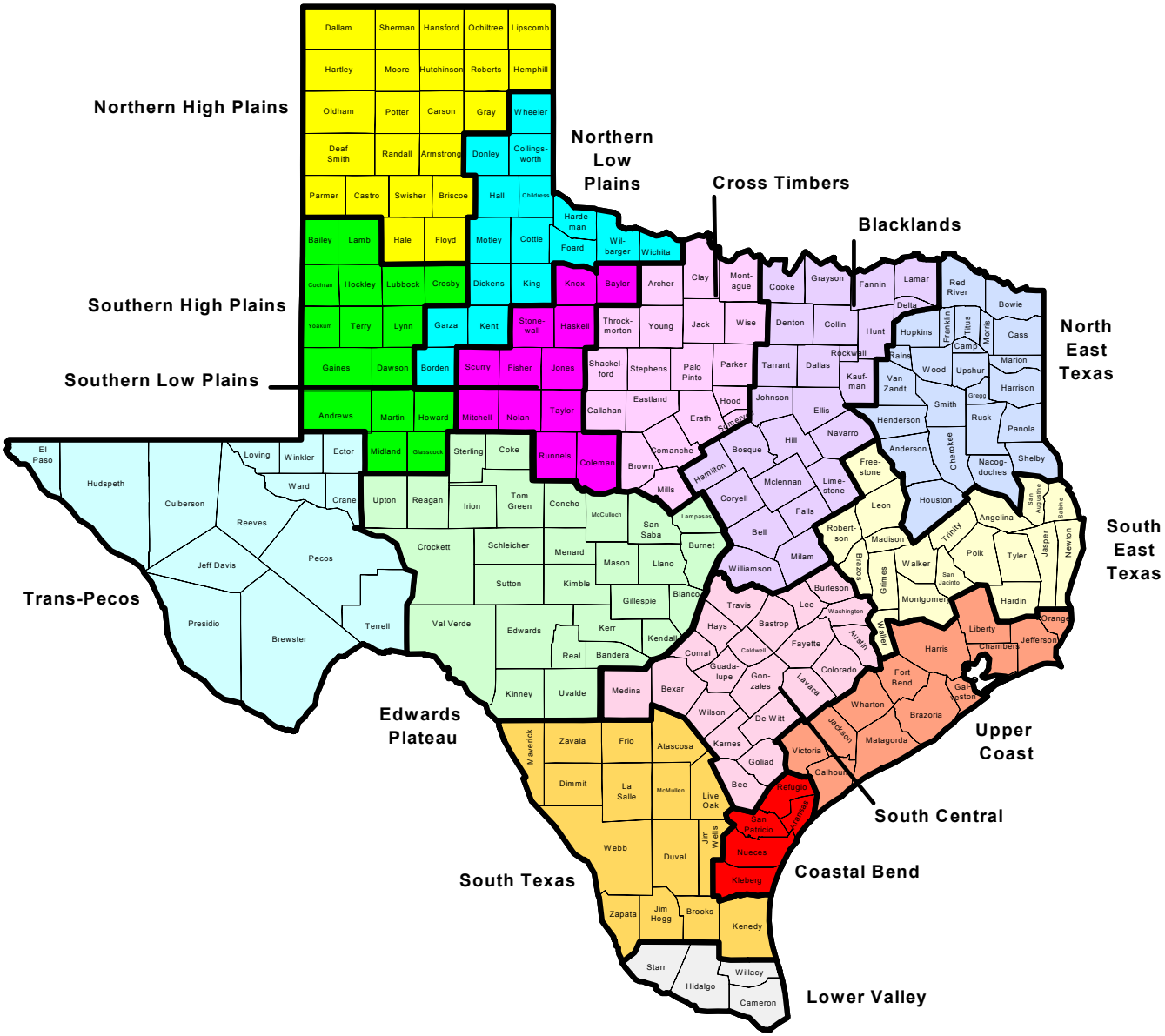
TEXAS COTTON ASSOCIATION
&
COTTON USA

SPECIAL TRADE MISSION FROM CHINA
SEPTEMBER 15, 2005



TEXAS COTTON ASSOCIATION

COTTON USA Special Trade Mission from China

September 15, 2005

Welcome to Texas, the largest cotton production state in the U.S. Texas has come a long way in its cotton production. According to TCA records, the 1867/68 crop was only 215,000 bales. The USDA reported the largest crop ever produced in Texas was in 2004/05 with just over 7,778,000 bales, including Pima. Texas farmers planted 5,850,000, harvested 5,350,000 acres and produced 7,740,000 bales of Upland Cotton in 2004/05. USDA reported total production for the 2004/05 crop for Texas, Oklahoma and Kansas at 8,178,500 including Pima. The increase in production was due to ideal weather conditions during the planting and growing season as well as improved seed varieties.

