

PUBLIC FORECASTS IN ADVANCE

By D.K.Burton

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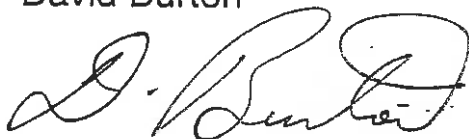
Public Forecasts

I have been studying and trading the methods of W.D.Gann since 1983 and used his methods to make public forecasts well in advance. A lot of people say they have study Gann and can't make it work. It took me over 10 years to work out what he was doing and how to do it. For over 10 years I have made public forecasts before they happen as well as made large profits from my own forecasts.

Enclosed are the articles and the charts are at the back with numbered pages relating to the forecasts.

1. February 1991 forecasting low in Wheat.
2. Forecasting 130 year high in Cotton. 1994
3. Forecasting great Bull Market in Wheat. 1994
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David Burton



FEBRUARY 1991

Timid marketers may cut return to farmers

By SIMON PICKERING

AUSTRALIA'S wheat producers could be looking forward to payments close to \$240/tonne for ASW this year, if the Australian Wheat Board had taken advantage of long-term currency contracts.

And that figure takes into account international subsidy programs, the Gulf crisis and other factors which have reduced returns to \$120/tonne.

Managing director of Caloundra-based Commodity Hedging Co, David Burton, is adamant that the reluctance of Australian marketing boards to properly deal with the currency and futures markets is costing producers dearly. The current poor wheat prices reflect this reluctance, he believes, and emphasise the need for wheat and other commodities to fully deregulate their marketing systems.

Mr Burton said the huge advantage of a fully deregulated market for growers in the example above was based solely on the process of locking into currency rates up to five years forward.

For example, the Mean Spot Rate in 1986 was US66.30 cents.

Mr Burton said the ideal strategy to exploit this figure would have been to lock in the currency for 1990 at the then available Forward Currency Rate (FCR) of US50.80¢ — the FCR was lower than the spot rate due to Australia's interest rates being higher than those in the US.

Mr Burton said the use of currency in this manner would have given growers a near \$120/tonne advantage from marketing the same wheat on the same world market for the same price.

Mr Burton said grower returns could benefit even further if proper advantage was similarly made of the opportunities available on the commodity futures market.

The Chicago wheat futures which were presently slumped at around US255¢/bushel, for instance, had peaked at US480¢/bushel as recently as 1989. This would relate to



▲ Managing director of Caloundra-based Commodity Hedging Co, David Burton.

\$368/tonne if in 1986 a Forward Currency Rate was locked in at US53.80¢, he said.

When figures such as these were viewed in the context of the present dwindling commodity prices, Mr Burton said, it brought the performance of marketing boards into question — basically they were doing nothing.

The most probable reason for this was that the marketing boards were scared of being wrong if prices moved higher after contracts had been finalised, he said.

Mr Burton, who handles futures and currency deals for a number of Queensland cotton growers, has no such fears of changing rates.

Provided the currency or commodity rates on offer guarantee growers a good operating margin he will take them.

"The idea is to keep the farm profitable," Mr Burton said.

"You lock in at a rate where you can guarantee that the farmer will make money.

"I'm aware that there will be occasions when the prices will move higher. My main aim, however, is to provide the grower with a good return that is near the peak.

"If this situation occurs you can lock in the improved prices for the following year anyway."

Mr Burton is confident marketers can pick close to the year's best rates if they do their homework.

"You should be able to get within 80 percent of the year's high by selling according to a combination of historical and seasonal fluctuations — provided you've got the data," Mr Burton said.

"Historical data is fine tuned with present market information to see if the market is running according to the normal cycle, check on volumes being traded and that sort of thing.

"With all that data you can get fairly close to the top price."

Mr Burton said farmers should also come to realise that it was not always in their best interests to grow a crop.

He said there would always be Bear and Bull markets which would effect all commodities, currencies and interest rates.

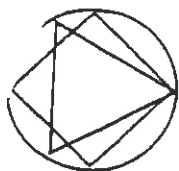
Just as wheat had collapsed so would cotton in the coming years.

The main difference, however, was that cotton growers could lock in their crop for 1992 now, so that any low prices that occurred would not effect the growers who had forward sold, he said.

"Farmers think they have to grow something every year even if its going to earn them less than the cost the production," Mr Burton said.

"If you grow a crop when the price is low, you have to realise you have become a cash speculator and this could send you further into debt."

"Wheat prices should remain low until August 1991, so the farmer should seriously consider his production costs as opposed to the potential of his crop return."



Commodity Hedging Co. Pty Ltd

A.C.N. 010 644 612

• Hedging • Forecasting: Commodities, Interest Rates and Currencies •

P.O. Box 216, Caloundra, Q 4551

Phone: (074) 91 7443

August 7, 1994.

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Dear Sir,

Commodity Hedging Company has been involved with cotton hedging for 8 years and futures markets for 10 years. We currently handle 100,000 bales of grower's cotton, hedging futures, basis and currency. We mainly use the methods of W.D. Gann, a famous chartist who died in the 1950's.

With competition getting tougher, Company's are looking more closely at monitoring their risk and improving their bottom line. We believe we can help you improve your hedging by knowing what the future may hold!

MARKET ANALYSIS involves the following:-

- Seasonal tendencies
- Price patterns
- Time cycles
- Volume
- Open interest
- Anniversary dates from High's & Low's
- Over balancing of time & price
- Gann angles
- Squaring of time & price

CYCLE ANALYSIS - 1995

CYCLE	YEAR	LOW	HIGH
90 Year cycle	1905	JAN	DEC
84 Year cycle	1911	DEC	MAY
60 Year cycle	1935	OCT	JAN
50 Year cycle	1945	Quiet Market	
49 Year cycle	1946	JAN	OCT
30 Year cycle	1965	SEP	JAN
20 Year cycle	1975	OCT	JUL
15 Year cycle	1980	JUN	DEC

CYCLE	YEAR	LOW	HIGH
13 Year cycle	1982	NOV	JUN
10 Year cycle	1985	AUG	MAY
9 Year cycle (Extreme Low)	1986	JUL	MAY
7 Year cycle	1988	AUG	JUN
5 Year cycle	1990	MAR	JUL
3 Year cycle	1992	OCT	JUN
2 Year cycle	1993	AUG	MAR

20 YEAR SEASONAL AVERAGE

HIGH'S	JAN 04	MAR 02	MAY 16	JUL 08	SEP 02	OCT 13	NOV 01
LOW'S	JAN 28	MAR 17	JUL 01	AUG 23	SEP 19	OCT 26	NOV 29

ANALYSIS

Cotton should bottom around August 30th, 1994 and start a new bull market going to new high's in the longer term. Bottoming price zone for May '95 cotton - 70.50/67.50. Long Term Target - 147.00/157.00. This is probably quite hard to believe as cotton has not been over \$1/lb since 1864 when the Civil War was in full swing. The highest since then was 99 cents/lb reached in October 1973 and 97 cents/lb reached in May 1980.

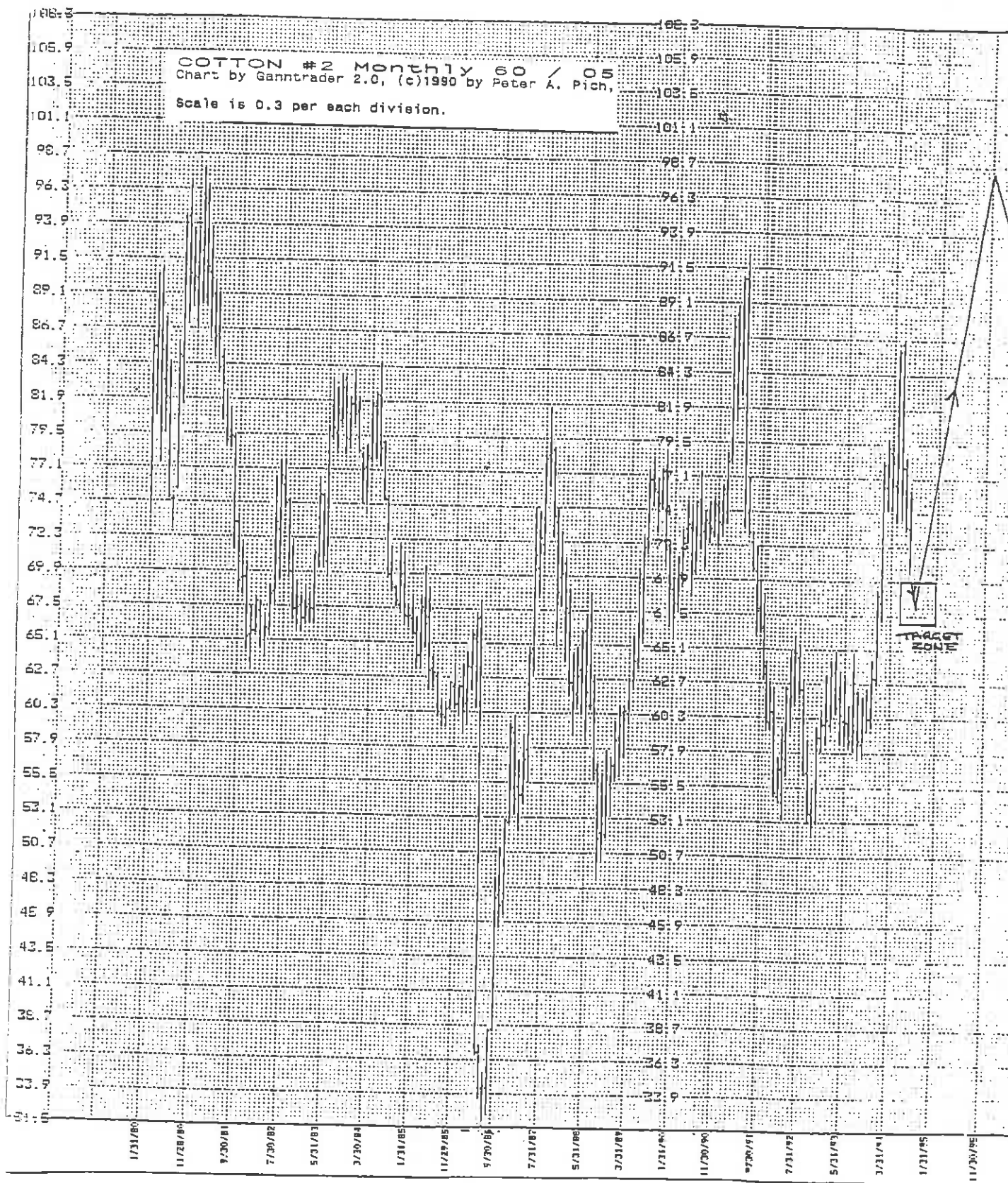
We would be looking to buy March or May '95 call options to cover balance of un-hedged bales and leave the basis un-hedged as basis should worsen as the market goes higher.

