

NCC president blasts decision made by WTO

By DAN CRUMMETT

EXPECT intense pressure between now and the end of April for more concessions from the United States and its cotton industry in trade talks with the World Trade Organization.

That's the assessment from Mark Lange, president and CEO of the National Cotton Council, who minces few words in his reaction to the recent WTO action in Hong Kong singling out cotton — particularly U.S. cotton — for reduced domestic and export support.

Between now and April 30, negotiators will be busy as WTO polishes its work in Hong Kong with specific figures, Lange explains. During that time, he

Key Points

- NCC is irritated that cotton industry was singled out in WTO talks.
- Cotton group president says expect pressure for even more U.S. concessions.
- U.S. cotton industry continues working to educate negotiators and lawmakers.

said, NCC will continue working with U.S. trade representatives and USDA to counter efforts to isolate cotton.

Lange, an economist, blasts the WTO for failing to address all agricultural trade as a single issue, instead holding cotton supports up as what he calls "the root of all evil." He also cites a number of scenarios in which China has operated with impunity to WTO rules



COTTON PUNISHED: Mark Lange, National Cotton Council president and CEO, says U.S. cotton is being punished for the world's economic ills by WTO action.

and regulations.

"It's easy to find annual U.S. spending figures of \$2 billion to \$3 billion for the cotton program — particularly from a year with low market prices — and wave them as prima facie evidence of damage [to developing countries] ... and then blame the overbearing, culturally bereft Americans for all of the world's ills," Lange says.

But, he asks rhetorically, "How much was spent in China alone annually between 1998 and 2005 to add 25 million-bale equivalents of polyester production and 22 million bales of spinning capacity?"

"That infrastructure investment [by China's government] is staggering in size — easily exceeding \$2 billion to \$3 billion annually," he notes. "Much of that was done with nonproducing loans. Still, WTO turns a blind eye to this development."

Additionally, Lange says China, India and Pakistan moved from spinning 44.6 million bales of cotton five years ago to spinning 72 million bales per year today. "That accounts for 63% of the world's spinning, and that was done as China was paying record-high prices for cotton on the world market!"

"In 2004, Chinese mills paid about 74 cents per pound for cotton, while the world's A index was 62 cents. How do they pay an average of 18% more for their cotton than the rest of the world and take business from everyone else?" Lange asks.

In addition, he says China's expansion in textile capacity comes at the expense not only of the EU and the United States, but also of the lesser-developed countries that are complaining the loudest about U.S. price supports. "The nongovernment agencies advocating for these nations and the WTO seem to turn a deaf ear to these developments, too," he adds.

Conclusion reached in Hong Kong

WORLD Trade Organization talks in Hong Kong recently concluded that:

- All forms of export subsidies for cotton will be eliminated by developed countries in 2006.

- Developed countries will give duty-free and quota-free access for cotton exports from least-developed countries from the beginning of the implementation period.

- Cotton subsidies will be reduced "more ambitiously" than whatever the general formula of the final agreement sets forth.

Mark Lange, National Cotton Council president, says this "defies logic."

"It says we'll [the United States] drop all subsidies before we develop an agreement," he explains.

"The duty-free and quota-free access to EU [European Union] and U.S. markets frees up only 8% of the spinning capacity, but doesn't include China. China is a self-declared developing country, but they have nuclear arms and a space program," he adds.

Lange says the U.S. cotton industry is deeply concerned about being singled out, but the situation is an ominous warning to other commodities. "How does a single commodity stand up to the world organization. ... How can bananas, corn or wheat stand up to the world's economy?"

Economist forecasts drop in peanut acres

By PAM GOLDEN

PEANUT acres likely will drop in 2006 as a result of increased cost, decreased prices and low yields last year, University of Georgia Extension economist Nathan Smith predicts.

"But that depends on what contracts are being offered and what the other crop prices are," Smith adds.

Extension personnel across the Southeast peanut-growing area agree with him. They also believe less peanut acreage will be better in the long run.

"In some of these areas we have not reduced the acreage down to where we need to be to have the rotation that we need," says Ron Weeks, Auburn University Extension entomologist. "What surprised me looking at the data from [the Georgia Peanut Champions yield competition] is all the guys are in a three- to four-year

rotation. That's what it's going to take to survive economically."

Imports down

Harvested acres nationally were up 15% over 2004 numbers, bringing acreage to 1.63 million. However, yield across the United States was down 4%, Smith reports. The national average yield was 2,960 pounds per acre.

Yield in Georgia also was down 4%, dropping to 2,870 pounds per acre.

Smith forecasts domestic use will be up 2% in 2006, while peanuts for crushing will be up 81%, and exports will be up 10%. The rise in domestic use is slowing, but the good news is imports are down a whopping 46% since 2004.

"We're really not importing that many peanuts," Smith says. "We have recaptured that market."

However, to survive economically

growers need to sharpen their pencils.

Pencil out profit

Smith encourages growers to run the numbers to determine whether they can make a profit. Dryland production costs likely will be 11% higher than last year. Irrigated production likely will cost 20% more than in 2005.

"That's using diesel to run irrigation," he says. "That's just about doubled."

Breakeven yield on average then will be 4,061 pounds per acre on irrigated land and 2,917 pounds per acre on dryland, Smith says.

"Run those numbers yourself," he urges. "Be careful. Do it by farm. Do it by field if you can."

"If you can't make it on paper," he says, "this is going to be one of those years when you need to make some serious decisions about where you're going to plant and how much you're going to plant."

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