

1993 Cotton Management Economic Notes

The University of Arizona • College of Agriculture • Tucson, Arizona, 85721
 Department of Agricultural and Resource Economics

April 19, 1993

James C. Wade and Russell Tronstad
Extension Economists

plantings are forecast at 205,000 acres down 22%.



1993 Cotton Plantings

The new cotton year is well underway with the majority of planting in the lower elevations completed. Planting continues in the higher elevations. How will the year be for Arizona cotton farmers? The year started with many problems from rains and flooding to over supply and low prices. This is a year that will require astute management and wise marketing to make any money in Arizona cotton. Of course being in the government programs will likely soothe over some of the ills, but profits will likely be slim to none.

The annual Prospective Plantings report was issued by the USDA on March 31 and it is significant that Arizona Upland plantings are estimated to be about 300,000 acres, down 8% from a year ago. Pima plantings are estimated at about 53,000 acres down about 47% from 1992. In all Cotton plantings in Arizona are estimated to be down about 17% from 1992. In contrast, US plantings of all cotton are to be up about 1% according to the forecast. The most significant increases for Upland are to be in the Southeast (up 7%) with a forecasted increase of 17% in Georgia leading the way. Total US Pima

The signals are certainly mixed at this point in the season. Supply and use estimates (shown in the following table) indicate that there has been some leveling of stocks from foreign and domestic sources in recent months. However, the increase in plantings nation wide continue to dampen prices. Pima stocks are still high and current prices are low (in the 85¢/lb range).

U.S. COTTON SUPPLY AND USE ESTIMATES

ITEM	1992/93			
	1991/92	Jan	Feb	Mar
Million acres				
Planted	14.05	13.29	13.29	13.29
Program	10.66	11.30	11.30	11.27
Non-Program	3.40	1.99	1.99	2.02
Harvested	12.96	11.15	11.15	11.15
Yield/harvested acre	652	700	700	700
Million 480-lb. bales				
Beginning Stocks	2.34	3.70	3.70	3.70
Production	17.61	16.26	16.26	16.26
Total Supply	19.97	19.96	19.97	19.97
Mill Use	9.61	9.70	9.70	9.80
Exports	6.65	6.00	6.20	6.10
Total Use	16.25	15.70	15.90	15.90
Unaccounted	-0.01	-0.13	-0.13	-0.13
Ending Stocks	3.70	4.40	4.20	4.20
Percent				
Stocks-to-Use Ratio	22.8	28.0	26.4	26.4
Foreign Stocks-to Use Ratio	49.0	47.9	46.7	46.0

Source: USDA, ERS, "Cotton & Wool Situation & Outlook Update", April 4, 1993, Washington D.C.

Current low prices for both Upland and ELS (Pima) cotton make the government support even more important than in recent years. Arizona participation in the cotton program varies considerably but in the past two years the number of growers using the programs has

Recent Prices	April 16, 1993	
	Upland (c/lb)	Pima (ELS) (c/lb)
Spot	58.25	85.00
Target Price	72.90	105.80
Loan Rate	51.15	88.15
Dec '93 Futures	62.78	

Note: Upland Spot for Desert SW grade 31, staple 35;
 Pima Spot for grade 03, staple 46, 4/6/93; Phoenix Loan Rates

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U. S. Department of Agriculture, James A. Christenson, Director, Cooperative Extension, College of Agriculture, The University of Arizona. The University of Arizona College of Agriculture is an equal opportunity employer authorized to provide research, educational information and other services only to individuals and institutions that function without regard to sex, race, religion, color, national origin, age, Vietnam Era Veteran's status, or handicapping condition.

grown to about 85% for Upland and about 55% for ELS. In 1993, those percentages should grow considerably, as more farmer participate in the farm programs.

Arizona finished 1992 with yields well below those of recent years for both Upland and Pima cotton. Upland cotton yields are estimated at 1,063 lbs/acre compared to 1,201 lbs/acre in 1991. The 1992 US average yield is estimated at 695 lbs/acre up 45 lbs from 1991. US Pima cotton averaged 918 lbs/acre. Arizona yields averaged 668 lbs/acre, down from 860 lbs/acre in 1991. For the first time in history, California produced more Pima cotton than Arizona.

