TALA NEWS FLASH

April 10th, 2013

(Excerpted from April 8th news post)

KINGPINS' COTTON PRICE SEMINAR EXPLORES GLOBAL COTTON MARKET

According to Cotton Experts, Price Run-ups Similar to Those in 2011 are Likely. This is Partially Due to the Chinese Reserve, Which Currently Holds More than Half of the World's Cotton.

NEW YORK (April 8, 2013) The Kingpins Show hosted a Cotton Price Seminar during its Hong Kong 2014 show in February 2013. The Cotton Price Seminar included two presentations that gave attendees an in-depth understanding of the factors that are affecting the world cotton market and an up-to-the-minute analysis of the inner workings that drive cotton prices differently in China, India and in the United States.

Mr. Pat-Nie Woo discussed "Market Situation for 2012/2013 Crop: Cotton Pricing and Retail Outlook." In his findings, Mr. Woo found that the global cotton market is being chiefly affected by a single entity: the Chinese Reserve.

"If we're looking at the world [cotton] prices, the price of cotton should be about 30 cents - because we have so much stock," he said. "But, if we take out the amount that has been held by the Chinese Reserve... the price will actually be around $1.10 to $1.20. So effectively, the Chinese Reserve is the main factor of predicting what [cotton] price will be going forward."

What happens to all that cotton? "They try to sell it at significantly over world prices for cotton, and people are just not willing to buy. In response, spinners are turning to synthetic fibers", Woo said.

Currently, the Chinese Reserve is holding about 47 million bales of cotton. "So it's holding more than half of the world's cotton in its hands and nobody knows exactly what they are going to do... that is always going to be the "X" factor, when trying to determine the price of cotton", said Mr. Woo.

Mr. Robert Antoshak then discussed "How the Market Works: Why Cotton Prices Are Not The Same In China, India and USA". Mr. Anotoshak believes that the cotton markets are on path to once again experience the cotton shortages, panic and price hikes that rocked the market in 2011.

"We're setting ourselves up for the same kind of collapse in production that caused the

2011 price run-up with slightly different reasons, but we're beginning to see signs that we're going to be repeating history," Antoshak warned.

Each independent market is influenced by global, local, tangible, intangible and uncontrollable factors, he said. The result is that the price of cotton in each market is different. To illustrate, Antoshak listed the price of cotton in various markets. "Last week the price in New York was $0.81, in Shanghai it was about $1.30 and in Mumbai it was way over $1. So, what's the right global price?"

Anotoshak provided ways for buyers to synthesize all the conflicting market data in order to protect themselves from being victims of future price run-ups. His tips:

- Protect yourself by knowing the market.
- Understand that supply and demand play the central role in cotton prices, but that other factors are also in play.
- Think beyond cotton - monitor other crops and their effects on cotton acreage.