

Southern Cotton Growers, Inc.
REPRESENTING COTTON PRODUCERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA

COTTON MARKETING NEWS



Volume 10 Number 7

March 30, 2012

This newsletter is also available in PDF format on the UGA Cotton web page at:
<http://www.ugacotton.com>

2012 Prospective Plantings Market Holds

This morning's much anticipated USDA *Prospective Plantings* report is pretty much as expected. Farmers say they intend to plant 11% less cotton than last year. This is on par with what has been anticipated by most industry analysts. So, this should have little bearing on the market. Of course, how much cotton is actually planted will depend on expected prices over the next couple of months, the weather, and other factors.

Most regions of the Cotton Belt are expected to be down about 10 to 10½ percent with exception of the West expected to be down 16½ percent. Only a couple of states (South Carolina and Missouri) are expected to remain the same or up from last year. Among the top-5 acreage states, farmers in Texas say they intend to plant 10% less cotton, Georgia 12% less, North Carolina and Arkansas 13% less, and Mississippi 8% less.

Assuming a realistic but conservative US average yield of 800 lbs per acre and harvesting 87% of the acres planted, this 2012 acreage if realized would project a crop of 19.075 million bales. This would be 3.4 million bales more than the drought-stricken 2011 crop.

So, the much anticipated report is now out of the way and it pretty much showed what we thought it would show. So what's next in terms of watching the market and the factors that will impact price?

First of all, the market (Dec12 futures) for now seems to have found support and avoided a potential meltdown to 85 cents. We're back above 90 cents—a level I've said all along is very important for a number of reasons. Prices bottomed at around 88 cents last week but have since managed a bit of a comeback. This perhaps shows us that although bearish signs are a plenty, the market still has some upside strength. There are no assurances how long this will last or if it will, but it's encouraging nonetheless.

Comparison of 2012 Prospective Plantings to 2011 Actual¹

	2011 Actual	2012 Intentions	Change
Alabama	460	400	-13.0%
Florida	122	110	-10.0%
Georgia	1,600	1,400	-12.5%
South Carolina	303	340	+12.2%
North Carolina	805	700	-13.0%
Virginia	116	95	-18.1%
TOTAL SOUTHEAST	3,406	3,045	-10.6%
Arkansas	680	590	-13.2%
Louisiana	295	270	-8.5%
Mississippi	630	580	-7.9%
Missouri	375	375	0.0%
Tennessee	495	420	-15.2%
TOTAL MID-SOUTH	2,475	2,235	-9.7%
Kansas	80	55	-31.2%
Oklahoma	415	350	-15.7%
Texas	7,570	6,813	-10.0%
TOTAL SOUTHWEST	8,065	7,218	-10.5%
Arizona	260	204	-21.5%
California	455	400	-12.1%
New Mexico	71	53	-25.8%
TOTAL WEST	786	657	-16.5%
TOTAL US	14,732	13,155	-10.7%

¹/ SOURCE: USDA, March 30, 2012. Thousand acres.



As we move forward from this point, key factors in price direction will be actual planting and US weather and crop conditions, any signs of improved demand prospects, China purchases, India exports, and 2012 foreign acreage and production. Any combination of these things could hammer us down into the 80's or rally us back to 95 cents or better. So, stay on your toes.

Below are our latest UGA costs estimates/revisions and comparison of 2012 estimated crop net returns for Georgia. Net return comparisons are based on the costs, yields, and prices assumed for irrigated and non-irrigated production. Individual farm operations will vary from these estimates. An average peanut price of \$600/ton is used but this will vary depending on expected yield, contract prices, and amount contracted and availability of contracts.

	Non-Irrigated				Irrigated			
	Corn	Cotton	Peanuts	Soybeans	Corn	Cotton	Peanuts	Soybeans
Expected Average Yield	85	700	2900	30	200	1200	4200	60
Expected Average Price	6.00	0.90	600	11.00	6.00	0.90	600	11.00
Expected Income	\$510	\$630	\$870	\$330	\$1,200	\$1,080	\$1,260	\$660
Operating Costs	\$319	\$436	\$601	\$245	\$671	\$570	\$713	\$349
Net Return	\$191	\$194	\$269	\$85	\$529	\$510	\$547	\$311

Today's report had Georgia peanut acreage up 20% but had corn acreage down just slightly. The peanut number was in line with expectations based on meetings and discussions with producers and county Extension agents. We expected and still do, an increase in corn, however. If our corn acreage does in fact go down slightly, perhaps the high cost of fertilizer and higher cost of irrigating corn to get the yields shown vs. other crops scared some acreage off.

Today's report had Georgia soybean acreage also down slightly from last year. This is not unexpected given the net returns shown. But soybeans (November futures) are now over \$13 and could cause a late shift in intentions for soybeans relative to corn and cotton.

Don Shurley, University of Georgia
donshur@uga.edu / 229-386-3512