

Slide Show

Delta Farm Press Article

The case for planting cotton in 2009

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National Cotton Council Survey Suggest US Cotton Producers to Plant 8.1 Million Acres in '09

Source: <http://www.cotton.org/news/meetings/2009annual/plantdown.cfm?renderforprint=1&>

Prospective 2009 U.S. Cotton Plantings			
	2008 Actual (Thou.) 1/	2009 Intended (Thou.) 2/	Percent Change
SOUTHEAST	1,923	1,580	-17.8%
Alabama	290	193	-33.3%
Florida	67	69	2.5%
Georgia	940	782	-16.8%
North Carolina	430	379	-11.9%
South Carolina	135	110	-18.4%
Virginia	61	47	-22.8%
MID-SOUTH	1,876	1,438	-23.4%
Arkansas	620	441	-28.8%
Louisiana	300	222	-26.0%
Mississippi	365	268	-26.5%
Missouri	306	234	-23.6%
Tennessee	285	272	-4.4%
SOUTHWEST	5,205	4,746	-8.8%
Kansas	35	38	7.2%
Oklahoma	170	167	-1.7%
Texas	5,000	4,542	-9.2%
WEST	292	202	-31.0%
Arizona	135	126	-6.9%
California	120	54	-55.4%
New Mexico	37	22	-39.7%
TOTAL UPLAND	9,296	7,965	-14.3%
TOTAL ELS	174	142	-18.6%
Arizona	1	1	25.0%
California	155	119	-23.0%
New Mexico	3	2	-27.1%
Texas	16	19	24.3%
ALL COTTON	9,470	8,107	-14.4%
1/ USDA-NASS			

Price Support Prices for Farm Commodities in the 2008 Farm Bill and Other Related Data

	Rice	Cotton	Soybeans	Corn	Wheat
Base Acres	1.00	1.00	1.00	1.00	1.00
Payment fraction DP	0.833	0.833	0.833	0.833	0.833
Payment fraction CCP	0.850	0.850	0.850	0.850	0.850
Planted Acres	1.00	1.00	1.00	1.00	1.00
Yield	66.60	1,022.00	38.00	155.00	57.00
Farm market price					
Target price	\$10.50	\$0.71250	\$5.80	\$2.63	\$3.92
Direct Payment	\$2.35	\$0.06670	\$0.44	\$0.28	\$0.52
Target - Direct	<u>\$8.15</u>	<u>\$0.65</u>	<u>\$5.36</u>	<u>\$2.35</u>	<u>\$3.40</u>
Direct payment yield	45.778	617.3	21.7	70.1	38.8
Per acre direct payment	\$89.61	\$34.30	\$7.95	\$16.35	\$16.81
Acres to reach 1 payment limit	446	1,166	5,029	2,446	2,380
Acres to reach 2 payment limits	893	2,333	10,058	4,893	4,760
Maximum Counter-Cyclical	\$1.65	\$0.12580	\$0.36	\$0.40	\$0.65
Counter-cyclical yield	50.30	687.90	23.80	90.50	41.70
Per Acre Counter-cyclical payment	\$70.55	\$73.56	\$7.28	\$30.77	\$23.04
Acres to reach 1 payment limit	921	884	8925	2112	2821
Acres to reach 2 payment limits	1,843	1,767	17,850	4,225	5,643
Target - Loan = Max. CC	\$1.65	\$0.12580	\$0.36	\$0.40	\$0.65
Loan rate MLG or LDP	<u>\$6.50</u>	<u>\$0.52000</u>	<u>\$5.00</u>	<u>\$1.95</u>	<u>\$2.75</u>

Cotton per acre returns to specified costs of \$550 per acre yield / acre pounds

Price per Bushel	Lower Yields			Expected	Higher Yields		
	35%	25%	10%		10%	25%	35%
	747.500	862.500	1035.000	1150.000	1265.000	1437.500	1552.500
\$0.35	\$285.39-	\$244.68-	\$183.61-	\$142.90-	\$102.19-	\$41.13-	\$0.42-
\$0.44	\$219.23-	\$168.34-	\$92.01-	\$41.13-	\$9.76	\$86.09	\$136.98
\$0.52	\$161.90-	\$102.19-	\$12.63-	\$47.08	\$106.79	\$196.35	\$256.06
\$0.59	\$108.98-	\$41.13-	\$60.65	\$128.50	\$196.35	\$298.13	\$365.98
\$0.66	\$56.05-	\$19.94	\$133.93	\$209.92	\$285.91	\$399.90	\$475.89
\$0.74	\$1.28	\$86.09	\$213.31	\$298.13	\$382.94	\$510.16	\$594.97
\$0.89	\$111.54	\$213.31	\$365.98	\$467.75	\$569.53	\$722.19	\$823.96