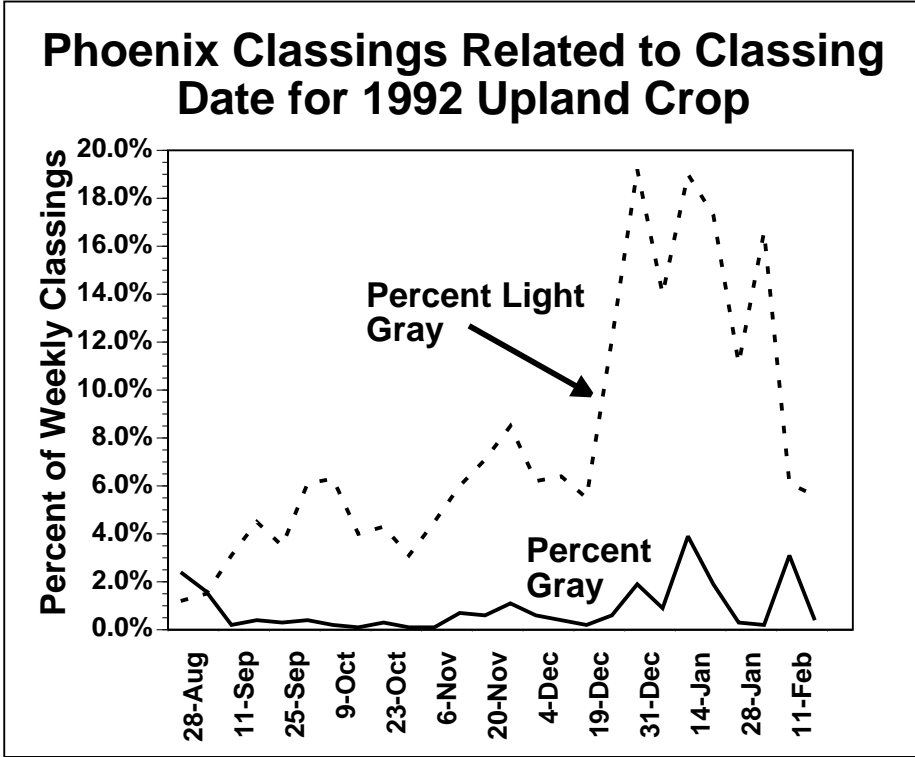
Quality Related to Classing Date

The final report on 1992 crop quality is in and Arizona's upland quality marks were noticeably lower for 1992 than 1991. Opposite of quality marks for the rest of the US which were better for 1992 than 1991. In particular, grade marks from the high plains of Texas were magnitudes better for 1992 than the results from ruinous wet weather in 1991. Unfortunately for Arizona, much of the Texas crop has been able to compete directly with Arizona's production. Normally Texas has little production that measures up to quality standards attained by Arizona growers. One factor that may help Arizona growers improve quality relates to a timely planting and cutout schedule.

The figure to the right shows the percent of total classings by week from the Phoenix office that were graded as either light gray or gray. Discounts for a light gray or gray color grade are noticeable with a range from about 5 to 20 cents/lb. depending on other quality characteristics. The percentage of gray classings start quite high around 2 percent, reflecting a relatively small number of bales from Yuma. Then, gray classings were quite low until mid-December when they exceeded 2 percent.

Light gray classings increased steadily from about 1 percent at the start of the season to over 18 percent for classings after mid-December. Overall, light gray classings increased from 2.4% for 1991 to 5.5% for 1992, over a twofold increase. The percentage of gray classings increased fourfold, from .1% to .4%. Although wet weather contributed to lower grades, heavy whitefly pressure also appears to have contributed to a lowering of quality grades.

Extending harvest dates to "maximize yield" through late termination and/or second pick could jeopardize net returns, given the market discount associated with light gray and gray grades of cotton. Results from last year suggest that an early termination and harvest schedule will help minimize the risk of losing quality and potential profits. Remember that a 5% price reduction from quality will need to be offset by much more than a 5% increase in yield



from extending the season to make up for additional water, pesticide, and other growing costs. Growing conditions and insect pressures need to be assessed regularly to determine the most profitable cutout schedule since crop progress and insect populations can change dramatically within a matter of days.