



NUNN COTTON LETTER

NUNN COTTON COMPANY, INC. March 5, 2010

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	Close	CHN	WK CHN	HIGH	LOW	CONT HIGH	CONT LOW	WK HIGH	WK LOW	AWP: 69.03 A Index: 85.10
May 10	8243	+61	-03	8312	8177	9400	5138	8460	8066	09 Rule: 78.50
July 10	8285	+72	+92	8343	8203	10000	5172	8400	8075	09 Loan: 17-18.50
Dec 10	7509	+40	+67	7519	7454	10150	5387	7590	7325	10 Rule 5: 71.75
Dec 11	7780	-18	-10	7800	7798	8100	7060	7840	7765	10 Loan: 15-16.00

WEEKLY COMMENTS: COTTON MAKES NEW HIGH MONDAY AS MAY TRADES TO 84.60. REST OF WEEK SPENT IN CONSOLIDATION BETWEEN TUESDAY LOWS AND MONDAY HIGHS. CARGILL CONTINUES TO TAKE DELIVERY OF MARCH.

Cotton futures Monday were higher, as the May contract surged to 84.60 (+217), and closed the day at 83.29 +83 as additional buying pushed futures higher. December moved higher, too, closing at 74.66, near the day's high of 74.70. But, the 'highlight of the day was the July/Dec spread, which at one point widened to 939 points. The dollar closed down slightly Monday, after being stronger. November beans were up 1 1/2 to 9.42 1/2. September corn was down 6 1/4 at 3.97 3/4. Volume was 19,806 contracts. On Tuesday, our market made a minor correction, as the week's lows recorded. May (83.17) and December (74.75) traded into the plus column, but pressure was on the market Tuesday and all months were lower. Chinese prices were lower overnight, but cotton seemed to be looking to take a break, and a chart point in May of 80.66 was achieved. May closed down 144 at 81.85 with December closing down 56 at 74.10. Volume was active with 22,625 contracts trading.

Cotton regained most of its Tuesday losses Wednesday as the day's lows were made on the opening. May closed up 112 at 82.97 (high of 83.40) while December was up 97 at 75.07 (high of 75.12). December's

nudge above 75.00 was the first time it had traded there since January 13. The market was lower on Thursday, with May losing all of Wednesday's gains (-115 to 81.82), while December was down 38 at 74.69. The weekly export sales report showed 147,100 bales of upland and Pima cotton along with 34,300 bales of 2010/11 crop upland.

The market closed higher on Friday, with May closing up 61 at 82.43 and December at 75.09 up 40. Volume Friday was the lightest of the week at 10,270 contracts.

All in all, it was a quieter week for futures this week, as the highs were made Monday and the lows Tuesday, and the rest of the week's trading within that range. The bullish talk continues that supplies will be tight the remainder of 2010, but with ample supply for the next year, unless a crop problem surfaces.

Mike Stevens pointed out Thursday that "306,700 bales sold 'on-call' last week. In May, 5.7 contracts of potential buying to fix prices for each to be potentially sold to fix prices. However, in July the ratio is over 24:1." Could we have another reply of the December contract as mill fixations overwhelm the market?

The July/Dec closed the week at 776 pts after making trading as wide as 939 points Monday. While the market may be consolidating, as of Thursday's close, there were still 1,942 March contracts still 'open'. The December 'spot' contract closed Friday on March 5 at its second highest level since 1997 with the close of 75.09. In 2008, the spot December closed at 95.53, for the highest spot December close. Wednesday will be the next USDA

FROM ICA CONFERENCE,

SINGAPORE: Cotton prices "should remain relatively high" until the next marketing year begins in August because of a shortage in global supplies, said Olam International Ltd., one of the world's top three cotton traders.

"We're at the end of a tight supply-and-demand situation and the big question mark for the market is what happens with the new crop," said Cliff White, a senior vice president at Olam and is also president the International Cotton Association "The world is not going to increase its cotton planting as much as demand. That means you still have a tight supply-and-demand situation into the new crop."

The December-delivery contract "needs to rise to 75 cents to 80 cents" a pound by May to encourage farmers to expand planting by 5 million acres, Joe Nicosia, chief executive officer at Allenberg Cotton Co., said at the conference in Singapore last week. Nicosia said cotton prices "will explode" if China and India have production problems next season. "If China and India have a problem, it's game over."

China and India are the world's two largest producers and consumers of cotton, according to the U.S. Department of Agriculture. China is also the biggest cotton importer and is forecast to buy 1.96 million tons this year, up from 1.52 million tons a year earlier, according to USDA.

Exporters in India plan to more than quadruple shipments in the Oct-Feb period from a year earlier to benefit from rising prices, the country's textiles ministry said yesterday. Shippers registered to export 5.92 million bales of cotton during the period, compared with 1.32 million bales a year earlier, the ministry said on its Web site. (From Mike Stevens, SFS Futures, 3/4/2010)

Forward Contract Prices:

1999/00-2010/11 Basis 41434 G5 Bales Rule 5

Year	Rule 5	Year	Rule 5	Year	Rule 5
10/11	7175	06/07	5525	02/03	3700
09/10	4300	05/06	5225	01/02	5300
08/09	????	04/05	6350	00/01	5900
07/08	5500	03/04	5725	99/00	5725

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