This year, 2005/06, the USDA estimated Texas planted 5,900,000 acres of Upland cotton, including 25,000 acres of Pima cotton. Oklahoma planted 240,000 acres and Kansas planted 75,000 acres. The total planted acres in the Southwest U.S. region, which includes Texas Oklahoma and Kansas, is 6,215,000 acres. The total Southwest area harvested acres are estimated to be 5,790,000 and the total estimated production is 7,601,000 bales (480 lb.)

In 2003/04 , Texas planted 5,600,000 acres and 4,350,000 acres were harvested producing 4,330,000 bales of Upland Cotton. USDA estimated planted acres in Texas, Oklahoma and Kansas for 2003 at 5,890,000 acres. Total harvested acreage 2003/04 was 4,620,000. In 2003/04 total production was 4,681,500 bales for Texas, Oklahoma and Kansas, including Pima.

Texas is a very large state and cotton production is scattered over the area. With the exception of China, India, Pakistan, Central Asia, no foreign country produces more cotton than this area. **Table 1 About one-third of Texas cotton is irrigated. We have both the earliest and the latest harvested cotton in the U.S. We have some of the finest extra long staple cotton and some of the lowest coarse-count cotton in the world. Texas has cotton that is quality-wise the same as Memphis territory cotton and is used by domestic and foreign mills.

When we talk about Texas cotton, we have to define what we mean in terms of quality. When foreign mill buyers talk about Texas cotton, many of them still think of low grade, low micronaire cotton that was harvested in West Texas during December/January, after having suffered the adversities of the harsh Texas climate, such as rain, freeze and snow; in other words, cotton for O/E spinning. Thanks to the on-going seed improvement program, we have new varieties that have a shorter growing cycle and therefore can be harvested earlier. They also have much improved fiber properties, with a longer staple and much higher PSI/GPT readings.

The 2002/03 Texas crop produced 5,367,300 bales, including 42,000 bales of Pima and 285,000 bales in Oklahoma and Kansas. The 2001/02 crop produced 4,407,000 bales including 33,000 bales of Pima and 190,000 bales in Oklahoma. The 2000/01 crop produced 4,025,000 bales including 30,000 bales of Pima and 190,000 bales in Oklahoma. Weather conditions during the planting, growing and especially during the harvest season, have a profound influence on both the size and quality of the Texas crop. This is obviously impossible to predict.

**Table 2 (U.S. Cotton Belt)

The "Texas Cotton Production Map" can be presented in different ways:

By USDA Crop Reporting Districts **Table 3

By USDA Classing Offices **Table 4

By geographical areas **Table 5

To simplify things, Texas can be divided between Four Main Cotton Areas **Table 6 The detailed production for each of these main areas are shown in **Table 7. (2004 crop)

1.	South Texas	Rio Grande Valley	352,000 bales(30% irrigated)
		Corpus Christi Area	564,400 bales(all dryland)
		Upper Coastal Bend & South Central	348,800 bales(5% irrigated)
		Winter Garden & Edwards Plateau	210,000 bales(100%irrigated)
		Total	1,475,200 bales

Quality-wise, South Texas cotton competes with Memphis territory cotton. U.S. and foreign mills using this cotton in volume are usually very pleased with the performance.

2. Central and North Texas

This is a large cotton area, scattered all over the central and northern portions of Texas. Total production was about 168,900 bales last season, although expected to be less this year. The harvest period runs from September until November/December. As to quality this area formally produced medium to short staple cotton, but now, the staple is 1.1/16" and longer.

3. El Paso

El Paso produces only about 80,000 bales, but it is important because it is long staple cotton. The area is 100% irrigated. The staple runs from 1.1/8" to extra long staple varieties. The USDA reported 38,000 bales of Pima were produced in this area 2004/05.

