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Acreage of Major Row Crops in 6 Southeastern States, 2006 ¹

	Corn	Cotton	Peanuts	Soybeans	Tobacco	Wheat	Total
Alabama	220	540	190	170		100	1,220
Florida	60	105	145	8	1.10	10	329.1
Georgia	260	1,300	630	150	16.00	300	2,656
North Carolina	730	880	87	1,450	146.00	580	3,873
South Carolina	280	255	50	410	22.00	140	1,157
Virginia	480	100	15	530	22.18	210	1,357.18
Total	2,030	3,180	1,117	2,718	207.28	1,340	10,592.28

^{1/} SOURCE: USDA, March 31, 2006. All numbers are thousand acres planted except tobacco in thousand acres harvested. Acreage of corn and wheat is for all purposes.

USDA released its *Prospective Plantings* report this morning. US farmers expect to plant 14.63 million acres this year, compared to 14.2 last year-- up 3%. Using the 2001-2005 5-year average yield and acreage abandonment, this planted acreage would peg the 2006 crop at 21.12 million bales. If realized, this would be 2.5 million bales LESS than last year.

HOWEVER, in 2004 and again last year, the US experienced above trendline yields and below average acreage abandonment. If this were to happen again in 2006, the US crop could approach 23 million bales or higher. With foreign mill demand soaring and, as a result, US exports growing-- the prospect of a 21-23 million bale US crop should be enough to hold the market near current levels until more is known.

I am not inclined to take a more optimistic outlook this early in the game. The market (December futures) should rally back over 60 cents if the US crop doesn't get off to a good start. Conversely, if the crop progresses well and/or if US exports do not do well (due to a number of reasons including increased foreign production/competition and/or slower demand) then prices will weaken. But for now, as I mentioned in this space last time, I think the mid to upper 50's to 60 cents is the comfort zone right now. Rallies over 60 cents are good opportunities to consider strategies to manage potential downside risk.

Scanning across the Southeast, cotton acreage will be up in 2006 in every state except Alabama. Corn, soybeans, and peanuts will all be down. Peanut acreage will be down in every state. Tobacco will be down in Florida, the same in Georgia, and up in NC, SC, and VA. In some states, the increased acreage in some crops and decreased acreage in other crops does not come close to zeroing out. There certainly could be crops other than these major crops in the mix or, also likely, some acreage has been taken out of production for this year.

In Georgia, for example, since passage of the 2002 farm bill cotton acreage has hung fairly close to DCP payment acres (85% of enrolled base acres). This year's 80,000 acre increase in cotton compares to a 2x decline (165,000 acre decline) in peanuts, corn, and soybeans.



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