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Agricultural Outlook Forum
U.S. Department of Agriculture

Presented: February 23-24, 2012

U.S. Cotton Planted Area In 2012 and Beyond

Jason Ward

U.S. Cotton Planted Area in 2012 and Beyond

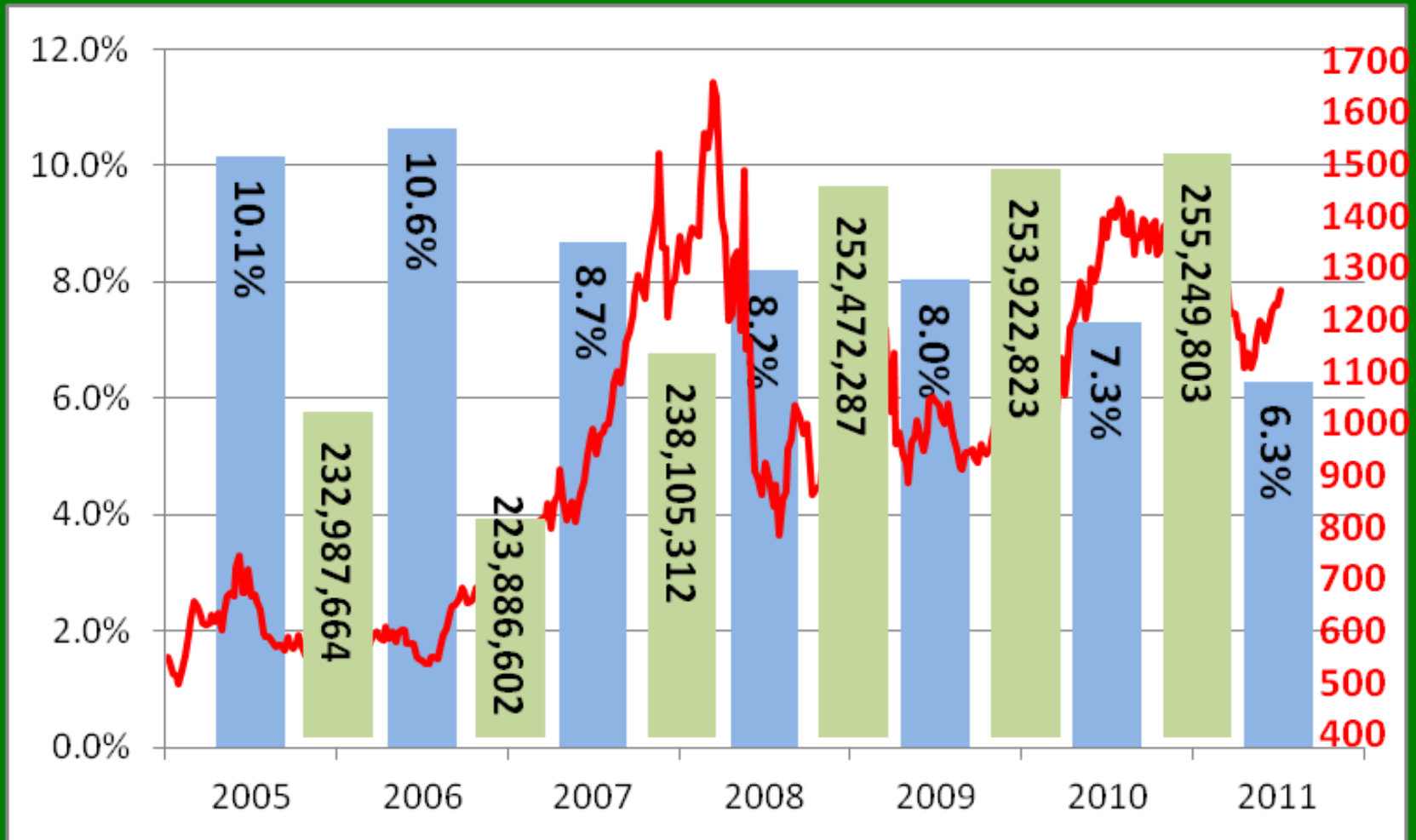
February 24, 2012

Jason Ward
Staple Cotton Cooperative Assn.