Please find enclosed Monthly cotton chart for May. We would be pleased to discuss further our unique service with you.

Yours sincerely,

AUSTRALIA

COTTON #2 Monthly 60 / 05
Chart by Ganntrader 2.0, (c)1990 by Peter A. Pich,
Scale is 0.3 per each division.



KR PROFILE:

...the world will need US cotton

By Kim Archer, Knight-Ridder Financial News

Kansas City--Mar 10--For David Burton, the truth is in Gann charts.

So what if people think he's crazy, he says. (And some of them do.) Cotton prices have risen to their highest levels since the New York Cotton Exchange was founded in 1870. And he foretold it.

"What they do doesn't work, but they'll criticize someone who's right," said the 38-year-old Burton, who is managing director of Commodity Hedging Co. Pty Ltd. in Queensland, Australia.

AGAINST THE TIDE

The catch is, Burton made his prediction back in August. At the time, everyone was focused on the fact that the US was faced with the largest cotton crop since 1937. The May futures contract averaged around 60.00 to 70.00 cents per pound. Bearishness was all around.

So Burton's prophecy then that US cotton futures would surpass 1.00-dlr was pretty much dismissed. He became something like Noah building his ark.

"Everyone was bearish then. If you said it would go up to even 80.00 cents, they thought you were nuts. And I was saying it would go past a dollar," he said.

Burton got word out about his forecast in August by sending letters containing his prediction and hedging advice to 143 US spinning mills.

Said one spinning mill spokesman, "Cotton was around 60.00c a pound at that time. This guy was really going out on a limb."

Since then, NY cotton futures have burst to highs never seen in the 125-year history of the NYCE. The Mar contract soared to an all-time high of 114.67c Mar 2.

While some cotton analysts may take issue with this, Burton takes credit for having been the only one to have predicted such a surge.

"If he is found to be right, he's lucky. But if he's wrong, he'll never be mentioned again in history," said one US analyst.

THE PROPHECY

Burton's actual projection remains unfulfilled: May cotton futures will reach 147.00c in the long term.

Although prices collapsed after reaching the highs, Burton hasn't given up on the ultimate fulfillment of his prophecy.

"The trend is still up. I think it will still get to that level. It could go even higher," he said. "I figured it on the May contract, but it could just be cotton futures in general."

He is more inclined to think that May will top around 120.00c by the end of March. Then, the market will collapse.

Nevertheless, Burton said that if New York cotton futures close above 1.00 dlr by the end of March, the trend remains up.

"Even if the market doesn't go any higher, nobody else predicted it would go as high as it did," Burton said. "So basically I'm right already."

But when you mention Burton's prediction in US cotton industry circles, they just laugh.

"I don't pay much attention to people like that," said one source. "He's just not credible."

Replies Burton, "It's easy to criticize when you're right. But when you're wrong, what right do you have?"

The analytic cotton world has attributed the market's spectacular rise to overwhelmingly tight global cotton supplies, exacerbated by shortfalls in key producers' crops.

Burton concedes that is true. But nobody really knew that in August, he says.

"The ones who were doing fundamentals could never have forecast that demand then," he said.

So how did he come up with his prediction?

KNIGHT-RIDDER MoneyCenter News #12652 Received at 01:19P on 13-Apr-

KR CHART FOCUS: Aussie "Gann" guru gets bullish on wheat futures

--Close above 3.68 dlrs major sign that Dec could climb to 4.40

Knight-Ridder

Chicago--Apr 13--Long-term cycles that form the basis of "Gann" technical analysis suggest Chicago Board of Trade wheat futures look extremely bullish, according to a Gann disciple in Australia.

William Gann (1878-1955) was a stock and commodity trader. He developed a complicated, even mysterious system of mathematical and geometric principles to govern his trading.

David Burton, a commodity hedger from Caloundra, Queensland, has based his activities on Gann patterns and has spent years chasing down the master's theories.

Now Burton sees signs that CBT Dec wheat is setting up for a major rally.

If Dec wheat can close above 3.68 dlrs per bushel at the end of this week, it will be a major bullish signal that projects to an eventual high near 4.40, he said. CBT Dec is currently trading at 3.69 1/2 dlrs.

One of Gann's signature beliefs was of the importance of the 45-degree trendline. A bull market is said to be in force as long as prices are above the rising line, and a bear market when prices are below the line.

On weekly charts, a close above 3.68 dlrs means Dec wheat "will have regained the 45-degree angle" from its low in July 1994, Burton noted: "It will also be above the 2-by-1 angle coming down from the major top made last October.

"I would not be short wheat if Dec closes above 3.68 dlrs" on a weekly basis, and, looking ahead, especially on a monthly basis.

"The pattern looks very bullish longer term. If you look at the 100-year cycle, Dec wheat could test the 1974 top of 5.82 dlrs."

CBT Dec '74 wheat futures peaked on Feb 26 of that year.

Burton is managing director of Commodity Hedging Co. and trades commodity and financial futures. Using Gann analysis, he predicted the huge rise seen earlier this year in US cotton futures.

CBT Dec wheat made a contract high Tuesday at 3.76 1/2 dlrs, but Burton said that should not be a disincentive to buying.

"It's never too high to buy as long as the trend is up," he said. "You just have to stick with it and have patience." End

By Rosalind Krasny, Knight-Ridder Financial News

Tel: (312) 454-3481

(NOTE: Comments or suggestions about this item or any other aspect of KRFN's grains coverage can be sent via the Internet to the following address: krf.agcommod@plink.geis.com)

KNIGHT-RIDDER MoneyCenter News #13516 Received at 01:34P on 1-Nov-95

KRF> CHART FOCUS: Gann devotee says higher wheat prices lie ahead
By Rosalind Krasny, Knight-Ridder Financial News
Chicago--Nov 1--US wheat prices have a chance to approach all-time highs this year or over the next few years, according to an Australian technical analyst.

David Burton of Caloundra, Queensland, bases his research on the theories of W.D. Gann, a legendary technician who charted commodity prices, stocks and bonds for 50 years using precise geometric and mathematical principles.

"Based on (Gann) cycles, wheat will be one of 'the' commodities over the next 4 years," Burton said. "Wheat could go back to the double top from 1974 at 6.45 dlrs per bushel, and then go on to 7.70 dlrs," Burton said.

Chicago Board of Trade Dec wheat futures made a contract high at 5.11 1/2 dlrs Oct 20, reaching the highest level in more than 14 years along the way, but has floundered near the 5.00-dlr level since.

Similarly, Mar has a double top at 5.17 dlrs from Oct 20 and 23, and is trading near 5.05.

Consensus at the CBT is that wheat prices have "topped out" and that the smartest near-term play is to be short the market. But thousands of miles away from trading floor "group-think," Burton says patience and a bullish bias will pay off.

"Wheat is having a bit of a rest here, but if Mar went to 5.19 dlrs I would not be short," Burton said. "Anyone who shorts this market should have a close stop."

Burton said the high in Mar of 5.17 dlrs is a 4-by-1 Gann angle drawn from the 1974 high on monthly charts of 6.45. If the contract high gives way, the next major resistance would be 5.66 dlrs, and then the 6.45 level.

"All the cycles suggest wheat is going up most of this year and next," he said. "To be a 'top picker' is very dangerous."

Burton has examined wheat charts constructed by Gann dating back to the year 1259, and has identified an 1812 peak of 3.85 dlrs as a significant level. A 1-by-1 Gann angle on yearly charts drawn from that long-ago bull market crosses at 7.70 dlrs.

"It's a realistic level to think about," Burton asserted.

Wheat's climb from spring lows below 3.50 dlrs basis Mar has come with only brief corrective spells. Burton said the market would need to turn down for several weeks to negate the bullish Gann angles.

A fall below 4.55 dlrs in Mar "would break the major Gann angle--the 1-by-2 angle," he said.

Burton warned that October is often a seasonal high month for wheat, and that more consolidation might lie ahead.

GANN ANGLES

Gann angles are moving averages of price and time. Lines of varying steepness are drawn from extreme highs and lows.

Using Gann methodology, a variety of "great time cycles" of lengths from 7 to 100 years project major highs in the wheat market between 1996 and 2000, according to Burton. End

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KRF> Technical Spotlight: Gann analyst sees big coffee turnaround

--Something's brewing: minimum target in Jly of 160c

By Rosalind Krasny, Knight-Ridder Financial News

Chicago--Jan 4--Coffee prices have been grinding lower for months, but according to one technician it's almost time to wake up and smell the bull market.

David Burton, managing director of Commodity Hedging Co. of Caloundra, Australia, has pinpointed a bottom in CSCE Jly coffee futures around Jan 21 at 88 to 92 cents per pound.

"Technically, we're coming up for a major, major buy," he said.

Burton is a follower of the methods of W. D. Gann, a renowned technical analyst from earlier this century who based his forecasts more on time than on price. Mathematical and geometric principles drive Gann analysis.

For the coffee market, "stacks and stacks of cycles come together (around Jan 21) for a major buying opportunity," said Burton, who has correctly forecast huge rallies in cotton and wheat prices in recent years based on his interpretation of Gann's methodology.

"All Gann angles on monthly and weekly charts cross in this area for support," he said.

