

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

COTTON MARKETING NEWS



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According to USDA's *Prospective Plantings* report released on Wednesday, US farmers in a survey conducted March 1 said they intend to increase cotton planting by 6.8% this season. Farmers say they intend to plant 14.4 million acres of cotton compared to 13.5 million last year. Intended acreage is up in every state except North Carolina and a very slight decrease in Mississippi.

By region, acreage is expected to be up 3.5% in the Southeast, 4.9% in the Mid-South, 9.6% in the Southwest, and 7.2% in the West. In the Southeast, the largest percentage increases are expected in Florida and South Carolina. In actual acres, the largest increase is expected in Georgia at 50,000 acres.

US Cotton Acres Planted (Thousand Acres), 2002-2003 Actual and 2004 Intentions ¹

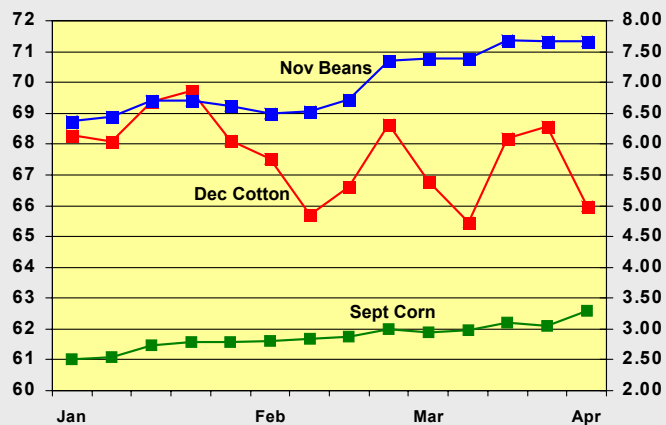
	2002	2003	2004	% Change 2004-2003
Alabama	590	525	550	+4.8
Florida	120	94	105	+11.7
Georgia	1,450	1,300	1,350	+3.8
N. Carolina	940	810	790	-2.5
S. Carolina	290	220	260	+18.2
Virginia	100	89	90	+1.1
SOUTHEAST	3,490	3,038	3,145	+3.5
Arkansas	960	980	1,050	+7.1
Louisiana	520	525	600	+14.3
Mississippi	1,170	1,110	1,100	-0.1
Missouri	380	400	410	+2.5
Tennessee	565	560	590	+5.4
MID-SOUTH	3,595	3,575	3,750	+4.9
Kansas	80	90	130	+44.4
Oklahoma	200	180	210	+16.7
Texas	5,619	5,620	6,116	+8.8
SOUTHWEST	5,899	5,890	6,456	+9.6
Arizona	223	218	223	+2.3
California	690	700	760	+8.6
New Mexico	61	62	68	+9.7
WEST	974	980	1,051	+7.2
TOTAL U.S.	13,958	13,483	14,402	+6.8

^{1/} SOURCE: USDA, March 31, 2004.

In Georgia, for example, cotton producers say they intend to increase acreage by 3.8% to 1.35 million acres compared to 1.3 million acres last year but still below the 1.45 million acres planted in 2002. Soybean and peanut acres are expected to be up and, surprisingly, corn acreage is expected to be

down. These numbers are farmers "intentions" as of March 1 and can and will change based on crop prices, input costs, and planting weather and field conditions. The first estimate of actual 2004 acres planted will not be released until June 30. Based on recent trends in prices and should these price levels hold, actual US cotton acreage is expected to be less than the March numbers and likely not more than 13.5 to 14.0 million acres. In Georgia, I expect actual cotton acreage will be closer to 1.25 million acres and corn and peanuts acres increase from the March estimate.

**Comparison of Corn, Cotton, and Soybean Futures Prices
Weekly Prices, January 2004 to Present**



In recent weeks (since March 1, to be more specific), prices for corn and soybeans have strengthened relative to cotton. But even at current price levels, cotton still holds a competitive advantage based on assumed yields and UGA Extension budget cost estimates. Producers should carefully budget their own situation for non-irrigated and irrigated situations and also consider risks, crop rotation, and management.

Cotton prices, as expected, reacted bearishly to the high number in the March report but are not expected to completely fall out of bed. Demand is expected to remain strong and should the acreage number eventually be adjusted downward (many already don't believe the number anyway) then prices should recover. If export demand remains strong (and it should given the strong mill use and uncertain '04 cotton acreage situation in China), then we can expect another year of 18 million bales or so of total off-take for US cotton. The 2004 US crop possibly could not be much more or even less than this depending on actual plantings and growing conditions. So the market should find and maintain support in the 60's at least until more is known.

Example Georgia Comparison of Per Acre Net Returns, Non-Irrigated Production

	Price ¹	Yield ²	Variable Costs ²	Net Return
Corn	\$3.30	85	\$202	\$78.50
Cotton	\$0.62	650	\$312	\$91.00
Peanuts	\$375	2,500	\$393	\$75.75
Soybeans	\$7.45	30	\$141	\$82.50

1/ Estimated contract opportunity as of 4/1/04. Peanuts, for example purposes, are price between the loan rate (\$355) and the earlier available \$400/ton contract price.

2/ Based on UGA 2004 enterprise budget estimates.

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