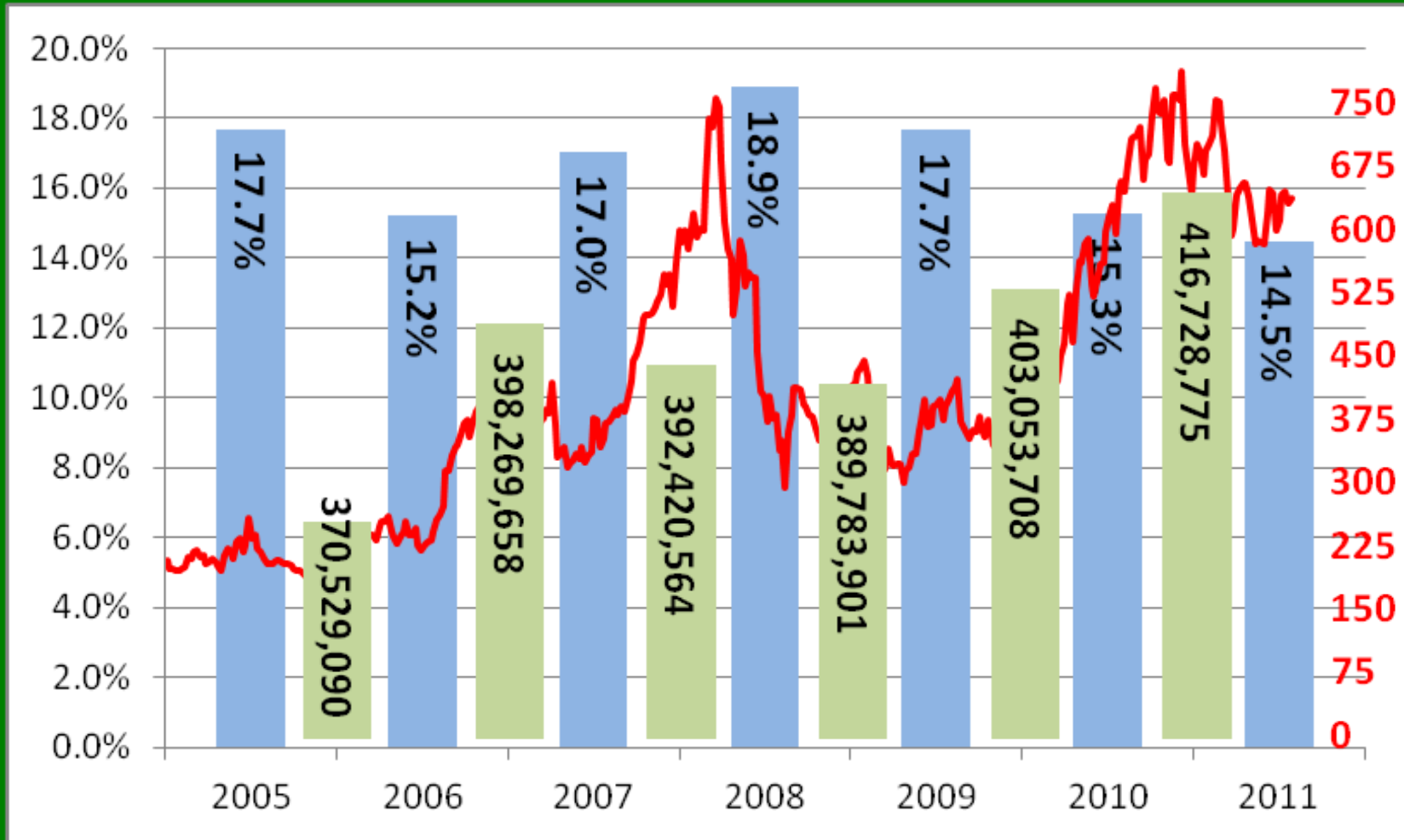
Topics

- World Stocks to Use Ratio, Futures Markets & World Acreage for Soybeans, Corn and Cotton
- World Producers Vs. U.S. Producers Response to Markets for Soybeans, Corn and Cotton
- U.S. Position In World Fundamentals
- Profitability Index by U.S. Region & Competing Crops
- Factors Facing U.S. Cotton in 2012 & Beyond