"We are likely to start a new bull market with a minimum target of 160c, and new highs are not out of the question."

The 160c level seems very remote from recent action in coffee futures, which reached levels early this week not seen since early 1994.

CSCE coffee bottomed Wednesday at 90.50c, but shot up to close today at 97.15c on a major short-covering bounce.

Among the time cycles Burton said would come together in late January:

--225 months from the major high made in 1976 (225 is 5/8 of a circle)

--120 months from the second lower high made in 1986 (120 is 1/3 of a circle)

--18 months from the third lower high made in 1994

--144 weeks from the low in 1993

--108 weeks from the second higher low in November 1993

--72 weeks from the second lower low made in September 1994

--45 weeks from the third lower high made in March 1995 (45 is 1/8 of a circle)

A cluster of major coffee producer meetings scheduled this month could conceivably influence price direction, but Burton said he was unconcerned about fundamentals.

Instead, he repeated a Gann homily: "when time is up, price will reverse." End

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KNIGHT-RIDDER MoneyCenter News # 5135 Received at 08:28A on 31-May-96

KRF> REPEATS: Technical Spotlight: "Gann Man" bullish on Nov sbns
By Rosalind Krasny, Knight-Ridder Financial News
Chicago--May 30--Nov soybean futures at the Chicago Board of Trade have more weakness ahead in the near term, but are likely to run to new, higher highs later this year, said an Australian technical analyst who studies the methods of W.D. Gann.

David Burton, president of Commodity Hedging Co. of Caloundra, Queensland, projects a Nov high of "at least" \$9.70 per bushel. Nov settled today at \$7.56, up 4 cents.

Soybeans "have broken a major Gann angle for a bull market, but are still facing 2 months of weakness," Burton said.

The 45-degree Gann angle from the 1988 high of \$10.46 was broken recently at \$6.90, "indicating we are in a major bull market, so any correction over the coming months would be great buying."

He projects a retreat by Nov into early July or even later, with the contract bottoming near \$6.69 to \$6.70 before the market regroups and boomerangs higher. Interim support is seen at \$7.39 and \$7.03.

"June is often a seasonal high for soybeans, and all the grains could pull back for a while," Burton said. "This is a congestion area before a new bull leg."

The outlook for weakness into July is based on a 10-year Gann cycle, mirroring a drop in Jly-Aug 1986, he said.

W.D. Gann (1878-1955) was a legendary commodity and stock trader who developed technical analysis principles based on mathematical and geometric principles.

Burton noted that soybean futures started trading at the CBT in October 1936. A 60-year cycle will end in October 1996.

Several other major time cycles will end this year, including the 20-year cycle from the November 1976 low (a corrective low made before moving to new highs) and a 13-year cycle from the September 1983 top. End

By Rosalind Krasny, Tel: (312) 454-3481

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KRF> Technical Focus: Aussie "Gann man" bearish on cotton prices
BRIDGE News

Chicago--Oct 9--Cotton prices are staging a rally in a bear market, and should be in a persistent downtrend into late 1997, according to an Australian technical analyst.

"Time is pretty well up for cotton at the moment," David Burton, president of Commodity Hedging Co. of Caloundra, Queensland, told BRIDGE News.

The chartist is a follower of the methodology of legendary stock and commodity trader W. D. Gann (1878-1955), who developed precise mathematical and geometric charting principles.

Looking at the New York Cotton Exchange May contract, Burton said cotton was below a major 45-degree support line drawn from the 1992 low on weekly charts. The next major Gann support angle crosses near 66.00 cents per pound, he said.

May cotton closed today at 78.10c, up 30 points.

"If you work out the range on a daily basis, 79.45c is pretty well a selling level," Burton said. "Time and price signals show we're very close to a top here."

Major resistance can be expected in May at 81.00c, "the square of 9...an important Gann number," and at 81.70c, the 1987 high for May cotton, Burton said. The 20-, 60- and 90-year cycles all point down, he said.

Making a peak at current prices "would be cotton's third lower top since the 1995 high," he said.

Those lower highs were said to show the market still in a downtrend; lower tops and flat bottoms create a descending triangle that often results in a breakout to the downside.

"If I was a mill, I wouldn't be buying until prices were in the 60s," he told BRIDGE News.

"I wouldn't get bullish until there was a weekly close above 84.00c."

In 1994, Burton gained notoriety for correctly predicting that Gann analysis suggested a rally above 100c, even in the wake of a record large US crop. Cotton prices peaked at 117.20c in April, 1995.
End

By Ros Krasny, BRIDGE News (formerly Knight-Ridder Financial News)

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[S] Technical Focus: CBT corn's tailspin could last into December
Bridge News

Chicago--Oct 23--Major time cycles point to Chicago Board of Trade corn futures grinding lower into December before setting up for a significant rally, an Australian technician forecasts.

The 100-, 90-, 50-, 15- and 10-year cycles all point down into December, said David Burton, managing director of Commodity Hedging Co. in Caloundra, Queensland.

"I wouldn't be touching corn from the long side until December," he said. "But then, look for a major rally."

Burton studies the methods of W. D. Gann, a storied technician from earlier this century, in evaluating commodity price trends. Gann methodology is weighted toward mathematic and geometric principles.

A major support point for CBT Jly corn will be \$2.77 per bushel, 1/4c away from 50% of the all-time high of \$5.54 1/2 made by Jly 1996 corn futures on Jly 12 this year.

"A weekly or monthly close below that would put corn in a weak position," Burton said.

The 62% retracement from the 1987 low of \$1.54 to the 1996 high lies at \$2.54, "so expect corn to drop another 30 to 40c," he said.

CBT Jly corn settled Tuesday at \$2.95 1/2, up 3 1/4c, after posting a new seasonal low of \$2.89 1/2 on Tuesday.

Burton said Jly corn is below a 45-degree Gann angle drawn from the June 1993 low, leaving the market with a negative bias.

In December, a 2-by-1 Gann line angle at \$2.56 in Jly--a value that is also the square of 16 and termed a significant Gann point for that reason.

"Jly will be a pretty good buy if it gets down there," Burton said. "Dec-Jan will be good buying for a big rally."

Other time values, including 42 months from the 1993 low and 30 months from the June 1994 low, converge to suggest a buying signal in corn in December, he said. End

By Ros Krasny, Bridge News

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[B] BRIDGE TECHNICAL FOCUS: "Gann Man" sees NYCE cotton even lower
Bridge News

Chicago--Apr 21--Already on the skids, cotton prices might not snap of their general decline until the Oct-Nov period, according to an Australian technical analyst.

David Burton, managing director of Commodity Hedging Co. in Caloundra, Queensland, uses the methodology of chartist W. D. Gann to analyze commodity price trends.

Burton told Bridge News that several major cycles lows are due in the Oct-Nov period: 5, 10, 20 and 60-year cycles all bottom during the Oct 1 to Nov 17 time frame.

"The Oct-Nov time cycle is the most important thing," said Burton. "If I were a spinning mill I would wait to buy until then. The time cycle will determine the price--when time is up, price will reverse."

New York Cotton Exchange May futures today made a new contract low 70.30c. The 70.00c level has been a major support point over the past year.

For the current bear trend, Gann analysis suggests a minimum target 68.00c, beyond which "64.00c to 65.00c should be good support," Burton said.

However, if cotton could manage a monthly close below 63.00c, there is potential to reach the "maximum target" of 52.00c," he added.

One of the latest bearish indicators Burton cited was a Gann line from the January 1993 low crossed by May cotton in mid-March.

Gann analysis is based on a combination of time and price factors. "Time will balance out, as the market went up from 2.5 years from the October 1992 low to the April 1995 high. So from April 1995 down to October 1997 will be 2.5 years down," Burton said.

Once Oct-Nov lows are made, "this will be the time to buy call options against all those physical sales you have made for the 1998 season," Burton noted in a circular aimed at Australian growers.

Burton gained notoriety in 1994 by accurately forecasting the rally that took cotton prices well above 100 cents per pound. He also forecast the huge rally in wheat prices in early 1996. End

By Ros Krasny, Bridge News

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January 15, 1998

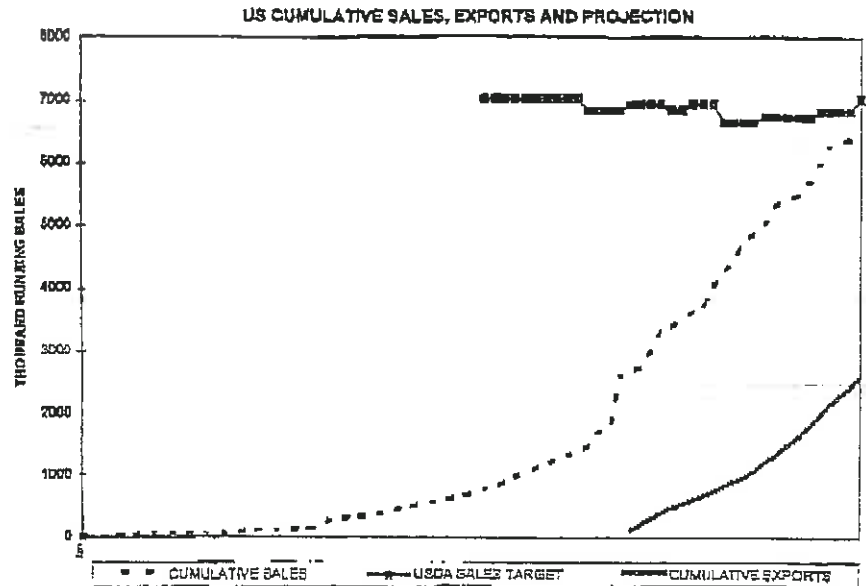
VARNER BROTHERS



COTTON ROW JOURNAL

Export Comparison

Retail Sales hit another all-time record high. Seems no one told the American consumer, specifically the all-American female, 18 to 50, that there was a problem in Asia. This new record reflects December and the holiday buying period, so retailers ought to be quite pleased the rumbles in Seoul, Taipei, and Jakarta did not scare Aunt Sammie from the stores. Just don't ask these gals about the record debt on their credit cards. That would be uncivilized..... Lets look at the last 3 years of shipments, to see where this year stacks up. For 96/7, shipments stood at 2.114 Mrb on 1/9; for 95/6 on 1/11 they totaled 2.804 Mrb; and for 94/5 they were 2.622 on 1/5. Final shipments for those years respectively were: 6.708 Mrb; 7.277; and 9.134. Those totals imply that for this week, shipments stood at the following completion percentages, respectively: 96/7 = 32%; 95/6 = 39%; and 94/5 = 31%. So, for this year's total shipped so far at 2.6 Mrb, and a projection of 7.020 Mrb, this gives us a percentage completion on 1/6 at 37%. Using the last 3 year's as a guide, final actual shipments could thus be projected as high as 8.387, to as low as 6.667 Mrb. Fine tuning this guess with more emphasis on the 2 years data with percentages in the low 30's, implies something around 7 and 3/4 to 8 Mrb. We'll do some more with this in coming sessions.



