



Volume 4 Number 40 November 3, 2006

This newsletter is also available in PDF format on the UGA Cotton web page at:
<http://www.griffin.uga.edu/caes/cotton>

Acreage Decisions-- 2007 Could Be Interesting

It's early. This year's crop isn't even completely picked and sold yet. But yet, it's never too early to think and plan ahead. The markets, at present, are shaping up to make for some interesting decisions. Consider this... corn futures closed today at \$3.55/bu (Sept '07) or \$3.50/bu (Dec '07). Soybeans closed at just under \$7.00 at \$6.97/bu (Nov '07). Wheat closed at \$4.69/bu (July '07). 2007 cotton (December) closed at 58.6 cents per pound. This is about 8 ½ cents higher than current/2006 crop.

To make a long story short, prices for alternative crops have skyrocketed in recent months. While the price for 2007 cotton is higher than for the 2006 crop, is the market high enough to keep land from being bid away to other crops? When making planting decisions, many factors are considered including but not limited to prices, yields, costs, risk management (crop insurance, etc.), crop rotation, and management. Below is a summary of 2006 acreage planted by state in the Southeast and the change from 2005.

2006 Acres Planted and Change From 2005 ¹

	Corn		Cotton		Peanuts		Soybeans		Wheat	
	2006	% Chg	2006	% Chg	2006	% Chg	2006	% Chg	2006	% Chg
Ala	210	-4.5	575	+4.5	160	-28.9	160	+6.7	100	0.0
Fla	60	-7.7	105	+22.1	130	-18.8	7	-22.2	8	-55.5
Ga	280	+3.7	1,400	+14.8	580	-23.2	160	-11.1	230	-17.9
NC	780	+4.0	870	+6.7	85	-12.4	1,380	-7.4	560	0.0
SC	300	0.0	300	+12.8	60	-4.8	400	-7.0	130	-23.5
Va	480	-2.0	105	+12.9	17	-26.1	520	-1.9	190	+5.6

1/ All acres shown are thousand acres.

Contract and cash market basis varies obviously around the region and even within a state. But opportunities of \$3.50 to near \$4.00 for corn and \$6.50 to \$6.75 for soybeans will draw attention. Even wheat, grown as a cover crop- not a cash crop by many farmers, opens some eyes at these prices. I will not speculate on the reasons for the price increase in these crops (It's hard enough to keep track of the one and only crop (cotton) for which I do pretend to know a little something about).

I remember in 2004, soybean futures prices were high during the winter-spring/pre-planting months. This attracted increased acreage. The market later crashed and burned. The lesson learned and the point is that it is RELATIVE prices that are important and if a decision is going to be made on planting something because its price is high- then marketing decisions have to back that up by locking in at least some of the crop at the attractive price. If prices later go down and you have to sell at the lower price, the crop you may have thought would be the profitable to plant may end up not to be.

I fully realize that south Georgia costs (our UGA estimates) do not represent most of you receiving this letter (sometimes I doubt how close they are to south Ga, but we take pride in thinking we are close). Estimates for 2007 have not yet been prepared. But I want to offer the following comparison just to get you (us) all thinking ahead and encourage you to modify the numbers to reflect your operation.

Preliminary Comparison of 2007 Costs and Returns, Georgia ¹

	Price	Yield	Income	Variable Costs	Net Return
Corn	\$3.50	85	\$298	\$188	\$110
Cotton	\$0.60	700	\$420	\$389	\$31
Peanuts	\$380	2,500	\$475	\$398	\$77
Soybeans	\$6.50	30	\$195	\$131	\$64
Wheat/Cotton	\$4.00/\$0.60	55/575	\$565	\$475	\$90
Wheat/Soybeans	\$4.00/\$6.50	55/20	\$350	\$259	\$91

1/ Prices are basis south Georgia the current 2007 crop futures. Prices include LDP if applicable. Peanut price is projected contract estimate. Costs are based on 2006 UGA budget estimates.

Should prices for corn and soybeans continue high, this will likely attract acreage away from cotton. However, high prices on wheat could cause farmers to consider double-cropping. There is still time for planting in some areas of the Southeast. Behind wheat, these acres are likely to go to soybeans or cotton. This could act to otherwise stabilize (offset at least some) of the possible decline in cotton acres.

A price of 60 cents for cotton is used—slightly above the current 2007 futures price. This would represent a stronger market or weaker market with and LDP. What will happen to 2007 crop futures? With larger than expected 2006 World supplies and struggling US exports, a reduction in US acreage in 2007 is not guaranteed to kick the market into overdrive... remember, 2007 futures are already 8+ cents above 2006 crop. A reduction in US acreage would, however, make for a sensitive situation if foreign production falters.

Stay tuned.



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