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### Market Skids on Acreage Report

US cotton acres planted are expected to drop almost 15% from 2007. This is not unexpected—the March Prospective Plantings report suggested acreage could be down about 13%. The June 30 acreage estimate of 9.25 million acres, however, was actually *higher* than many analysts expected. Therefore, the cotton market has since reacted downward. Many analysts thought the June number would be even lower due to continued strong prices and competition from corn and soybeans.

December futures closed at 75.35 cents/lb today—losing just over 6 cents for the week. The decline this week pretty much cancelled the gains made since the most recent decline back in late-May and early-June. This puts us back at the important 75-cent support level. If the market fails to hold, prices could move on toward the 71-cent area.

US cotton acreage has declined 34% since 2006 due to high-priced corn and soybeans. While we have experienced this here in Georgia, the shift is even much more dramatic in traditionally very large cotton-producing states like Louisiana (down 54%), Mississippi (down 70%), California (down 49%), Tennessee (down 57%), and North Carolina (down 54%).

World demand for cotton (and US exports) remains good but volatile. The occasional trend to lower prices tends to result in increased export sales. Competition from other crops and the resulting reduction in cotton acres should keep cotton prices well supported. Prices have weakened recently but longer term into 2009 points to higher prices provided that corn and soybeans continue to attract acres.



Don Shurley, University of Georgia  
 229-386-3512 / [donshur@uga.edu](mailto:donshur@uga.edu)



	US Cotton Acres Planted <sup>1</sup>			
	2006	2007	2008	
			Intentions <sup>2</sup>	Actual <sup>3</sup>
Alabama	575	400	300	310
Arizona	197	172.5	141	141
Arkansas	1,170	860	650	700
California	560	455	280	285
Florida	103	85	72	72
Georgia	1,400	1,030	1,050	900
Kansas	115	47	45	45
Louisiana	635	335	280	290
Mississippi	1,230	660	420	370
Missouri	500	380	300	300
New Mexico	63	47.7	31.6	38
North Carolina	870	500	420	400
Oklahoma	320	175	190	190
South Carolina	300	180	120	120
Tennessee	700	515	310	300
Texas	6,431	4,925	4,720	4,720
Virginia	105	60	60	65
<b>TOTAL US</b>	<b>15,274</b>	<b>10,827.2</b>	<b>9,389.6</b>	<b>9,246</b>
1/ All numbers are 1,000 acres				
2/ <i>Prospective Plantings</i> , USDA, March 31, 2008.				
3/ <i>Acreage</i> , USDA, June 30,				