Technical Analysis

CRB Index has made a definitive bottom, at least for the short term via the rebound last Tuesday. Gold and grains reversed previous multi-week bear markets. Cotton is maintaining a high degree of correlation with this basket index.

Super technician, David Burton of Caloundra, Queensland, made headlines recently by forecasting a price of 6367 for Mar cotton, and pontificated whether or not cotton could move as low as 49c. Don't laugh, as we think this is the guy who correctly forecast the super bull move over \$1, 3 years ago. This kind of price prediction is sure to get some attention, even if it does rile his neighbors, as Queensland province is a major producer of cotton.

Thought for the Day

Excerpt: Gladstone saw that the maintenance of the liberal state was incompatible with holding within its centralized grip a large disaffected community of settled mind. from **GLADSTONE**, by Roy Jenkins....and: He was not made for war, not from want of courage or of patriotism, but because the martial arts stirred in him a snese more of waste than of excitement or admiration.

Roger S Varner

E-mail Address Varner Brothers.

325 Cotton Row • Cleveland, Mississippi 38732 • Phone: 800-4-VARNER(482-7637) • Fax: 601-843-6015 • E-mail: varner@tecinfo.com

"Brazil's ability to market its 1998-99 crop hinges on the strength of their currency and economy," says Jim Cordier, softs broker for Allendale in Milwaukee. "Should the economy falter and we see a devaluation, it could be very bearish if we see the Brazilians dumping their coffee all at once."

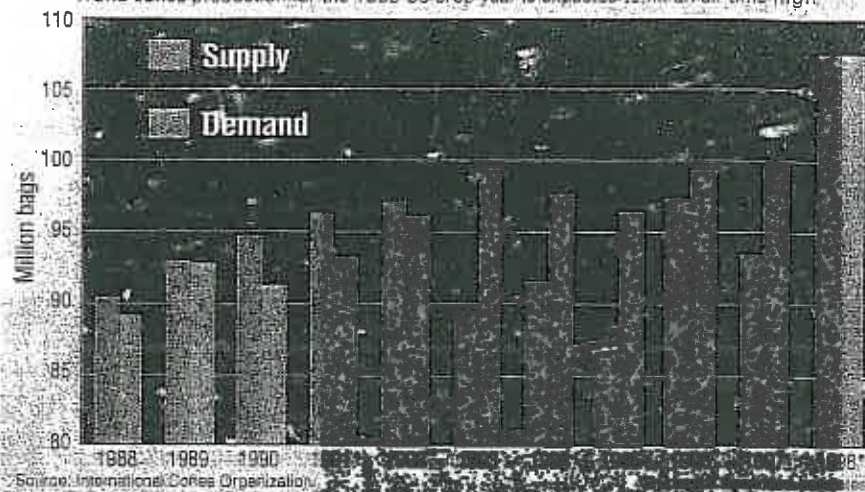
Cordier adds if the economy holds steady and producers pace exports, coffee prices should rally slightly in the first quarter of 1999 to between \$1.20 and \$1.30 per lb.

Beyond the economic uncertainty, traders already are looking forward to next year's crop to determine pricing. Unlike grains where analysts must wait for the planting and growing season to progress before making crop estimates, coffee watchers already are estimating the 1999-00 crop. Typically, a large crop one year means coffee production will slip in the next year. Early estimates showed a drop in Brazilian production to around 25 million bags. That figure could change substantially, however, as analysts get more accurate information about the condition of the coffee crops. Even with a lower production estimate for the coming crop, there are plentiful supplies from the 1998-99 crop to hold prices down.

Lawrence Eagles, head of commodity research at GNI in London,

WEAK COFFEE: WORLD SUPPLY AND DEMAND

World coffee production for the 1998-99 crop year is expected to hit an all-time high.



says the world supply of coffee is more than ample. He anticipates coffee prices to slide sideways in the first half of the year and prices to range between \$1.00 and \$1.20.

"The 1998-99 year is going to be a bumper crop," Eagles says. "That's going to replenish a lot of stocks. The market will remain in an equilibrium status."

Cocoa confounds The cocoa market still has many analysts scratching their heads. For a commodity that operates in a continual supply

deficit, at least on paper, the current market remains mostly bearish. Prices dropped to \$1,520 per ton in late October since hitting \$1,754 in May. Early estimates for a poor cocoa crop helped bolster prices early in the year. World projections of 2.67 million tons were about 80,000 tons to 130,000 tons less than for 1997-98, according to Prudential Securities. And that has led to a larger supply deficit than in year's past. Merrill Lynch softs analyst Judy Ganes, conservatively estimates the 1998-99 cocoa

Tech Talk: Cotton Wrinkles

By David Burton, managing director of Commodity Hedging Co., in Caloundra, Australia

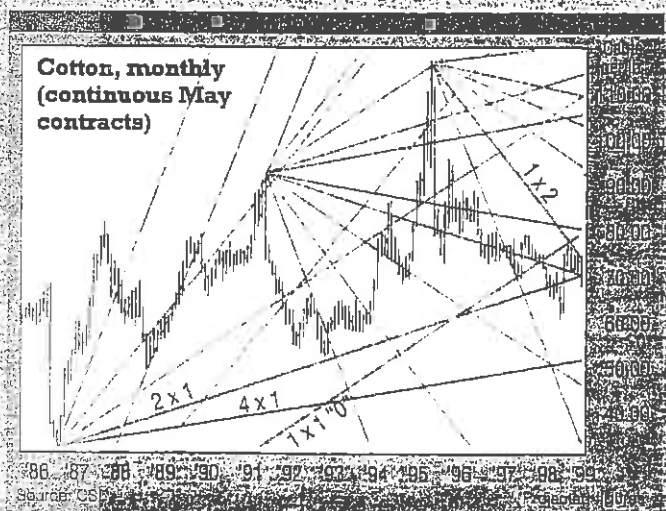
Using methods of W.D. Gann, we keep weekly, monthly, quarterly and yearly charts to find short and long-term positions of commodity markets. For example, we'll run the following Gann angles: 8x1, 6x1, 4x1, 3x1, 2x1 and 1x1 from all tops, bottoms and the zero line.

This continuous May cotton monthly chart shows we are currently in a downtrend because the market is below the 1x1 angle coming up from zero and the 2x1 from the 1986 low of 31.56¢ per lb. If we extend trendlines into January 1999, a sub-75¢ price level would indicate the market is in a weak position. If price trades beneath where the 1x2 angle coming down from the all-time high of 117.2¢ per lb. crosses the 2x1 angle at 73¢ in January 1999, that also is a bearish signal.

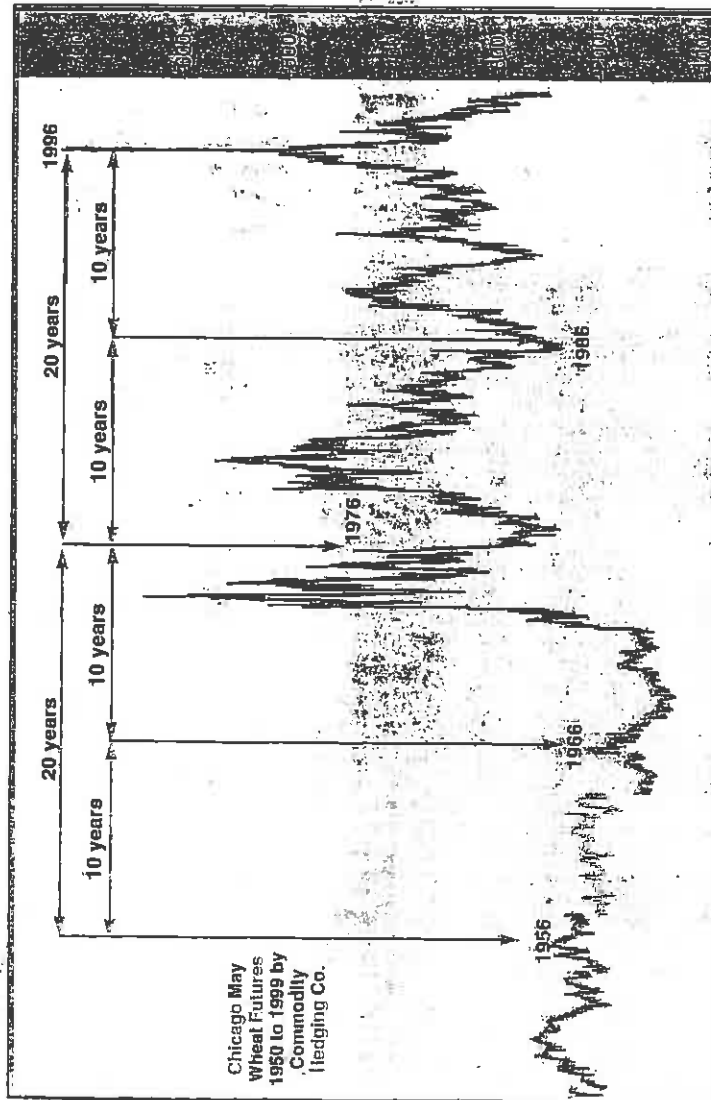
On a weekly basis (not shown on chart), another bearish signal is if a 1x1 angle from the low made in April 1998 of 60.50¢ hits 71¢ in January 1999.

