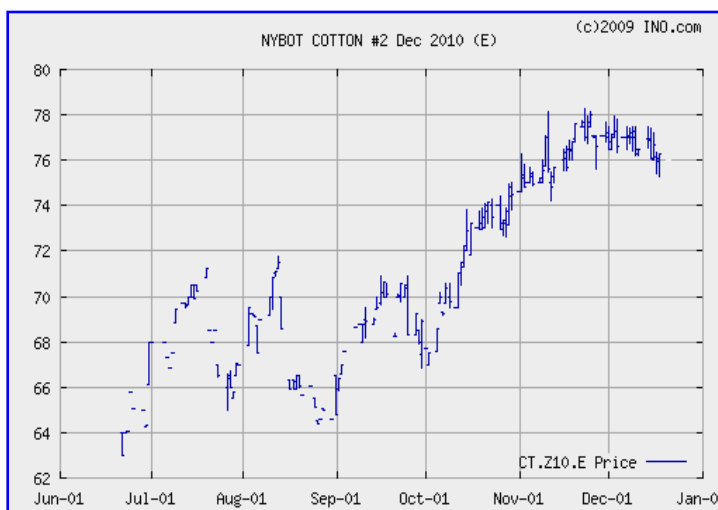


This newsletter is also available in PDF format on the UGA Cotton web page at:
<http://www.ugacotton.com>

Let's End 2009 by Again Looking Ahead to 2010

2009 has been an interesting yet often frustrating year. A good portion, if not most, of the Cotton Belt has struggled with weather at some point during the season. The US crop estimate was revised downward until being raised slightly in this month's USDA numbers.

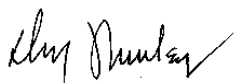
Close to home for me, the GA crop is now pegged at over 900 lbs/acre but we are really struggling to get the crop out of the field. We may still be picking in January and ginning into February. Yields have been exceptional and fiber quality has been mostly good under the circumstances but this last 25 to 30% of the crop yet to get in will tell the tale.



World demand continues to show signs of improving after being off by 10% last year. Looking ahead to 2010, acreage will very likely increase and this could put a downward influence on prices unless the demand side continues to show even more improvement.

New crop December 2010 cotton futures continue to hover in the mid-70's giving producers an attractive start on next year's crop. There's talk of prices going even higher. It's possible I suppose but the above chart seems to suggest the market is leveling off and happy for now pretty much where it is. No one can predict where prices are headed with much accuracy. If you agree that these prices will bid in more cotton acres in 2010, then it would seem to me the odds favor eventually lower rather than higher prices and, therefore, the risk of doing nothing in the way of price protection seems rather high.

My colleagues and I at UGA have put together some PRELIMINARY estimates of how Georgia crop net returns might compare for 2010. These are based on expected season average prices, not the prices you see now. So, this is meant to show relative returns or simply a ranking of net returns because actual prices and costs will vary. Based on our costs and yields at these prices, cotton is certainly competitive. Peanuts are expected to regain some acres in 2010. Soybeans may lose acreage.



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Non-Irrigated Production, Avg of Conventional and Strip-Till				
	Cotton	Corn	Peanuts	Soybeans
Expected Price	0.65	4.10	425	8.50
Expected Yield	700	85	2800	30
Crop Income Per Acre	455	349	595	255
Variable Costs	382	275	523	225
Net Return Per Acre	73	74	72	30
Irrigated Production, Avg of Conventional and Strip-Till				
	Cotton	Corn	Peanuts	Soybeans
Expected Price	0.65	4.10	425	8.50
Expected Yield	1100	185	4000	55
Crop Income Per Acre	715	759	850	468
Variable Costs	484	523	595	294
Net Return Per Acre	231	236	255	174