

Economics Affects Interest In Cotton Production

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BETTY VALLE GEGG-NAEGER
MidAmerica Farmer Grower

PARAGOULD, ARK.

A decrease in cotton acres in recent years accounts for the drop in attendance at the Cotton Production Meeting held recently. Allen Davis, Greene County extension agent, commented on the attendance.

"We're probably down in numbers about half this year due to the prices of cotton now," he explained. "We don't have as much interest in cotton production as we had in the last year or two,

most 29 percent from an estimated 620,000 acres, to 440,000 acres."

Stiles also said there's reduced global use of cotton. Both domestic and world mill use is down, and U.S. exports have fallen as a result.

"This is all due to reduced economic activity, not just here in the United States, but in Europe and Japan as well," he continued. "So, macro-economic factors are largely influencing the cotton market right now.

For the future, Stiles expects to see flat prices. At best, he said, the December futures contract



Visiting at the recent Cotton Production Meeting at Paragould, Arkansas were left to right: Jack Taylor, farmer, Allen Davis, Greene County Extension Agent and Ron Pigue another farmer.

but we know how things changed last year in the markets so it may change in the next month and prices may be better and farmers will be wanting to plant more cotton.

Davis said in the past five years cotton acreage has dropped from 18,000 to 19,000 acres in Greene County to about 9,000 acres.

"We're about half what we were and that's basically due to the increased price of corn, soybeans, wheat and rice, which has come back in price this year," he added. "People have just switched over on some of these acres to other crops. Also, the cost of production of cotton is still basically the same if not higher and the price of cotton is pretty cheap right now."

Some of that cotton acreage has been put into soybeans and corn, both of which had increased acreage in Greene County the last two or three-years.

"We went from about 3,000 or 4,000 acres of corn up to about 12,000 acres," Davis said. "We already had a lot of soybeans in the county and a lot of rice, but last year we probably had a little decrease in rice and a little bit of increase in soybeans."

The cotton production meeting is one of three meetings held in Greene County. Others are on corn and feed grains, and there's a rice and soybean meeting. The goal is to provide educational materials and information to producers to help them in their production this coming year.

The cotton production meeting focused on fertility and insect control as well as variety selection. Dr. Fred Bourland, director of the University of Arkansas Northeast Research and Extension Center, presented results of the variety tests at Keiser. Scott Stiles, University of Arkansas extension economist, spoke about marketing and options for cotton producers, and offered ideas for marketing the crop this year.

"We're looking at reduced acreage again," Stiles said. "The National Cotton Council projected U.S. cotton acres to be 8.1 million in 2009. Arkansas' acreage will be down again al-

for 2009 could climb into the low 60-cent level by the end of the year.

"If we do in fact have a significant reduction in acreage as forecast, that 8.1 million acre figure would be a 1.4 million acre drop from last year and that could stimulate the market and move us toward the 60-cent level," he predicted.

He said he expects 2009 (marketing year) global inventories will come down to near 57-million bales. He foresees a possible 14 percent reduction of acreage here in the United States, and said China may reduce acreage as much as 20 percent.

"So with some acreage reduction here and in China, we should see a noticeable decline in world ending stocks," Stiles said.

With cotton one of the most expensive crops grown in Arkansas, it is understandable that farmers will reduce their cotton acres.

"Variable expenses are comparable to rice, near \$550 an acre, so returns on cotton at current prices are negative, particularly after fixed costs and rent," he said. "It takes substantial yields to net anything, and most competing commodities even at their current price levels look more attractive than cotton does."

With cotton pickers with balers attached so expensive, Stiles doesn't see that kind of purchase in most farmers' budgets.

"At this time I don't see a lot of growers making the switch to the new equipment, except maybe in some of the very large operations," he said. "You're seeing the shift more in the mega cotton farms, so to speak; the 10,000- to 15,000-acre operations are taking a good look at this as a labor savings method. There's certainly an incentive there to replace labor and it offers that advantage, but given the tight profit margins in cotton right now it's a tough decision.

"Growers may be content at this point in time to continue to use machinery that's possibly already paid for," Stiles said. Δ

BETTY VALLE GEGG-NEAGER: Senior Staff Writer MidAmerica Farmer Grower.