Arkansas Cotton Update

April 30, 2010 | Tom Barber - Editor | Number 2

Special Interest Articles: - Crop Update - Market Update - CRVP Report - Contact List

Cotton Update (Tom Barber - Extension Agronomist, Cotton)

As of last Monday (April 26) the Arkansas Agricultural Statistics Service report indicated that approximately 20 percent of cotton acres have been planted. This compares to 8 percent planted this time last season and 13 percent for the five-year average. Producers continued to plant cotton through today prior to heavy amounts of rainfall forecasted for Friday night and Saturday. We are well ahead of our planting schedule in the state, and I expect that we will be close to 35 percent planted by the time the rain falls. The unseasonable warm temperatures in the middle of April have allowed many producers in central and southern Arkansas to finish planting in a timely fashion.

The first cotton was up last week and looking good thanks to warmer temperatures and good soil moisture. Rapid emergence usually results in better plant vigor and increased yield potentials. The cool snap earlier this week will most likely slow growth and development until this next cool front with rain and cloudy weather moves through. Scout these early fields closely, because continued cool conditions may lead to increased thrips pressure as well as seedling diseases as seed treatments wear off. Also be on the lookout for seedling pigweeds, especially if your farm is in an area where glyphosate resistance is an issue. I have walked many fields already where pigweeds have emerged. Watch these fields where cotton has not been planted or has not emerged, because more options are available to control these populations prior to cotton emergence.

It always surprises me how fast these fields dry to the point of no available moisture. High winds and warm temperatures have wicked the moisture out in many areas. Many producers need this rain to start and/or finish planting and activate residual herbicides. Cotton acreage estimates continue to be on the increase across the state. I believe it is possible that we could see cotton acres over 600,000 this year if optimism and weather conditions allow.

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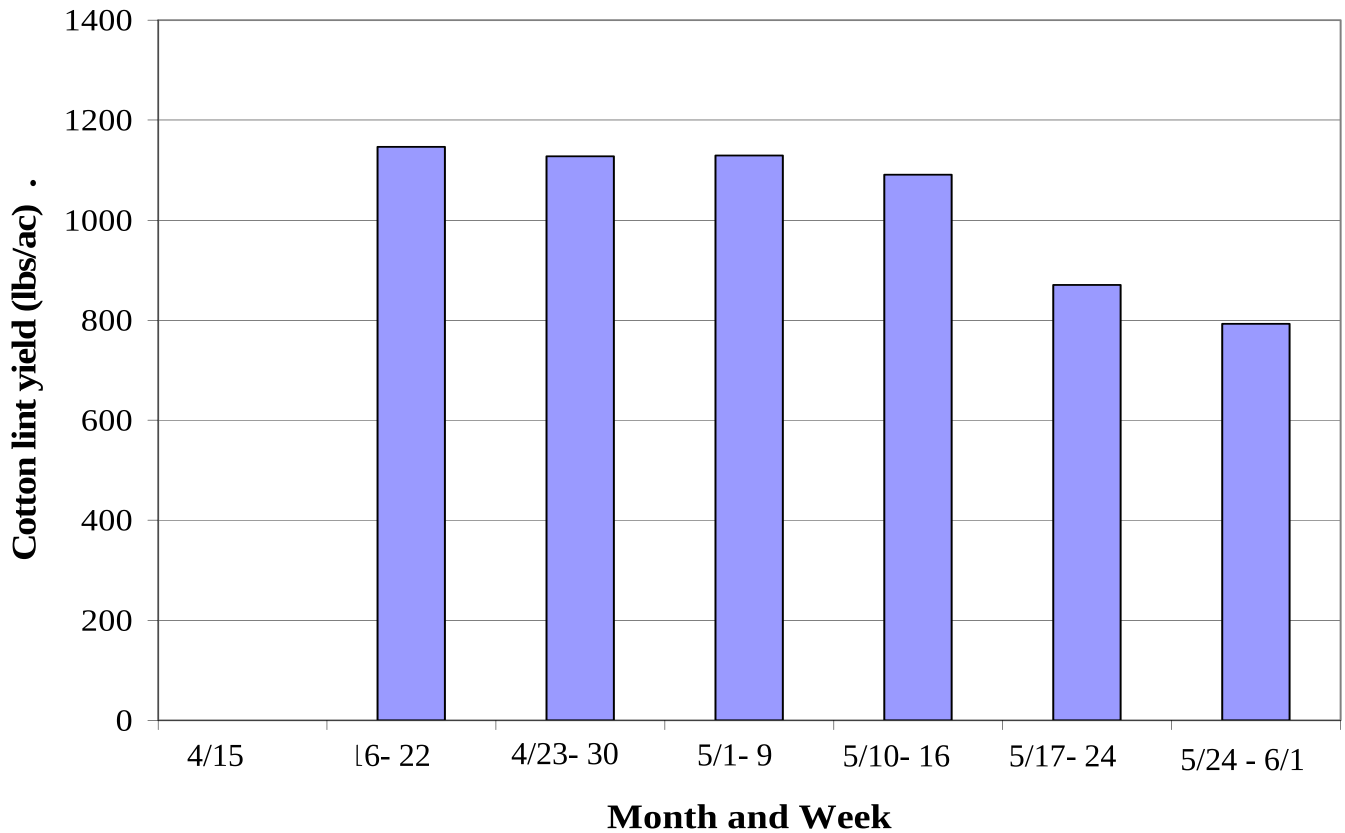
The chart below (compiled by Terry Griffin Extension Economist) represents the effect of planting date on cotton yield in the last 30 years of the Cotton Verification Program. In the last 30 years, there were no fields in the verification program planted before the 15th of April. The data provides an excellent picture of our planting window for cotton in Arkansas. Higher yield potential was maintained in the verification program when fields were planted between April 16th and May 16th. However, fields that were planted past the third week of May tended to have a lower lint yield on average. **Don't get in too big of a hurry**! We are just now in the middle of our planting window. Take your time; plant when conditions are right. Re-plants will be more costly and most of the time result in reduced yield, especially when planted towards the end of May or first of June.



