

The Farmer-Stockman

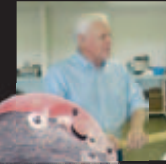
January 2007

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Special 2007 Ag Outlook issue —
Insight from Oklahoma State,
Texas A&M
2007
OUTLOOK



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More grain, less cotton

By J.T. SMITH

YOU could be seeing more grain — and less cotton — in 2007.

“For next season, with higher grain prices, U.S. producers have an economic incentive to plant wheat, corn and soybeans on some of this [2006 season] year’s cotton acreage,” says Carl G. Anderson, professor emeritus at Texas A&M University and cotton marketing veteran, College Station.

As a result, the cotton price may increase a bit for December '07 futures sometime in early 2007, he expects.

Nevertheless, cotton may not be as attractive as other crops in 2007 for many in the Southwest. “One major variable that will generate much speculation over the next six months is how much U.S. cropland will be bid away from cotton by high corn, soybean and wheat prices,” says John R.C. Robinson, Texas A&M Extension economist in cotton marketing at College Station.

Robinson says this is partly a result of the ethanol-fueled demand for corn. It’s also impacted by short supplies of wheat worldwide. And beyond Texas and Oklahoma, alone, the scenario also can be influenced by the familiarity or feasibility of planting corn, soybeans and soybean-wheat rotations in the Mid-South and Southeast.

When you put all those fac-

Key Points

- Higher corn, bean and wheat prices may take cotton acres.
- World wheat stocks are as tight as seen in the past 30 years.
- Infrastructure like gins may limit some of the cotton shift.

tors together, Robinson feels it spells less cotton in '07.

“Cotton,” he says, “is a relatively risky and management-intensive crop, so given a poor relative price, it is reasonable to expect acreage shifts.”

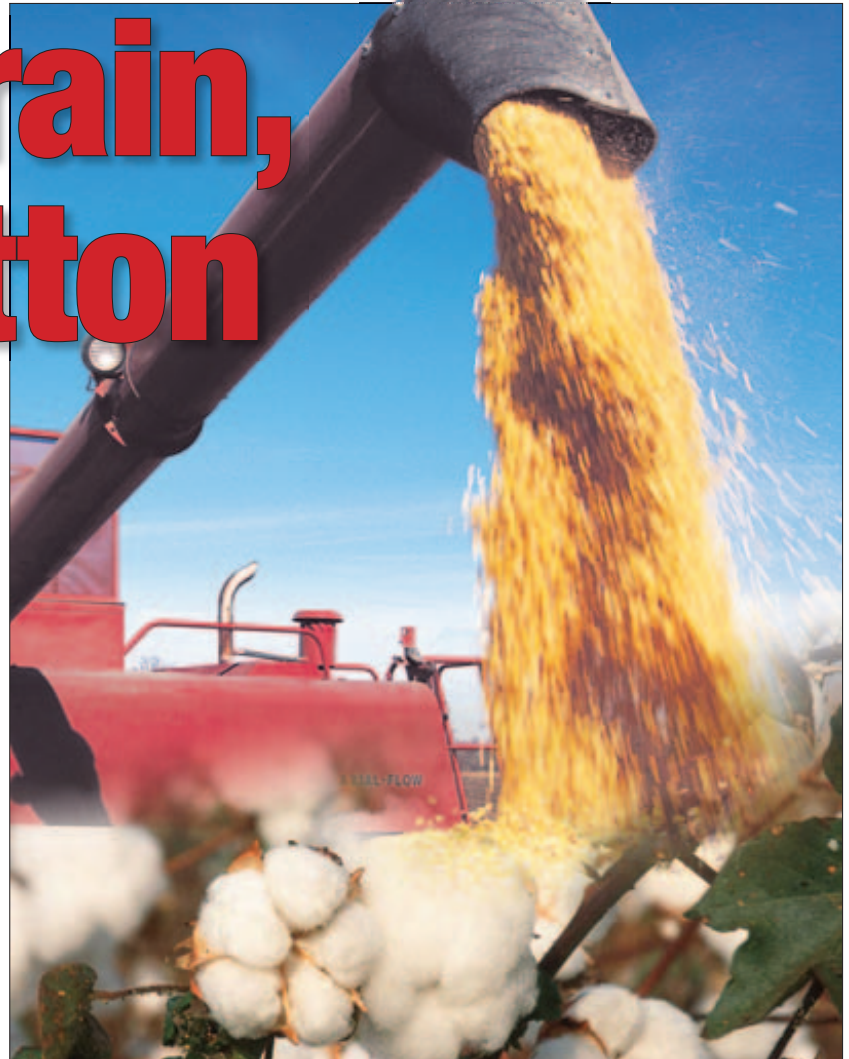
However, there still will be ample cotton next growing season for many reasons.

“Investments in harvest equipment, ginning operations, plus landlord constraints are things that will limit cotton acres from shifting to feed grains and oilseeds,” Robinson assures.

He assumes such constraints are reflected by historical plantings. Using that as his base, Robinson uses 13.4 million U.S. cotton acres, the lowest planted acres in the past 10 years, as his forecast for next year’s cotton plantings.

Weather plays part

Of course, with wild weather usually occurring somewhere in Texas each spring, planted acres seldom reflect the eventual harvested acres. Since Texas is by far the nation’s largest cotton-producing state,



COTTON UPROOTED: Some are expecting cotton could lose at least some acreage to other crops in 2007 for a variety of reasons.

this spring’s weather could have a big impact.

With the world wheat stocks as low as they’ve been in about 30 years, that has propelled a lot of the strength behind wheat prices, notes Mark Waller, Texas A&M Extension economist in grain marketing

at College Station.

A lot of wheat growers had a horrible harvest in 2006. Waller says a return to at least near-average weather would result in a subsequent resurgence to more normal yields.

“But the world is getting more competitive,” he adds.

Waller says Europe and the wheat-growing area of the former Soviet Union are places to watch regarding wheat production. With wheat stocks tight, Waller says any poor production in other major-growing regions of the world could send wheat prices higher.

Powerful Performance