Coupled with the angles, it is very important to run all of Gann's time cycles. These are 90 years, 82-84 years, 60 years, 50 years, 30 years, 20 years and 10 years with the minor cycles of seven-year, five-year, three-year and one-year cycles. If the cycles combine to hit a major Gann angle at the same time, then we're likely to get a major reversal for all highs and lows. Currently, the major cycles point down through April 1999, so it is important to watch which angles the market breaks as it usually will travel to the next angle as support.

Coupled with normal seasonal lows in April 1999, most spinning mills should avoid long-term purchases until then, while traders should look for opportunities on the short side.



Futures—December 1998 31



HEDGING HISTORY: To get a proper perspective when hedging commodities it is useful to study the history in order to anticipate future cycles, according to David Burton from the Commodity Hedging Company.

Time cycles are an important factor in wheat growing

By DAVID BURTON
Commodity Hedging Company

For the rural industry to survive in the long term vast improvements are required when hedging commodities.

Billions of dollars are lost each year due to low prices at harvest time.

It is helpful to study history in order to anticipate future cycles since the future is only a repetition of the past.

Numbers and cycles are linked to give future highs and lows.

There are a number of cycles for every commodity ranging from one year to 90-year cycles.

If we look at the 10-year cycle from 1956 (see chart), we see there were highs in 1966 and 1976, a low in 1986, then an all time high in 1996.

The other highs and lows in the market relate to smaller and larger cycles. Based on the 10-year cycle, the next major turning point should be in 2006.

This is likely to be a low, based on a number of cycles combining at this time.

Before the next major low in 2006, we should see a low about April this year prior to starting a bull market.

You can also see on the chart, the lows in past years have been about \$2.50 per bushel and these lows are likely to hold in the next correction

down.

The price will be pushed higher because of droughts and war cycles combining this year. The droughts are likely to be in the USA, and the wars accumulating in the Middle East.

When combining cycles we also convert price to time. For example, the all-time low of 28 cents per bushel in the year 1852, squares-out in April this year. This year 1999 minus 1852 equals 147 years which equals 1764 months. Divided by the low of 28 you get 63 squares and 63 is an important number because it is 7 x 9. The number seven is important because it is the number of days in a week and nine is important because it is the highest single digit before we return to the beginning. Using cycles from as far back as the year 1259 allowed me to forecast the 737 high in wheat in 1996.

The Wheat Board can only hedge 15% of your crop but to make money out of farming you need to be able to hedge 100%. For example, the price fell in 1996 from \$7.17 per bushel down to \$2.50 per bushel, which is a difference of \$4.67 per bushel. On 5000 tonnes this is a loss of income of \$1.4 million.

A marketing seminar involving David Burton's hedging system is to be held in Toowoomba on Wednesday, March 31. Contact Megan Thomas 4667 7318 for details.

The war with wheat

16.4.1999

War has always been good for higher commodity prices and wheat is no exception.

Normally wheat collapses just after war begins but generally you end up with higher prices over the next three to four years and in some cases, extremely high prices.

With the war in Kosovo and tension continuing in the Middle East, I would expect wheat would bottom over the next month before moving to new highs over the coming three to four years.

Having wheat data back to 1259 and war data back to 1090, I have been able to correlate the effect of war on wheat prices.

Just going back over the past hundred years, I will show you how the wars have made wheat prices jump.

For example:

The 30-year war (1618-1648)

Wheat moved from a low of 77 cents per bushel in 1621 to a high of 141 cents per bushel in 1622 and remained at these levels for another five years.

The first Civil War (1642-1648)

Wheat made a low of 100 cents per bushel and moved to a high of 137 cents per bushel.

The second Civil War (1648)

Wheat moved from a low of 159 cents per bushel to 188 cents per bushel.

American War of Independence (1775-1786)

Wheat moved from a low of 87 cents per bushel in 1776 to a high of 143 cents per bushel in 1778.

Anglo American War (1812-1814)

Wheat moved up from 230 cents

By D. BURTON,
Commodity
Hedging Company

per bushel in 1811 to a high of 395 cents per bushel in 1812, the highest price in 500 years.

American Civil War (1861-1865)

Wheat moved from a low of 133 cents per bushel in 1859 to a high of 196 cents per bushel in 1867

World War One (1914-1918)

Wheat moved from 72 cents per bushel in 1914 to a high of 350 cents per bushel in 1920 - the highest level in more than 100 years.

World War II (1939-1945)

Wheat moved from 59 cents per bushel in 1939 to 321 cents per bushel in 1947 - the highest level in 30 years.

Vietnam War (1966-1975)

The war at Long Tan was in 1966 and from that date, wheat exploded from 145 cents per bushel to 600 cents per bushel - the highest level in 700 years.

The Gulf War (1990-1991)

We went from a low of 238 cents per bushel in 1990 to a high of 440 cents per bushel in 1992.

Current war

I believe the low is in place at 250 cents per bushel with the upside potential at more than 450 cents per bushel.

Following is an extract from the December 98 newsletter issued to clients of Commodity Hedging Company:

During the next few years we should have some wild swings in the market due to wars, droughts and financial movements in the stock and commodity markets. First, we will look at the up and coming war cycles.

The war cycles are likely to blow up towards the end of 1999 due to a number of cycles coinciding. One of the most important cycles that Gann used was the number 90 because it is a quarter of a circle and because markets often turn on 90 days, 90 weeks, 90 months and 90 years. Other important cycles are the 60, 50, 40, 30, 20, 15, 10, 9, 7, 5, and one-year cycles.

War cycles that are due 1999 and beyond:

Jerusalem War 1099 + 900 years = 1999

30-year War 1618 - 1648 + 360 (4 x 90) years = 1999

War of Roses 1459 + 540 (6 x 90) years = 1999

Civil War 1862 + 195 (90 x 1.5) years = 1999

100 years = 1999 - 2001
WWI 1914 - 1918 + 82 - 84 years = 1998 - 2002

WWII 1939 - 1945 + 60 years = 1999 - 2005

Korean War 1950 - 1953 + 49 years = 1999 - 2002

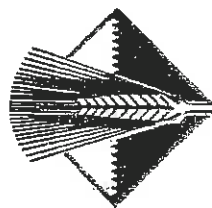
Arab/Israeli War 1956 + 45 years = 2001

Arab/Israeli War 1973 + 30 years = 2003

Falklands War 1982 + 20 years = 2002

Gulf War 1990/91 + 10 years = 2000/2001

At our next marketing seminar (June 17 in Toowoomba), we will discuss hedging and how to maximise returns on wheat and cotton. For further information contact Megan Thomas on (07) 4687 7318.



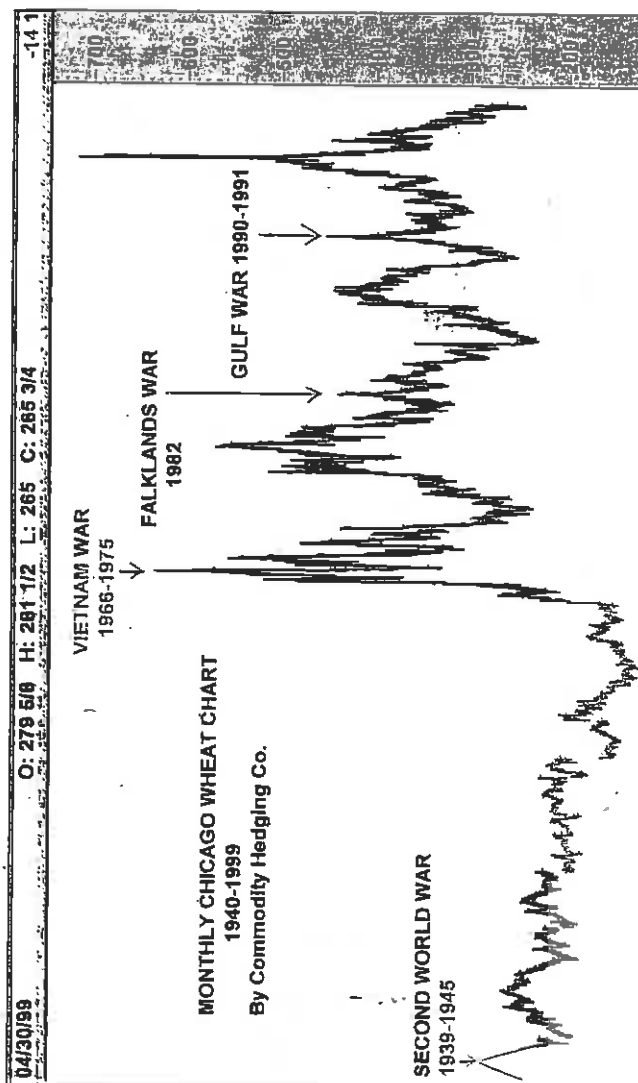
QCCA meeting notice

Goondiwindi

Thursday, April 22, 1pm, Goondiwindi RSL Business: Amalgamation of QCCA, UGA and CU branches and election of office bearers.

Notification to branches

The deadline for a notice in this column is 9am Friday before publication. Notice should be forwarded to Head Office, Queensland Grain Growers Association, PO Box 360, Toowoomba.



MONTHLY CHICAGO WHEAT CHART
1940-1999

By Commodity Hedging Co.

