

Crop Values Increase, Profits Remain Variable

MISSISSIPPI STATE, MISS. Agricultural economists are predicting Mississippi's 2008 crop values will reach a record \$5.9 billion, but cost-of-production increases have dampened most year-end celebrations.

Government payments are added to this production total, but John Anderson, agricultural economist with Mississippi State University's Extension Service, said strong markets caused a 35 percent reduction in these from \$591 million in 2007 to \$382 million in 2008. The result is a predicted 1 percent net loss on the state's total production value of \$6.3 billion.

"With historically high commodity prices, it's not surprising that we have a near-historic low in government payments," Anderson said.

"Mississippi's top two crops remain poultry with an estimated value of production of \$2.3 billion, up almost 9 percent from 2007, and forestry at \$1.2 billion, up almost 6 percent," he said. "Both were impacted by fuel cost increases. The poultry industry also had to deal with feed cost increases."

Anderson said value of production and profitability are not the same.

"The quantity of a crop produced multiplied by market price equals the value, but it does not take into account the costs of production," he said. "Producers could still be going backward in terms of profitability."

Extension forestry specialist James Henderson said fuel costs pressed pine sawtimber prices downward even further, continuing a trend that started in the middle of 2007.

"Higher fuel costs drive up harvest costs, and those costs cannot be passed on during a time of low demand caused by the weak housing market," Henderson said. "That cuts into profits, and many logging firms are already operating at or below the breakeven point. Others were forced to close in 2008 or discontinue operations until the economy improves." 2008 or discontinue operations until the economy improves."

Soybeans will retain the No. 3 spot in Mississippi agriculture after replacing cotton in 2007. The estimated value of soybeans is \$604 million, a 15 percent increase from the year before, due in large part to acreage and market price increases.

Anderson said cotton, once king of Mississippi's crops, is now in eighth place among the state's crops. Cotton's 2008 value is expected to decline 55 percent from 2007 to \$168 million and is not likely to recover much ground anytime soon.

"Cotton will probably go down again in 2009 because crops that compete for the land look strong by comparison. In fact, cotton will probably have to compete for resources with a stronger grain sector from now on," he said.

Other grain crops that are predicted to have strong values in 2008 include corn at \$352 million, rice at \$208 million and wheat at \$134 million.

Although corn is expected to have a value reduction of almost 32 percent from 2007, most of the decline is the result in acreage changes. Mississippi growers harvested about 240,000 fewer acres in 2008. Yields also were slightly down from the previous year.

Anderson said wheat acreage was high, and yields were much better than in 2007. Both

combined to result in a 68 percent value increase in 2008.

"We can expect a dramatic drop in wheat value in 2009. Farmers will plant fewer acres because of market prices and fertilizer prices in the fall when planting decisions on wheat were being made," he said.

Mississippi's Top Crop Values (Estimated in millions) Grand total: \$6.4 billion	
1. Poultry	2,343
2. Forestry	1,163
3. Soybeans*	604
4. Corn*	352
5. Catfish	258
6. Rice*	208
7. Cattle/calves	180
8. Cotton	168
9. Wheat*	134
10. Hay	124
11. Horticultural/other crops	94
12. Hogs	76
13. Sweet Potatoes	73
14. Milk	58
15. Grain sorghum*	19
16. Peanuts	14
Commodity Total \$5.9 million (Government payments 382) *Agronomic crops total \$1.8	

Anderson said the value for catfish, the state's fifth largest agricultural commodity, was up because production was up from the previous year. He estimated the value at \$257 million, up 7 percent.

On the livestock side of Mississippi agriculture, cattle/calves were estimated at \$180 million, a 9 percent decline in value; hogs were predicted at \$76 million, a 5 percent increase; and milk was valued at \$58 million, a decline of 12 percent.

"Prices on beef cattle were down significantly compared to 2007, mostly because of the general economy and fear of weak consumer demand. Exports also have weakened," Anderson said. "Hog export markets were very strong most of the year, but that situation deteriorated at the end of 2008. That could reduce the current estimates."

Other commodity estimates and their changes from 2007 include hay at \$124 million, up 2 percent; horticultural/other crops at \$94 million, down 2 percent; grain sorghum at \$19 million, down 44 percent; and sweet potatoes at \$73 million, up 10 percent.

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