The traditional cotton farm government program is built to provide a reasonable safety net for cotton producers and the sector in times of economic turbulence and uncertainty. A quick review of benefits:

- The cotton loan program still provides price support and marketing flexibility. The cotton loan rate is 52-cents per pound.
- The marketing loan gain (MLG) or loan deficiency payment (LDP) is still available and very important in times of global deflation like in 2000-2002. Cotton continues to use an adjusted world market price formula, so for an Arkansas cotton producer when the U.S. farm market price reaches 52-cents per pound the added MLG/LDP rate could provide a possible floor of around 55-cents per pound.
 - The MLG/LDP is available on all cotton production and has no payment limitations.
 - Producers, especially those, with professional marketing assistance have a number of marketing options to consider by coupling the market alternatives with the MLG/LDP program.

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- The cotton producer has a maximum possible counter-cyclical payment (CCP) rate of 12.58-cents per pound when the farm market price for the marketing period averages 52-cents per pound or below.
 - The CCP payment will be made whether cotton is planted or not, but the point here is to consider the value of this payment in future farm bills. Compare its value to corn or soybeans. We truly don't know the degree of future deflation or inflation. Select commodity average counter-cyclical payments per base acre for Arkansas row crop producers are as follows:
 - Cotton - \$73.56
 - Corn - \$30.77
 - Soybeans - \$7.28
 - Rice - \$70.55
 - Wheat - \$23.04
 - While I'm on the CCP I will say that this does not appear to be the economic time period to experiment with the new optional counter-cyclical Alternative Crop Revenue Election (ACRE) payment program, but I will discuss ACRE in a later article.

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The traditional cotton farm government program is built to provide a reasonable safety net for cotton producers and the sector in times of economic turbulence and uncertainty. A quick review of benefits:

- The Direct payment rate for cotton is 6.67-cents per pound. The cotton direct payment, like the cotton counter-cyclical payment, are not dependent on cotton production, but are paid annually on the FSA farm's established base acres and yield times an adjustment factor. The average Arkansas per acre direct payment for the primary row crops are
 - Cotton - \$34.30
 - Corn - \$16.35
 - Soybeans - \$7.95
 - Rice - \$89.61
 - Wheat - \$16.81

Corn per acre returns to specified costs of \$550 per acre yield / acre bushels

Price per Bushel	Lower Yields			Expected	Higher Yields		
	35%	25%	10%		10%	25%	35%
	113.750	131.250	157.500	175.000	192.500	218.750	236.250
\$1.95	\$328.19-	\$294.06-	\$242.88-	\$208.75-	\$174.63-	\$123.44-	\$89.31-
\$2.44	\$272.73-	\$230.08-	\$166.09-	\$123.44-	\$80.78-	\$16.80-	\$25.86
\$2.86	\$224.68-	\$174.63-	\$99.55-	\$49.50-	\$0.55	\$75.63	\$125.68
\$3.25	\$180.31-	\$123.44-	\$38.13-	\$18.75	\$75.63	\$160.94	\$217.81
\$3.64	\$135.95-	\$72.25-	\$23.30	\$87.00	\$150.70	\$246.25	\$309.95
\$4.06	\$87.89-	\$16.80-	\$89.84	\$160.94	\$232.03	\$338.67	\$409.77
\$4.88	\$4.53	\$89.84	\$217.81	\$303.13	\$388.44	\$516.41	\$601.72

Soybeans per acre returns to specified costs of \$350 per acre yield / acre bushels

Price per Bushel	Lower Yields			Expected	Higher Yields		
	35%	25%	10%		10%	25%	35%
	29.250	33.750	40.500	45.000	49.500	56.250	60.750
\$4.80	\$209.60-	\$188.00-	\$155.60-	\$134.00-	\$112.40-	\$80.00-	\$58.40-
\$6.00	\$174.50-	\$147.50-	\$107.00-	\$80.00-	\$53.00-	\$12.50-	\$14.50
\$7.04	\$144.08-	\$112.40-	\$64.88-	\$33.20-	\$1.52-	\$46.00	\$77.68
\$8.00	\$116.00-	\$80.00-	\$26.00-	\$10.00	\$46.00	\$100.00	\$136.00
\$8.96	\$87.92-	\$47.60-	\$12.88	\$53.20	\$93.52	\$154.00	\$194.32
\$10.00	\$57.50-	\$12.50-	\$55.00	\$100.00	\$145.00	\$212.50	\$257.50
\$12.00	\$1.00	\$55.00	\$136.00	\$190.00	\$244.00	\$325.00	\$379.00