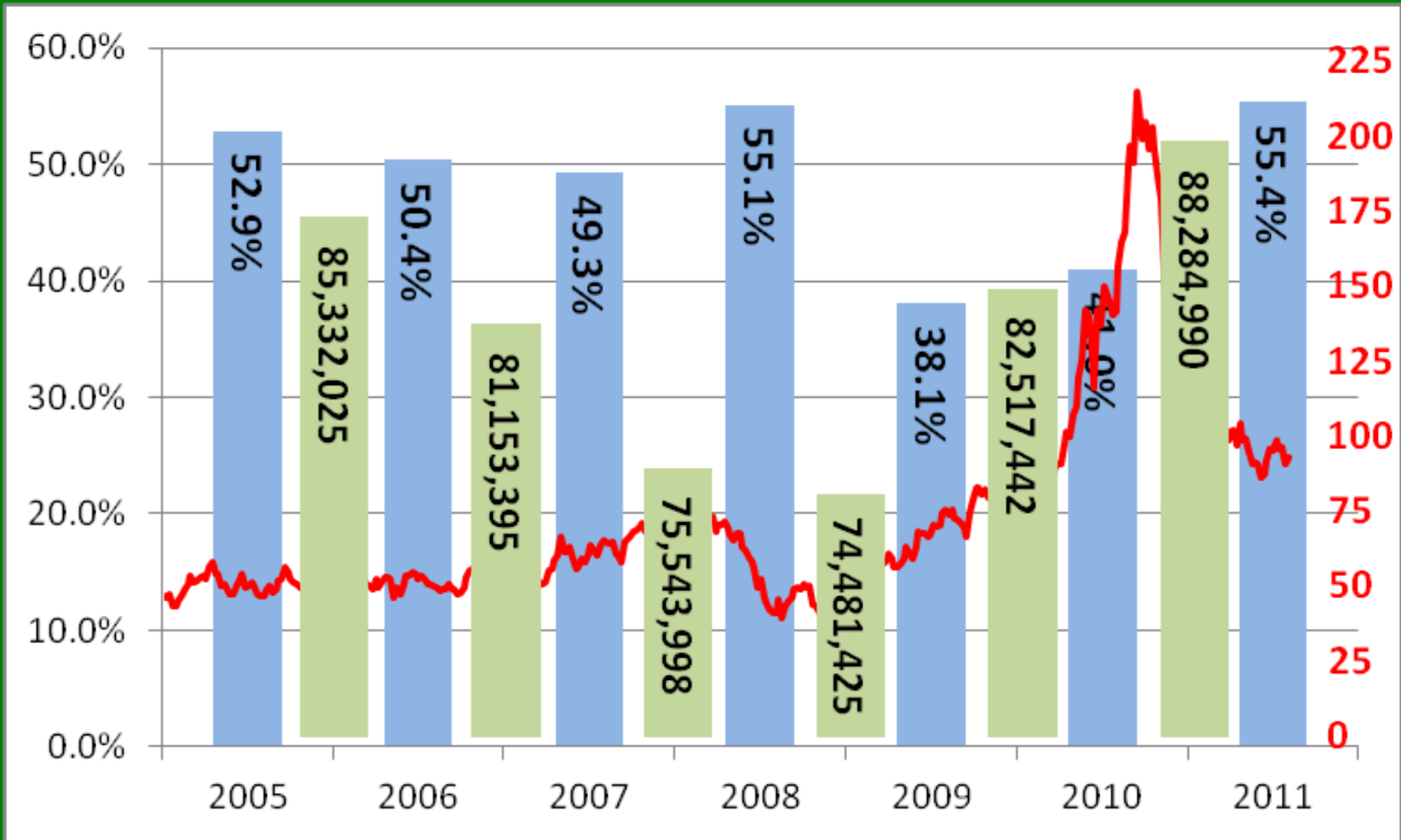
Soybeans