SECOND WORLD WAR
1939-1945

Commodity Hedging

From: Michael Thompson <mgthompson@dunavant.com.au>
To: David Burton <dburton@hotmail.net.au>
Sent: Wednesday, 17 November 1999 8:36 AM
Subject: Re Bridge New

Chicago--Nov 16--NYCE cotton futures ended sharply lower Tuesday amid liquidation ahead of the Dec notice and delivery period next week. Dec futures plunged to a new contract low of 49.11 cents per pound, then settled not far away at 49.22c. * * * Dec fell more than 100 points, erasing the old low of 49.27c and bringing its negative influence to the rest of the contracts on the board. Mar futures fell to 50.75c, its lowest level since Jul 15 and close to the Jul 12 low of 50.30c. Mar then settled at 50.83c. Earlier, large funds that were heavily short the market rolled their positions forward, buying Dec and selling Mar in morning action. Small speculators and locals also sold futures, heaping pressure on prices and triggering sell-stops to force contracts to the lows. Long positions were liquidated, with "persistent pressure all day long," a NYCE trader said. Trade interests were outright sellers of Dec futures, with farmers getting out of long positions. Major merchants and cooperatives were selling Dec and buying Mar, resulting in larger losses in Dec. The Dec/Mar spread narrowed to about 140 points in early trade, then widened again to between 160 and 170 points in late action. Talk has circulated about the Dec delivery situation, with major merchants likely to take cotton. NYCE certificated cotton stocks total 183,229 bales as of Monday. "At two-thirds (of carrying charges), I'd rather own the cert stocks than owe it," said a broker in the US Delta. "I calculate full carry at about 250" (points). Delivery notices will be available late next Monday. Open interest in Dec should have fallen dramatically from 23,581 lots after this session. Liquidation of open interest should continue to be the main focus in the following sessions. The weekly speculation/hedge report will be released Wednesday morning, delayed by Dec options expiration last Friday. The report is expected to show speculators 15% to 17% net short as of Friday, having entered more new short positions that week. One Louisiana broker noted that recent activity has increased the net short figure. "Whatever number you see in tomorrow's spec/hedge report, add 7 or 8 (percentage) points to it," he said. Speculators entered new shorts in the last session and added even more in Tuesday's session, encouraged by the decline below 50.00c and the challenge to the contract low. Before this session, some market watchers were guessing that prices may have bottomed out or will bottom soon. Australian David Burton, a technical analyst and managing director of Commodity Hedging Co. in Caloundra, Queensland, follows the methods of chartist W. D. Gann. Burton recently had said Gann analysis indicates that the cotton market could hit a bottom soon. A weekly close above 55.90c in May futures could lead to gains of several cents. In this session, May futures settled at 52.24c. It still has some distance to go before it reaches a settlement level that is considered bullish and that will lead to a major rally. A Texas broker noted that the market still "looks sick" and may be in for further losses. But the market has fallen deeper into oversold territory, never quite having escaped from that area in the past several sessions. With some new lows and new low closes, prices now may undergo a correction. Fundamentally, things may be getting better, though slowly. Analysts still point to a large world crop



Williams & Partners Pty. Ltd.

A.C.N. 010 497 631
CHARTERED ACCOUNTANTS
28 January 1999

Directors
Brendan H. Vaughan
B.Ag.Ec.
Scott D. Amos
B.Com., A.C.A.
Michael C. Williams
B.Com., A.C.A.
Greg W. Kelly
B.Bus., A.C.A.

To Whom It May Concern

I advise that I have known David Burton (ie. Managing Director of Commodity Hedging Co. Pty Ltd) and am aware that Commodity Hedging Co. Pty Ltd has been providing advice in relation to the trading of commodity and currency options as well as futures contracts for a number of years.

I have reviewed Client Transaction Reports (Futures/Options) provided by Queensland Cotton Marketing for six (6) clients of Commodity Hedging Co. Pty Ltd. I have been advised by David Burton that Commodity Hedging Co. Pty Ltd provided the advice in relation to these currency (ie. \$A/\$US) option trades which were placed with Queensland Cotton Marketing. The initial funds in respect of the six(6) clients' results, detailed below, were initially borrowed monies and all returns shown are net of interest (ie. at a rate of 9.2%) and total brokerage (ie. US\$25 per trade <ie. buy and sell> per lot). The results shown below relate to trading conducted for the period 1st July 1998 to 5th January 1999:

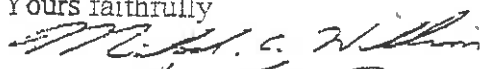
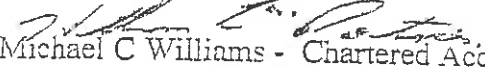
		\$
Client 1:	Total Profit:	84,960.04
Client 2:	Total Profit:	164,652.33
Client 3:	Total Profit:	14,497.36
Client 4:	Total Profit:	9,664.90
Client 5:	Total Profit:	48,179.15
Client 6:	Total Profit:	19,908.22.

I confirm that I have reviewed the Client Transaction Reports as provided by Queensland Cotton Marketing and checked the calculations of the profits in respect of the six(6) clients in question for the period stated namely 1st July 1998 to 5th January 1999. The above profits are correct based on the information reviewed (ie. Client Transaction Reports provided by Queensland Cotton Marketing).

I advise that I have not verified the option trades per the Client Transaction Reports with individual buy and sell contracts or other documentation and I make no comment in respect of the completeness or otherwise of the transactions shown on the Client Transaction Reports.

I provide no guarantees or warranties in respect of past, present or future advice provided or to be provided by Mr David Burton and/or Commodity Hedging Co. Pty Ltd.

Yours faithfully



Michael C Williams - Chartered Accountant
WILLIAMS & PARTNERS PTY LTD

mw\199\jan\burtd28

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Represented nationally and worldwide as a member firm of S & W International
with offices in Adelaide, Melbourne, Perth and Sydney.

Mr David Burton
Commodity Hedging Co
PO Box 216
Caloundra 4551

19th April 2000

Dear Mr Burton

Following please find Client Transaction Reports (Futures/Options) as requested

Grower No 1

Balance 2000 Crop Fixed basis May-00 Futures @ 63.28 X 1,200 B/C
Options Trading P/L = US\$1,305 (After Commission)

Grower No 2

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 4,000 B/C
Options Trading P/L = US\$145,185 (After Commission)

Grower No 3

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 4,000 B/C
Options Trading P/L = US\$40,710 (After Commission)

Grower No 4

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 5,000 B/C
Options Trading P/L = US\$57,530 (After Commission)

Grower No 5

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 500 B/C
Options Trading P/L = US\$6,420 (After Commission)

Grower No 6

Balance 2000 Crop Fixed basis May-00 Futures @ 63.30 X 1,200 B/C
Options Trading P/L = US\$11,610 (After Commission)

Grower No 7

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 1,000 B/C
Options Trading P/L = US\$6,985 (After Commission)

Grower No 9

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 1,100 B/C
Options Trading P/L = US\$15,525 (After Commission)

Grower No 10

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 1,100 B/C
Options Trading P/L = US\$18,300 (After Commission)

Grower No 11

Balance 2000 Crop Fixed basis May-00 Futures @ 63.40 X 1,100 B/C
Options Trading P/L = US\$18,300 (After Commission)

Grower No 12

Balance of 2000 Crop Fixed basis May-00 Futures @ 62.80 X 1,000 Bales
Options Trading P/L = US\$11,450 (After Commission)

Grower No 13

Options Trading P/L = US\$7,600 (After Commission)

Regards

Michael Thompson
Michael Thompson
Trading Manager - Dunavant Enterprises Pty Limited

VARNER BROTHERS

"OUR FUTURES ARE IN COTTON"

COTTON ROW JOURNAL

March 23, 2000



THE ELVES

H. Rogers Varner, Jr.

Most of our friends, and enemies, in this business eschew the technical side. One hard-core fundamentalist said that all of that mish-mash had been disproven long ago. However, even though we consider ourselves in the "harder core" of pure fundamentalists, we also listen well to the elves, and even do a bit of mathematical posturing ourselves. The now 4th year in a row for the market to post a major top in March is not coincidental. Even though the fundamentals eventually guide the market in general terms, the elves have a lot to say when and how. We call attention to one such elf, a jolly Gann-based theoretician in Ca-

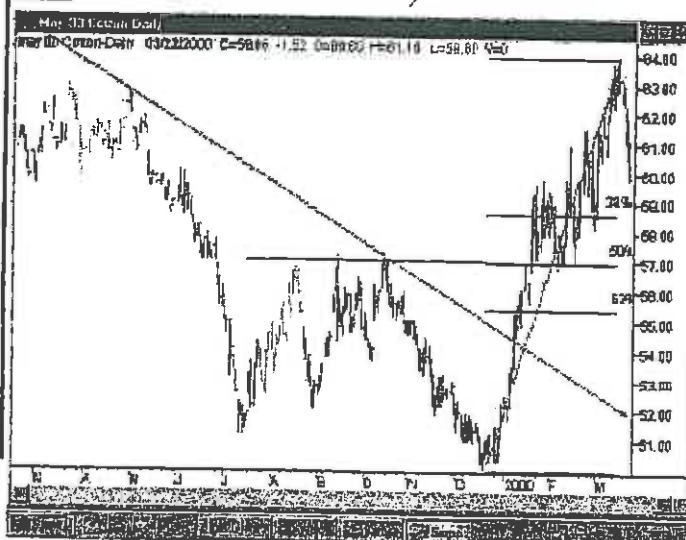
loundra, Queensland. David Burton can be said to have called for much, if not all of the 95 bull run, and recall in these pages we gave him a hand for nearly hitting the low for the May 00 contract (his prediction was 49c, actual low = 50). Mr. Burton was a rare voice on the bull side last fall, and we wished we had known he was there. His latest opinion was posted in a Bridge news wire story, calling for a hard selloff before another rally. This dovetails nicely into what we think, except Mr. Burton says the selloff will occur in April. He sees a low at 5700 to 5500.

Note the levels of retracements listed in

tech comments below. Mr. Burton's interview with Bridge is on file in our office, and worth reading. Call for copies, and get ready to turn the heat on the bulls for a while.

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TECHNICAL ANALYSIS

H. Rogers Varner, Jr.

Regarding market history following mid March tops, again similarities are striking. After the 97 top, an 855 point decline occurred, lasting 8 weeks. The 98 top say a 1045 point decline in 4

weeks. The 99 top experienced an 1115 point decline in 6 weeks. The average time period was 6 weeks, and the average point drop was 1005 points. Therefore, if 2000 adheres

to history, a 6 week drop into a price band of 5540 to 5280 would be "normal." The average low would be 5390. All prices are "spot" month, implying May contract. Contract low for May 00 is 5010.