4. West Texas (includes Oklahoma & Kansas)

This is the single most important cotton area in the state. We usually distinguish the following sub-areas as shown with 2004 production:

High Plains (Lubbock)	4,823,500 bales (about 50% irrigated)
Rolling Plains	945,000 bales (less than 10% irrigated)
Oklahoma & Kansas	400,000 bales (33% irrigated)
Total (approximate)	6,168,500 bales

West Texas is so important not only because of its large production, but also because it is by far the biggest supplier of coarse count cotton to the world. The main competitors for coarse count cotton is Pakistan. The Central Asian Republics are an important source of coarse count material for the world's spinning mills. Other short staple cotton is sometimes, but not always, exported from the Brazil, India, Turkey and Australia and a handful of other countries. But for a steady year-round supply of coarse count cotton the mills in importing countries around the world are depending on Texas. Therefore, the volume and quality produced each year in West Texas is of enormous importance, especially for the open-end sector of the textile industry worldwide.

On the demand side, Texas cotton has little competition when it comes to coarse count qualities. There are no exact statistics, but a significant portion of Texas bales, depending upon the quality out-turn, are consumed annually by the domestic mills. The balance is sold for export. Texas cotton is not only short staple/low grade/low micronaire cotton. In normal years, the High Plains crop (Lubbock Classing Office) averages 31 color grade, 33.3 staple, strength 29 GPT and the average micronaire is about 43. Without drought and high temperatures experienced during

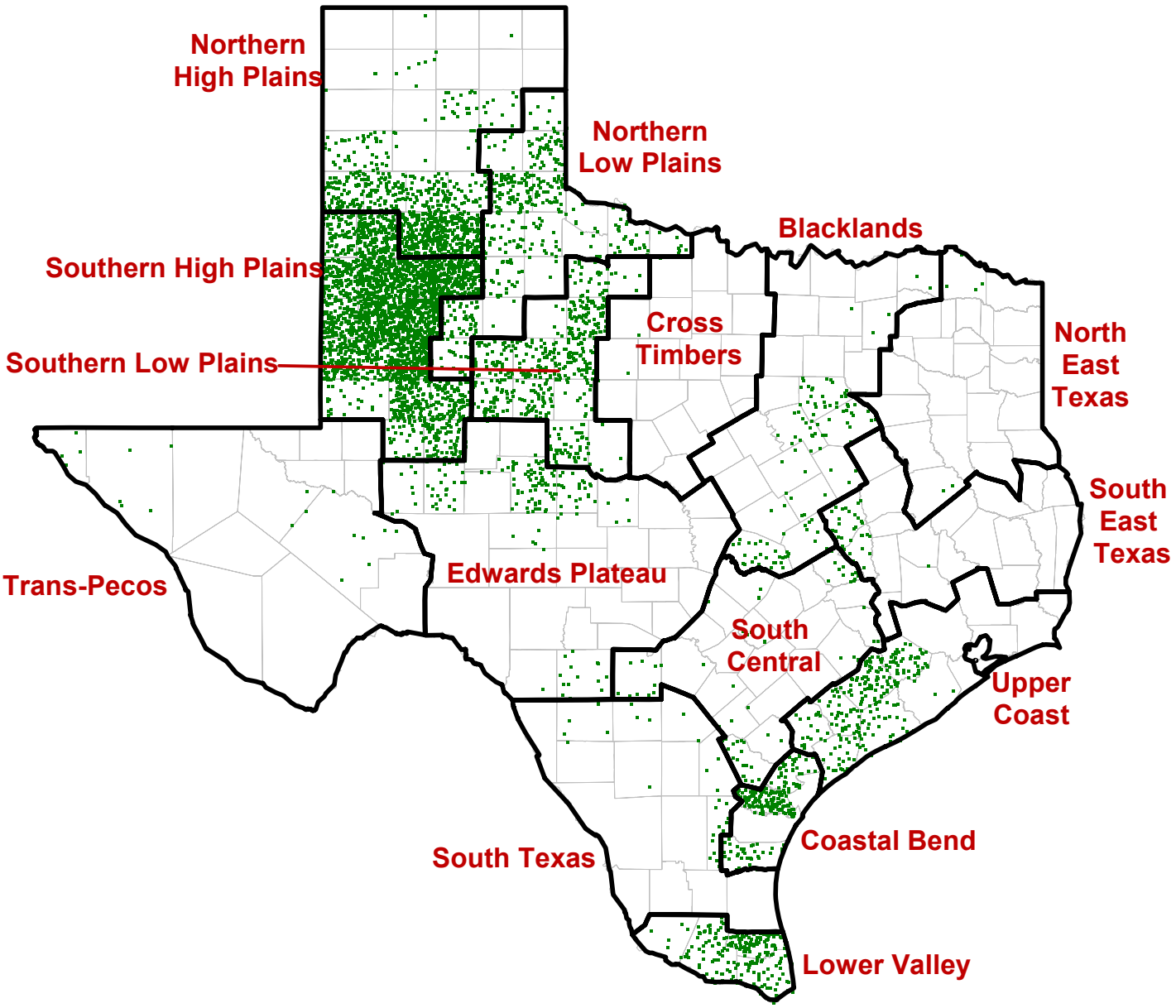
some of the previous growing seasons, staple and strength are usually higher. Increasingly mills, both domestic and foreign, have turned to Texas cotton, for their medium count requirements, thanks to an attractive price difference and the geographical advantage over other U.S. origins.

