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Don't Count Cotton Out For '08

Farmers have some tough decisions ahead about what to plant in 2008 and, just as important, how to begin marketing and developing a marketing plan. Pricing the crop can quite often make or break a profit from an otherwise good year yield-wise.

Prices for corn, soybeans and wheat are up. This news is not new so we won't plow that ground again. But here's an idea—farmers need to give cotton a second and serious look for 2008. Some analysts are already suggesting acreage will be 10 million acres planted or less in '08—a drop of another 7.8% on top of the 28.9% drop in '07. But, perhaps we have been too quick to write cotton's epitaph

Dec08 cotton futures have now escalated to the mid-70's. Prices are up roughly about 5 cents since early December. There is still talk of prices perhaps going even higher but folks, this kind of rally demands that we at least stand up and pay attention. Opportunities are available that don't just show up on the front door step everyday. Decisions will have to be made.



Every land-grant university publishes annual estimates/forecasts of expected costs of production for the coming crop season. Like others, the University of Georgia has done this for 2008. Folks around here like to see our numbers and they are relied on heavily... but, such estimates are done months in advance and although we try very hard to make them representative of the typical situation, there is no substitute for farmers sitting down and hammering out and adjusting to better fit their operation and their own expectations.

And this is what is being done and needs to be done right now. What's best for 2008 depends on your soils and yields, your costs, your expected prices, and other factors such as risk (weather and prices) and crop rotations. If you do this, you just might find that cotton comes out better than you might think. It may not be the prettiest rose on the vine but it warrants a close second look.

The recent run in price is cotton's attempt to compete. In our neck of the woods, a basis of minus 3 cents December puts us in the low 70's on price +/- any fiber quality premiums and discounts. Cottonseed prices for 2008 also look to be high. Prices may be high enough that the ginning and storage would be free or that the farmer actually net a payment back on seed. That's a pretty good deal and a real cost savings.

Fuel and fertilizer (esp. nitrogen) is going through the roof. This works against corn and against crops that require heavy irrigation and a lot of trips over the field. Profit = (yield x price) – costs. The whole equation needs to be evaluated. In 2008 marketing, FLEXIBILITY is the key. These markets are very volatile. Tools like Options, for example, can protect against the downside but leave the upside open.



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