap supply chain will accelerate this. Based on these conditions higher prices are likely but the effect from the China/US trade dispute is impacting economics. The next of these will be 2019/20 US acreage levels - will the rout in soybean prices be enough to finally pull the acreage lost in 2006 back to cotton in the Mid-South. While this raises the possibility of higher US acreage the disaster of 2018 in parts of West Texas has already led to a listing of pickers for sale at the end of the season. Is this perhaps a leading indicator pointing to a retreat in Texas acreage in 2019? Cotton is in a state of flux worldwide and a lot of dynamics remain in play.



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