You can use Texas grown cotton for practically your entire range of yarn counts. In addition, of course, Texas merchants handle large volumes of Memphis and Western cotton. You can depend on U.S. cotton exports. During recent years, when low priced contracts of foreign cotton were delivered with long delays and/or defaulted upon, U.S. merchants proved to be reliable suppliers. As in every other business, it is important for you to know your suppliers. For additional protection, make sure they are members of the American Cotton Shippers Association and at least one of its federated Associations, such as the Texas Cotton Association.

It has been a privilege for the Texas Cotton Association and our group of Texas cotton merchants to have the visit of this distinguished group of friends and textile mill executives.

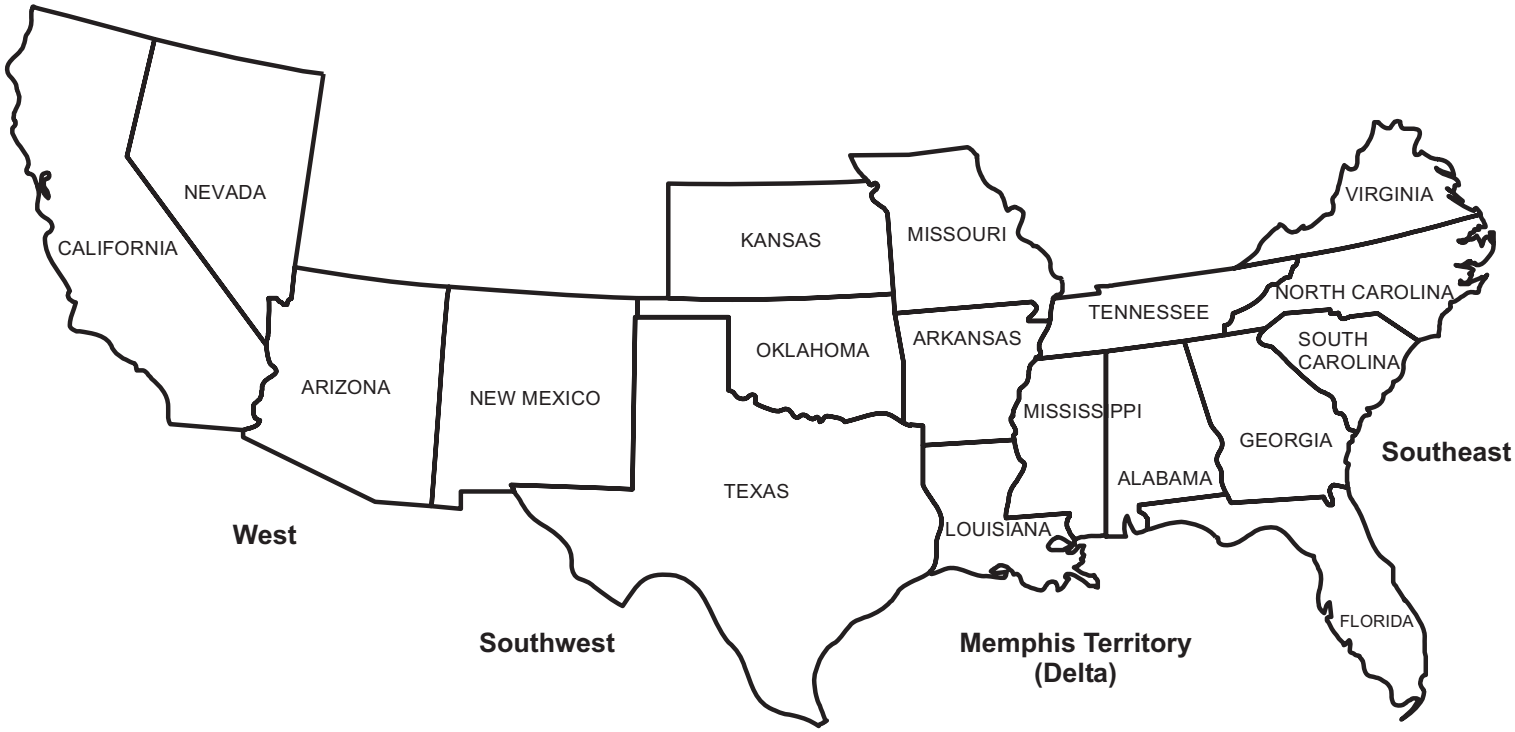
TEXAS COTTON

ACRES PLANTED 2005



1 dot = 1,000 acres
Dots indicate acreage without respect to geographic location within the county.

U.S. COTTON BELT

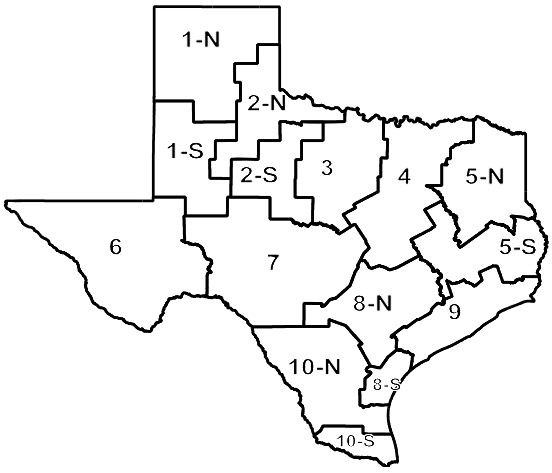


TEXAS CROP REPORTING DISTRICTS & ESTIMATES

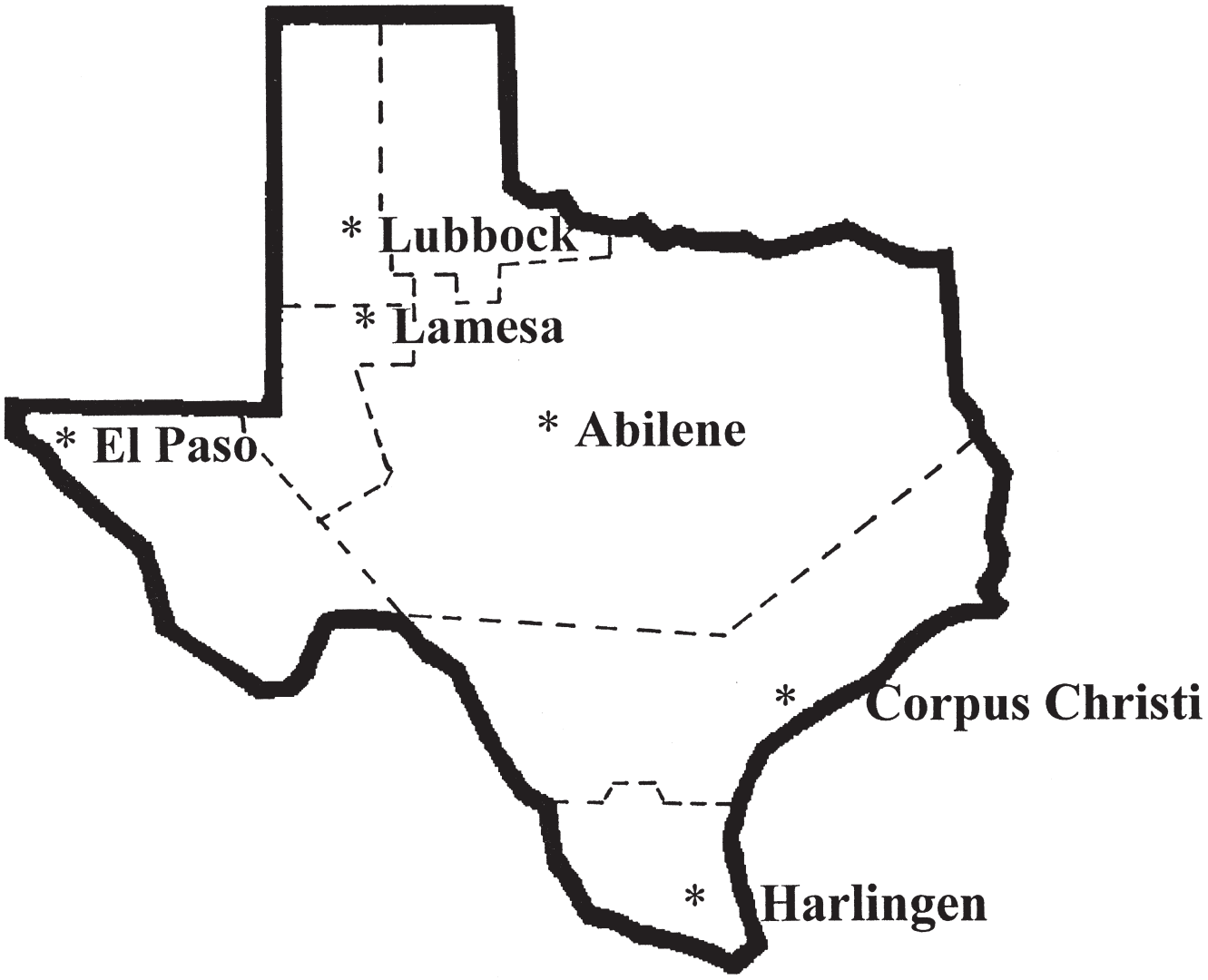
TEXAS UPLAND COTTON DISTRICT ESTIMATES, 2004 AND 2005 [1/]