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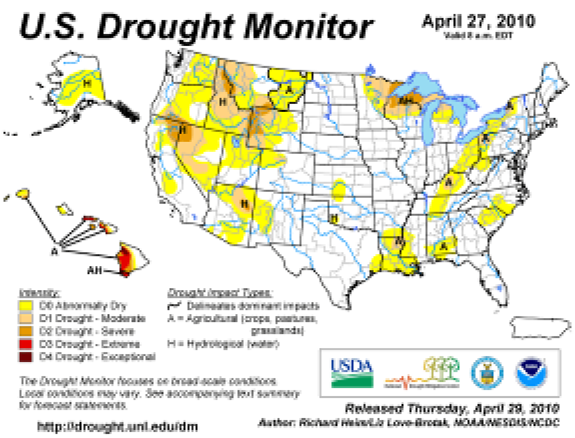
Market Update (Scott Stiles – Instructor, Economics)

The big news in the cotton market was the April 20 announcement by the Indian government to stop new cotton export registrations. The ICE May and July futures contracts were limit up that day. December futures followed along with a 92-point gain to break out of the 74 to 76 trading range that had been in place since early March. Since April 20, December futures have moved higher 7 out of 8 trading days and closed Thursday (April 29) at 77.57.

The announcement by India to halt exports exerts most of its influence on the old crop (May and July) contracts. But it's difficult to deny that the December contract has been pulled higher, given the prospects of a tightening supply situation at the end of '09/'10 marketing year.



Much speculation is circulating about the possibility of increased U.S. exports. The current USDA estimate (April 9) projects '09/'10 exports to be 12 million bales. Private estimates are starting to surface, with indications that final exports may exceed 13 million bales. The prospect of this happening depends largely on how long India suspends cotton exports. Certainly, world demand for cotton is recovering. It was recently noted by Bloomberg news that the Chinese economy grew at a rate of 11.9 percent in the first quarter of this year—yarn output was up 20 percent over the same timeframe. China will be looking to the U.S. to fill the void left by India.

Keep in mind that the December contract does have a slightly different set of fundamentals to follow as the 2010 crop gets planted. Note that the U.S., India, and Pakistan are all expected to increase production this year. Here at home, an early start to planting could certainly enhance yield potential. West Texas growers have received about 10 inches of rain since the first of the year. Acreage abandonment will likely be low and the current U.S. Drought Monitor seems to add validity to this outlook.

With the price strength seen in cotton and the early planting opportunity, it's possible that the final cotton acreage number will be higher than the March 31 Prospective Plantings report. The seasonal tendency for cotton generally includes a price peak in May or June (June most often). The cotton market will be very attentive to the June 30 USDA Planted Acreage report—as should growers for hedging opportunities.

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Technicals: The bullish flag formation that began on April 20 projects a retest of the November 23 high of 78.25. This price level will serve as overhead resistance (a price level that will be difficult to penetrate) and an excellent price point to consider hedging or purchasing put options. If the market fails at 78.25, initial support will likely start at 76 cents.

Once the 2010 crop is planted and progressing normally, it may be advisable to consider a marketing strategy for 2011. As of this writing, December 2011 and 2012 futures are trading at 76.35 and 77.12, respectively.

The next USDA Supply / Demand report will be released on May 11.

CRVP Update (Blake McClelland – CRVP Coordinator)

There are five fields in this year's Cotton Research Verification Program. The two fields in the northeast are in Clay County at Rector, and in Mississippi County near Manila. The field in Central Arkansas is at Walnut Corner in Phillips County, and the two fields in South Arkansas are near Gould in Lincoln County and near McGehee in Desha County.

The Desha County field was planted on April 15th around 95 percent emerged on April 29th. The main weed pressure at the present time is ryegrass. An application of Select has been prescribed to control the ryegrass.

The rest of the fields have been prepared and are waiting to be planted.

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