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[BNZFND5] [B] BRIDGE FOCUS: Cotton charts turning bullish; Wednesday key [1.18233]

Burton fully expects May cotton to reach 72.00c by April. That's where a monthly 2 X 1 Gann angle up from the December 1999 low on the May continuation chart crosses through a 4 X 1 Gann angle down from the July 1999 high.

By the end of May or early June, the May continuation contract should reach a new high near 75.00c before slipping back slightly into a summer solstice low around June 21, he said.

Prices will quickly regain their bullish momentum for a run up toward 83.00c by late August or early September, forming a one-year anniversary high with the Aug. 29, 2000, swing high on the Dec continuation chart.

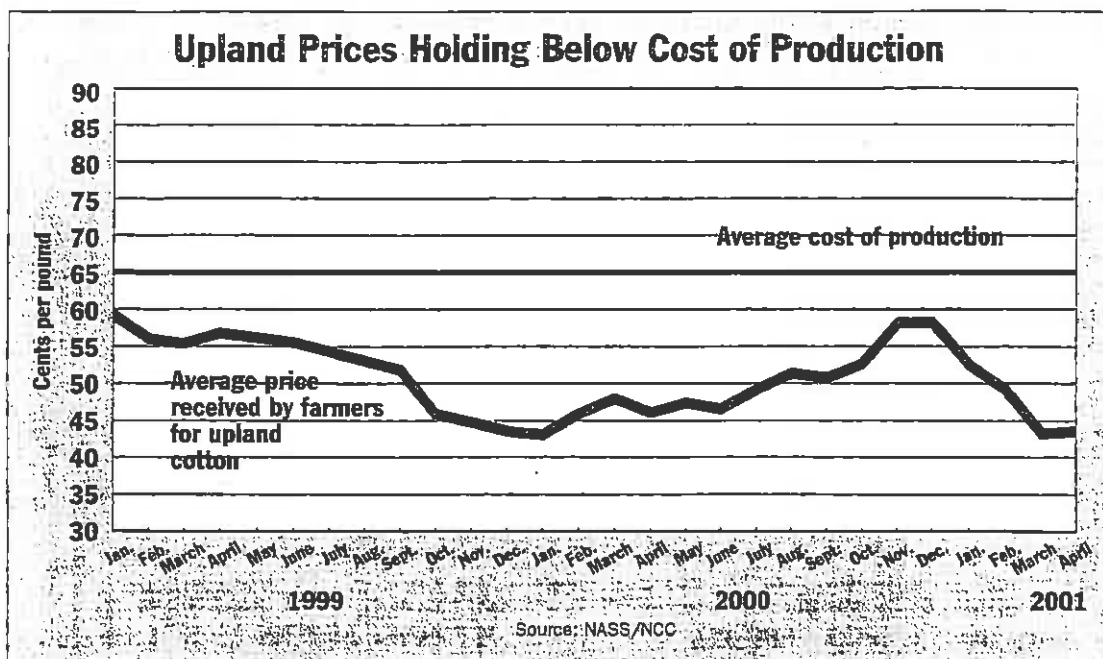
After a pre-harvest high, Burton looks for cotton prices to work lower again, around the 64.00c area, into early 2002.

"Cotton prices will be over 90.00c again in 2003 and may hit a new all-time high," he boldly predicted.

Burton said the cotton market is entering the bullish phases of the three-, 30- and 84-year cycles.

The next couple of weeks could be choppy, but a rally should be in full stride by the end of February, the Aussie said.

MARKET COMMENT



The average price received for upland cotton at the farm gate continues to hold well below the estimated 65-cent-per-pound cost of production. CHART: RAY E. WATKINS, JR.

Looking for the Logic

Australian market expert tells growers to avoid emotional decisions during this low time in cotton's pricing cycle.

In the December 2000 issue of *Progressive Farmer*, Australian marketer David Burton shared expectations that cotton prices would drop by at least 10 cents a pound. What actually happened was a near 20-cent drop, with cotton falling from a high of 67.31 cents per pound on Aug. 29, 2000 to 48.70 cents per pound on April 2, 2001.

Burton says he was looking for the 10-cent drop because that would have been a 50% correction from the 47.75-cents-per-pound low the crop made in December 1999 to the high in August 2000.

"The range was 19.56 cents, and the 50% level was at 57.53 cents per pound," he says. "The market had to maintain this level to remain a bull market, and once it was broken the mar-

ket was in a very weak position."

Burton says this bigger than expected drop, along with the seasonal low months of December, January and February, have put the market under, what he calls, "extreme pressure." And he seems pessimistic about a turnaround in the near future.

"Many U.S. growers now are holding onto cash cotton, and this is the worst thing to do, as the market can fall a lot lower," he cautions.

The May and July contracts were below the 1988 and 1999 lows. And Burton wondered if they could even approach the 1986 lows of around 30 cents per pound.

"On the other hand, the December contract can remain in an up trend," he says. "But if it breaks 47 cents per pound

it could turn that slight up trend down, at least temporarily."

What should growers do when prices are these low levels?

Burton makes his projections using a mathematical Gann system (details on this are available on Burton's website, www.commhedge.com.au). And he does sound very optimistic about prices right now. In fact, his current marketing strategies are not focused on making a price farming as much as they are on staying in business long enough to receive some of the benefits from eventual price improvements for cotton.

"If your growing cost for cotton is 65 cents per pound and the mar-

ket is at 30 cents per pound, you are better off buying futures or call options than not growing cotton," he says.

Here are Burton's reasons for choosing this option:

1. You lower your growing costs.
2. You can make more profit than someone growing cotton. For instance, make 30 cents per pound the market only has to go up to 60 cents. But the grower producing crop for 65 cents per pound needs the market to climb to 95 cents, which would be an all-time high on the December contract.
3. You have no yield risk due to weather problems.
4. You save your machinery for higher-priced years.
5. If everyone did this, world ending stocks would disappear very quickly.

Burton adds that, while it seems unorthodox to advise farmers not to farm but rather invest in the market, he believes in a less emotional approach.

"Many people don't operate at a logical level when things are going against them. By following the above strategy in the low-priced years, you will be able to stay in business longer."

Make money when the prices are low.
23/10/2001

There are some great opportunities for both mills and growers when cotton is at 30 year lows.

When a grower grows cotton or any other crop and hasn't forward sold he becomes a cash speculator, and he hopes that prices go up. This is very dangerous to grow because the prices could stay down for another year or years depending on the economic cycle we are in. The other thing that makes it worst is that if you have an oversupply due to weakened demand and large production and keep growing you are actually adding to your own demise because you add more cotton to the world ending stocks. If everyone didn't grow the price would go up like mad if you were to this at the same time demand picks up. How do you take advantage of a move up in the market without growing? Well it's easy you buy futures or call options to hedge against a price rise. You also save your machinery for high price years and you have no weather risk as well.

Therefore the lower the market falls below your growing costs the better off you are financially. If your growing costs are 60 cents/lb and today the market is 30 cents/lb you can lower your growing costs by 30 cents/lb. It makes sense doesn't it? If a car cost \$60,000.00 and someone offers you the same car for \$30,000.00 you aren't going to say no, I want to pay \$60,000.00 because I'm stupid.

A spinning mill or any other consumer can buy at extreme lows. If a spinning mill isn't going to hedge forward at 30 years when is he or she going to do that? The mill has to buy at some stage otherwise he doesn't have a business so why not do it when the cotton prices are here. You can either buy call options, futures or cash cotton and buy a put if you think the price is going lower. If a spinning mill doesn't have a long term plan now to buy he will have to buy at the top of the next bull market. Remember January and February are seasonal lows. There has only been 7 extreme highs in February for the year in 200 years. The last weeks are usually the best time to buy for at least for the next 6 weeks.

Subscribe to a free newsletter by going to the website at www.commhedge.com.au and filling in your details.

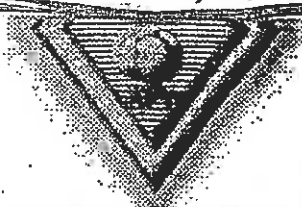


VARNER BROTHERS

"OUR FUTURES ARE IN COTTON"

COTTON ROW JOURNAL

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DO NOTHING

H. Rogers Varner, Jr.

The Aussies have been known for turning conventional wisdom on its head. They do things their own way, and are pretty good at getting along. They even grow cotton without government meddling and subsidies, and seem to be able to do this for a profit. Our eyebrows were lifted a bit when we saw an individual Aussie market advisor place before growers the idea of not growing any cotton this year. In a short, one page analysis, David Burton of Caloundra, Queensland, posts a seemingly outrageous strategy of idling one's acres, while buying the board for what one would expect to produce. In so doing, the grower comes out much bet-

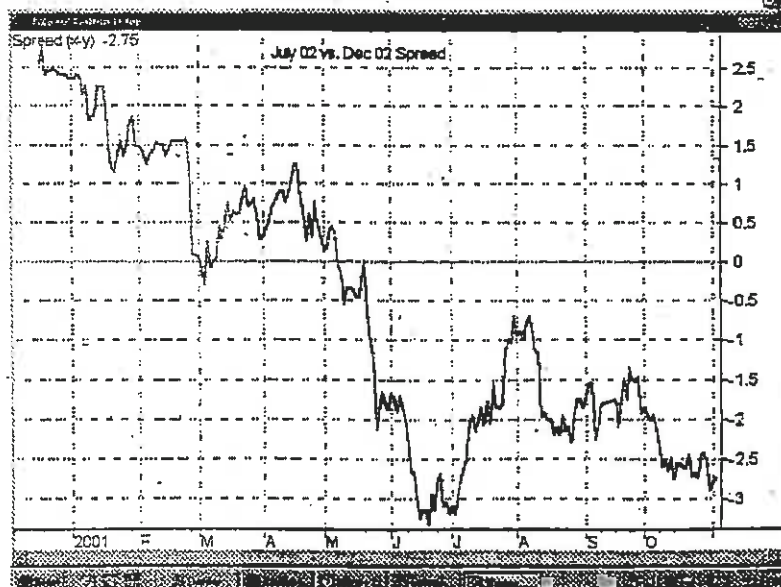
ter financially, than if he takes the usual route of planting his acres. Probably, not many Aussies will take this advice *en toto*. They offer the same fuzzy feelings US growers do, when it comes to planting vs. not planting. The farmer wants to see something in the ground, and gives the old excuse that financing costs have to have receipts placed against them, even if at a loss. But, the overall effect of such thinking, and the historically low cotton prices, will cause many an Aussie

grower and many others world-wide, to back off on their total commitments. Acreage around the world is thus being cut back, as growers make their own calcula-

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tions. Doing nothing looks good.