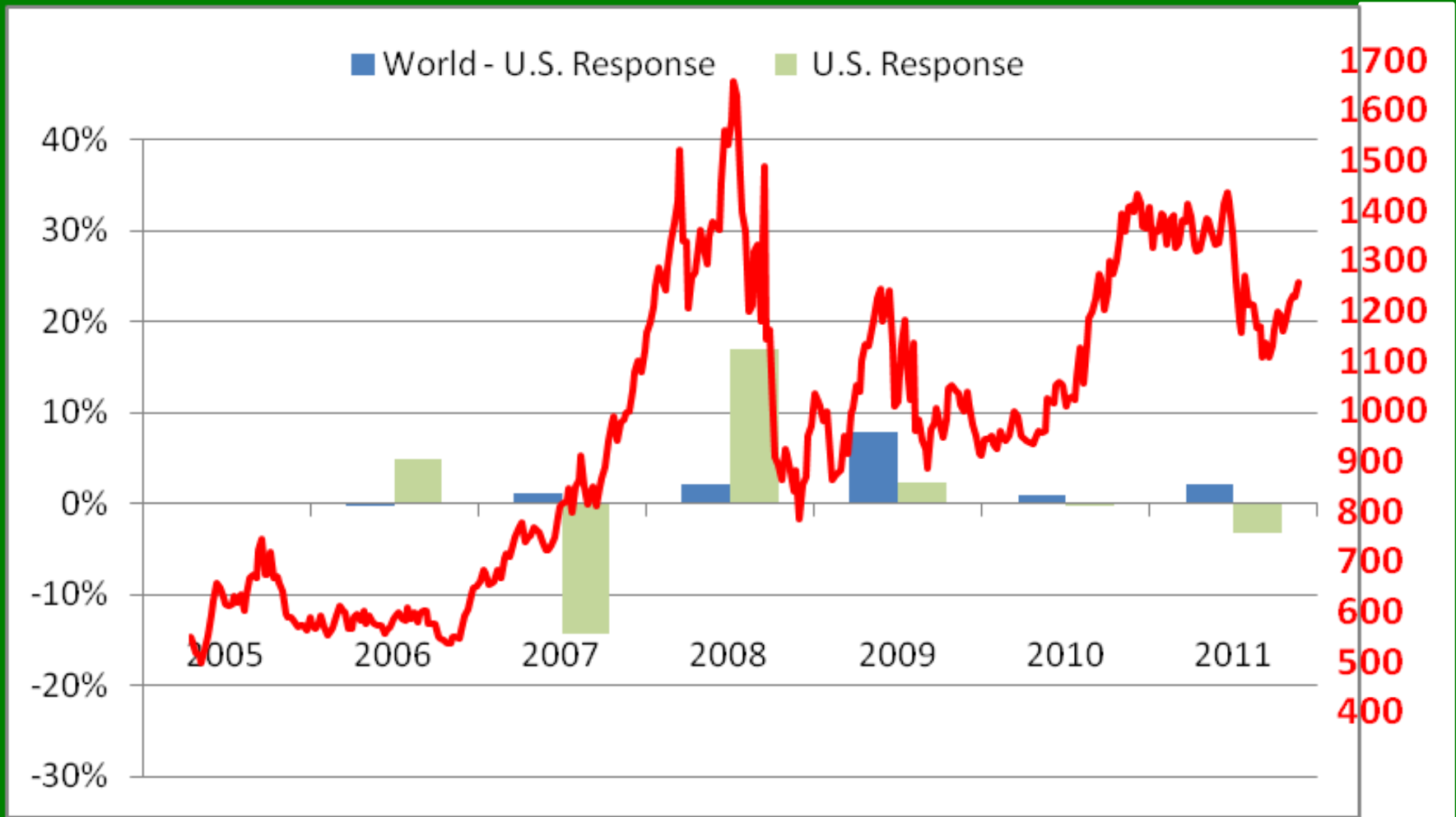
Corn



