SEMINAR TOPICS

A. THE COTTON MARKET

PART I

• Functions of a Cotton Merchant
• The Leading Cotton Merchants of the World
• U.S./World Supply Demand Statistics
• World Raw Cotton Trade

PART II

• The Intercontinental Exchange (ICE) and Commodity Exchanges in General
  o Functions
  o Participants
  o Activity of Speculators, Hedge/Index Funds and Option Traders
  o Different Strategies used by participants
  o Effect of Speculators on Prices
  o Hedging of Purchases and Sales
  o What is the "Basis?"
    o 3 Types of Margins
• ICE Weekly, Monthly, and Yearly Price Charts
• Cotlook A Index and its Importance for U.S. Cotton
• New York Futures vs. Cotlook A Index
• Factors Influencing Cotton Prices
• Another Commodity Boom around the Corner?

PART III

• Technical Aspects of the ICE No. 2 Contract
  o Contract Specifications
  o Daily Trading Limit
  o The Synthetic Close for Futures
  o Open Interest in Futures and Options
  o Delivery Rules, including "Delayed Certification"
  o Certificated Stock
  o Premiums/Discounts
  o Age Penalties
  o Weight Penalties
  o Year-of-Crop Penalties

PART IV

• Price Outlook for Upland Cotton Prices 2009/10 and Beyond
• Factors that Affect Cotton Prices
  o Bullish Factors
  o Bearish Factors
• "Basis" Levels for Different Qualities/Origins
• Competing Crops/Competing Fibers
• The Impact of the Value of the US$ on Commodities
• The Importance of an Economic Recovery

PART V

• The 2008/09 – 2012/13 Farm Bill
• Loan and Marketing Loan, Adjusted World Price (AWP)
• "Windows of Opportunity" (the difference between AWP/ICE Futures)
• Competitiveness Formulas
  o Step-1
  o Step-3
• Budget Restraints, Payment Limitations
• WTO Raw Cotton Issues
• Effects of Farm Bill on Cotton Prices
• The Future of U.S. Farm Bills after 2012/13
• The numerous Responsibilities of the USDA

PART VI

• China
• India
• Textiles in NAFTA, Consumption Trends, Who is Who?
• Labor Cost Comparison
• U.S. Textile Trade
• U.S. Textile Consumption at Retail Level
• Shifts in Worldwide Consumption and Buying Patterns
• Outlook for the Textile Industry

B. RISK MANAGEMENT AND OPTION STRATEGIES

PART I

• "On Call" Purchases
  o Advantages
  o Risks
  o How to Place Fixation Orders

PART II

• Hedging of Fixed Price Purchases and Sales
  ø Why
  ø Mechanics
  ø Risks

PART III

• Options in General
• Two Types of Options
PART IV

- Cotton Options as a Risk Management Tool for Textile Mills
- Five Strategies Depending on a Mill's Individual Price Outlook
- Buying Options Outright
- Points to Watch When Buying Options
- The Advantages of having your own Brokerage Account

C. COTTON CLASSING AND COTTON CONTRACTS

PART I

- Different Ways of specifying the Quality
  - USDA "Green Card" (USDA GC final)
  - Description
  - On type
  - Re-caps
  - Actual Samples

PART II

- Classing
  - Traditional Method
  - USDA HVI "Green Card"
    - Who
    - Where
    - Different Quality Characteristics
      - Color, including "b+" and "rd" readings
      - Leaf
      - Fiber Length
      - Micronaire
      - Strength
      - Uniformity
      - Trash
      - Extraneous Matters and Remarks ("Reductions")
    - Characteristics not analyzed by the USDA
      - Sugar
      - Short Fiber Content
      - "Neps"
      - Maturity
    - Information available on USDA classing
      - Daily and Weekly AMS Reports
      - Form-R
  - The Importance of a Constant Mix
D. COTTON CONTRACTS

PART I

• Different ways of Buying
  o Fixed Price vs. "on call"
  o "Forward" vs. "Spot"
• Rights and Obligations of the Parties as per ICA Rules
• Settlement of Disputes
  o Quality
  o Technical Aspects
• Default Lists
• Common Problems and Solutions
• Importance of the Cotton Controller
• PBI (Permanent Bale Identification)

PART II

• Points to Watch when Purchasing Cotton

PART III

• What Matters Most when Buying Cotton
  o Know your Supplier and Treat him like a "Partner"
  o Make sure Seller Understands and Hedges his Risks
  o The Timing of the Purchase/Fixation
  o ICE Price Fixation is more important than the "Basis"
  o Price is not the only Factor when deciding from whom to buy
  o Common Sense when finding Solutions to Problems
  o Service, Information and Flexibility given by Seller
  o Integrity of both Parties