Districts	Planted Acres		Harvested Acres		Yield Per Acre		Production	
	2004	2005	2004	2005	2004	2005	2004	2005
	1,000 acres		*1,000 acres*		*Pounds*		*1,000 bales*	
1-N	849.0	900.0	726.1	790.0	818	857	1,238.0	1,410.0
1-S	2,813.0	2,800.0	2,527.0	2,670.0	681	633	3,585.5	3,520.0
2-N	396.0	395.0	378.2	370.0	572	428	451.0	330.0
2-S	488.0	525.0	472.6	490.0	502	441	494.5	450.0
4	127.0	115.0	121.9	105.0	665	549	168.9	120.0
7	163.1	175.0	149.8	150.0	673	480	210.0	150.0
8-N	79.0	80.0	75.8	75.0	899	800	142.0	125.0
8-S	367.5	370.0	356.0	345.0	761	612	564.4	440.0
9	245.6	245.0	235.8	240.0	710	540	348.8	270.0
10-S	215.2	185.0	205.0	165.0	824	567	352.0	195.0
Other districts [2/]	106.6	110.0	101.6	100.0	874	912	184.9	190.0
STATE	**5,850.0**	**5,900.0**	**5,349.8**	**5,500.0**	**694**	**628**	**7,740.0**	**7,200.0**

1/ Preliminary, September, 2005. 2/ Districts with less than 50,000 acres planted are included in other districts.