TECHNICAL ANALYSIS

H. Rogers Varner, Jr.

Calculations for the 2820 final low: wave 3 = $6655 - 4040 = 2615...$ multiply this by Fib, thus $2615 \times .618 = 1616$. Subtract this from wave 4 high: $4440 - 1616 = 2823$. However, this final low assumes that our

wave counts are correct, and this is far from concrete. Three other Elliott techs whose opinions we value, all have different targets. What does appear certain now, is that cotton is honouring its

positive seasonal, in effect from 31 Oct into 9 Dec. In order to adhere to this timing, market would need to work roughly higher for next 6 weeks or so.

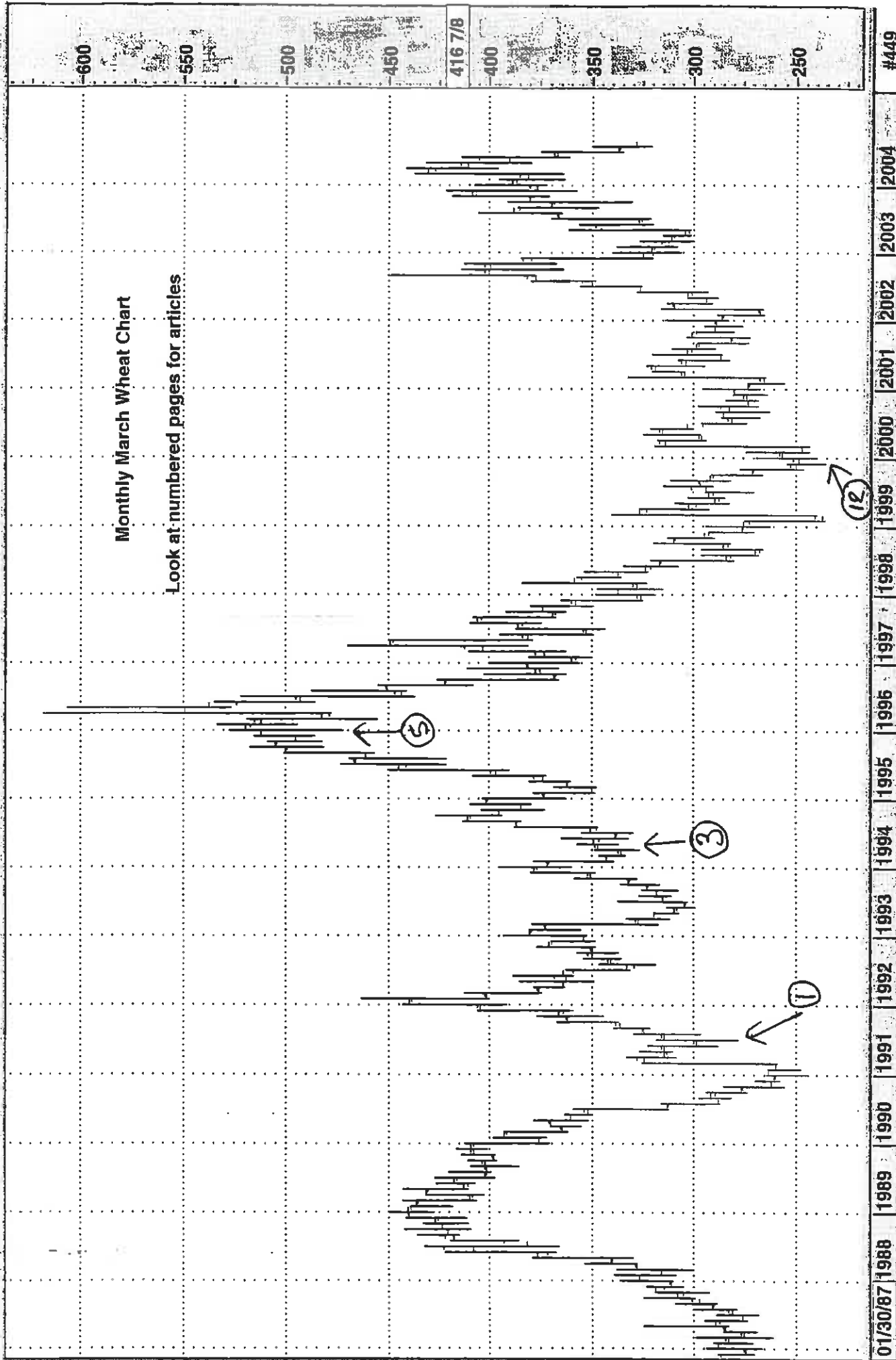
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08/31/04

O: 336 H: 349 1/2 L: 321 1/2 C: 328 3/4

-8 1/4



08/31/04

O: 47.30 H: 48.65 L: 45.20 C: 46.65

-0.35

Monthly May Cotton Chart

Look at Numbered pages for articles

17 16 10 11 9 7 2 14 18 19 20

08/31/04

O: 226 1/2 H: 239 L: 225 C: 233

+7 1/2

399 178

Monthly December Corn Chart
Look at Numbered pages for articles

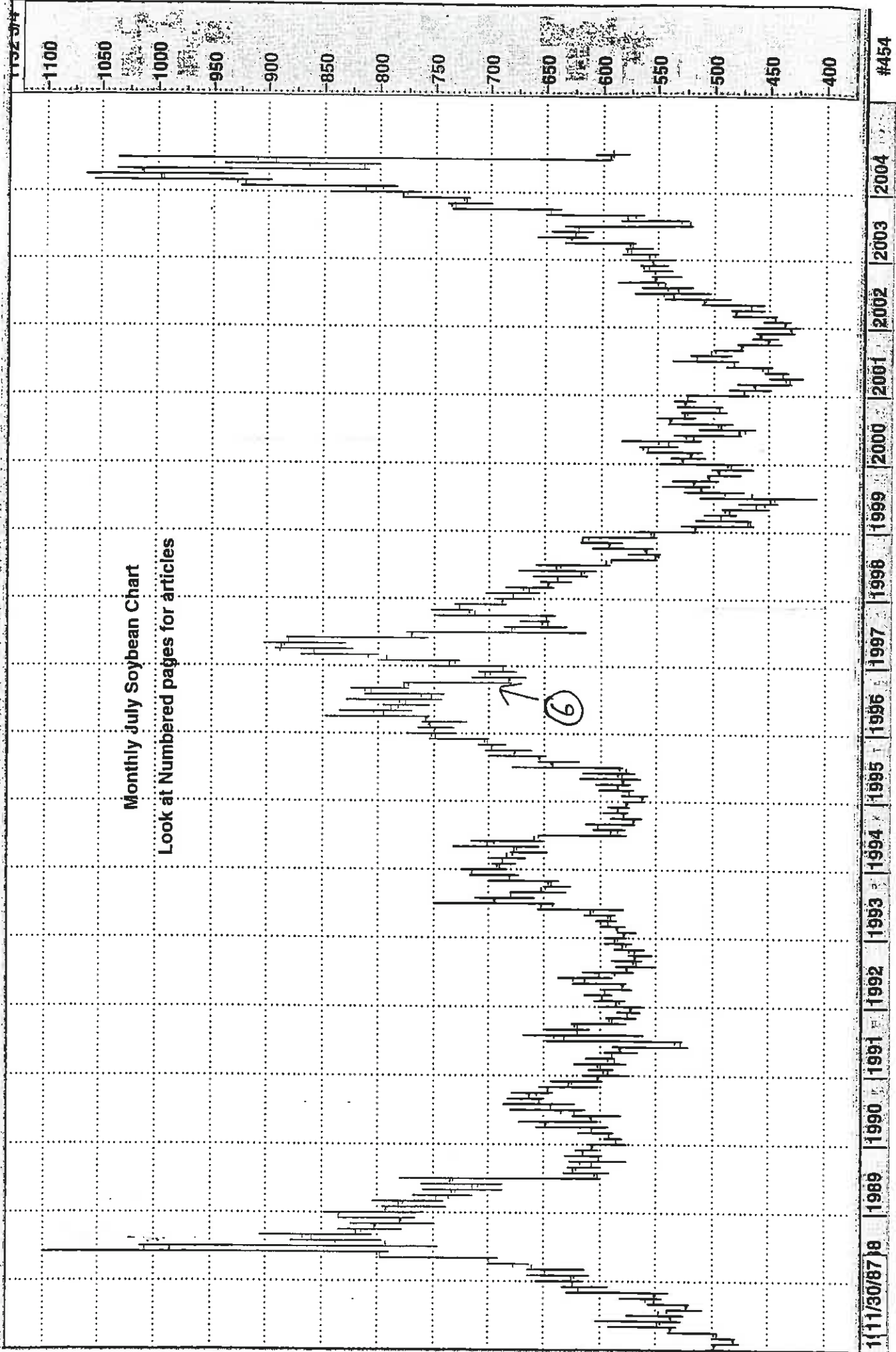
8

1987	1988	1989	1990	1991	03/31/92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	#517
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08/31/04

O: 591 H: 606 L: 578 C: 590 3/4

-3 1/4



08/31/04

O: 69.60 H: 72.70 L: 67.90 C: 72.10

+2.25

252.88
250.00

Monthly December Coffee Chart

Look at Numbered pages for articles

-200.00

-150.00

-100.00

-50.00

1987	1988	05/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	#200
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