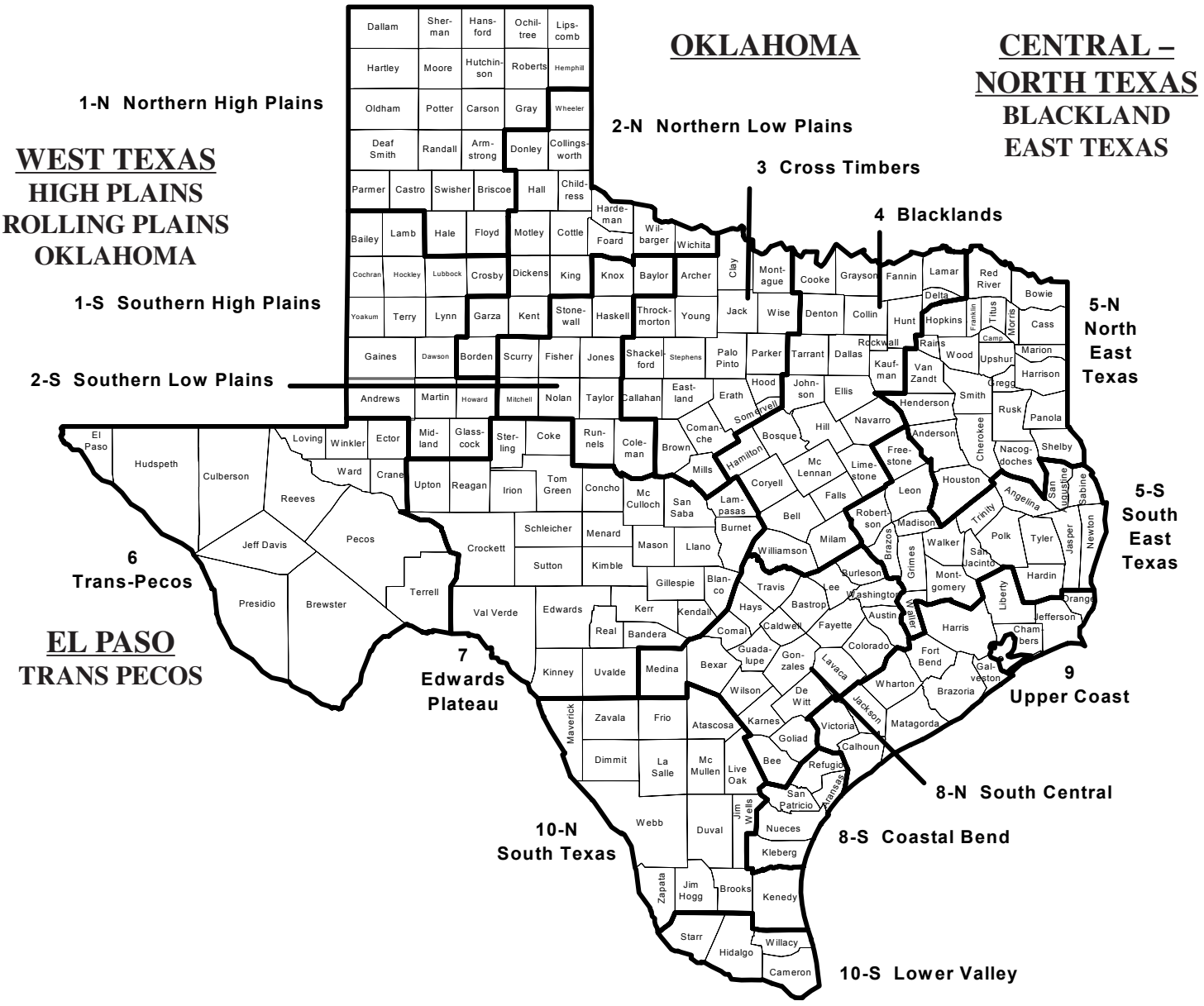


Classing Offices in Texas



Note: El Paso area cotton classed in Phoenix, Arizona

TEXAS / OKLAHOMA COTTON AREAS



2004/05 TEXAS/OKLAHOMA/KANSAS COTTON PRODUCTION BY REGION

(Refer to Table 5 Map)

SOUTH TEXAS	1,475,200 Bales
CENTRAL & NORTH TEXAS	168,900 Bales
EL PASO	82,000 Bales
WEST TEXAS/OKLAHOMA/KANSAS	6,168,500 Bales
OTHER AREAS	283,900 Bales
GRAND TOTAL	8,178,500 Bales

USDA ESTIMATE
FOR TEXAS/OKLAHOMA & KANSAS
2004/05 PRODUCTION

SOUTH TEXAS

Rio Grande Valley (30% irrigated)	352,000 Bales
Corpus Christi Area (all dryland)	564,400 Bales
Upper Coastal Bend & South Central (5% irrigated)	348,800 Bales
Winter Garden & Edwards Plateau (100% irrigated)	210,000 Bales
TOTAL	1,475,200Bales

CENTRAL AND NORTH TEXAS

Blackland & East (all dryland)	168,900 Bales

EL PASO

Upland (100% irrigated)	44,000 Bales
Pima (100% irrigated)	38,000 Bales
TOTAL	82,000 Bales

WEST TEXAS/OKLAHOMA/KANSAS

High Plains (50% irrigated)	4,823,500 Bales
Rolling Plains (<10% irrigated)	945,000 Bales
Oklahoma (33% irrigated) & Kansas	400,000 Bales
TOTAL	6,168,500 Bales

OTHER AREAS . . . . . 283,900 Bales

TOTAL Texas/Oklahoma & Kansas Production . . . . . 8,178,500 Bales