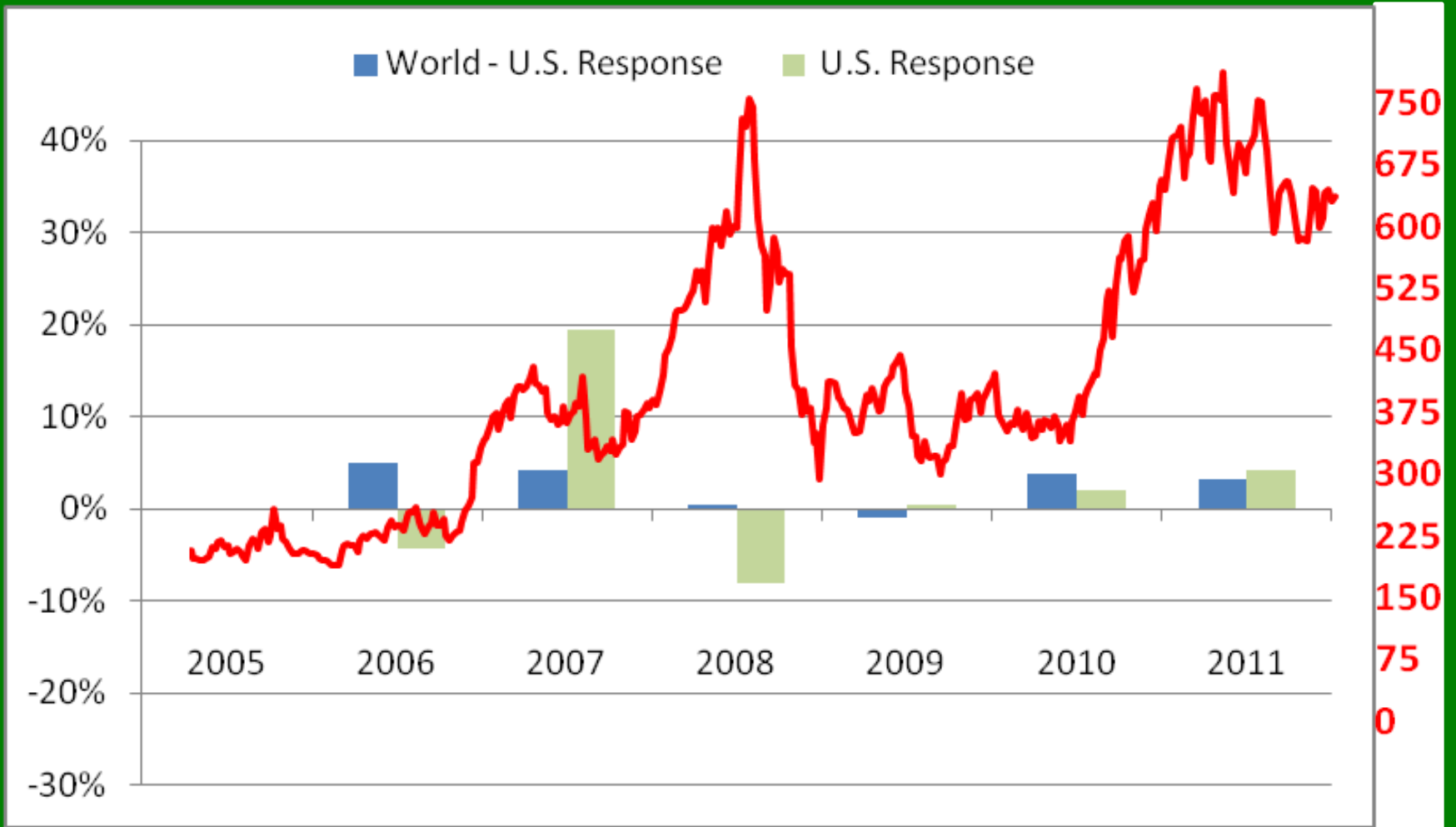
Cotton



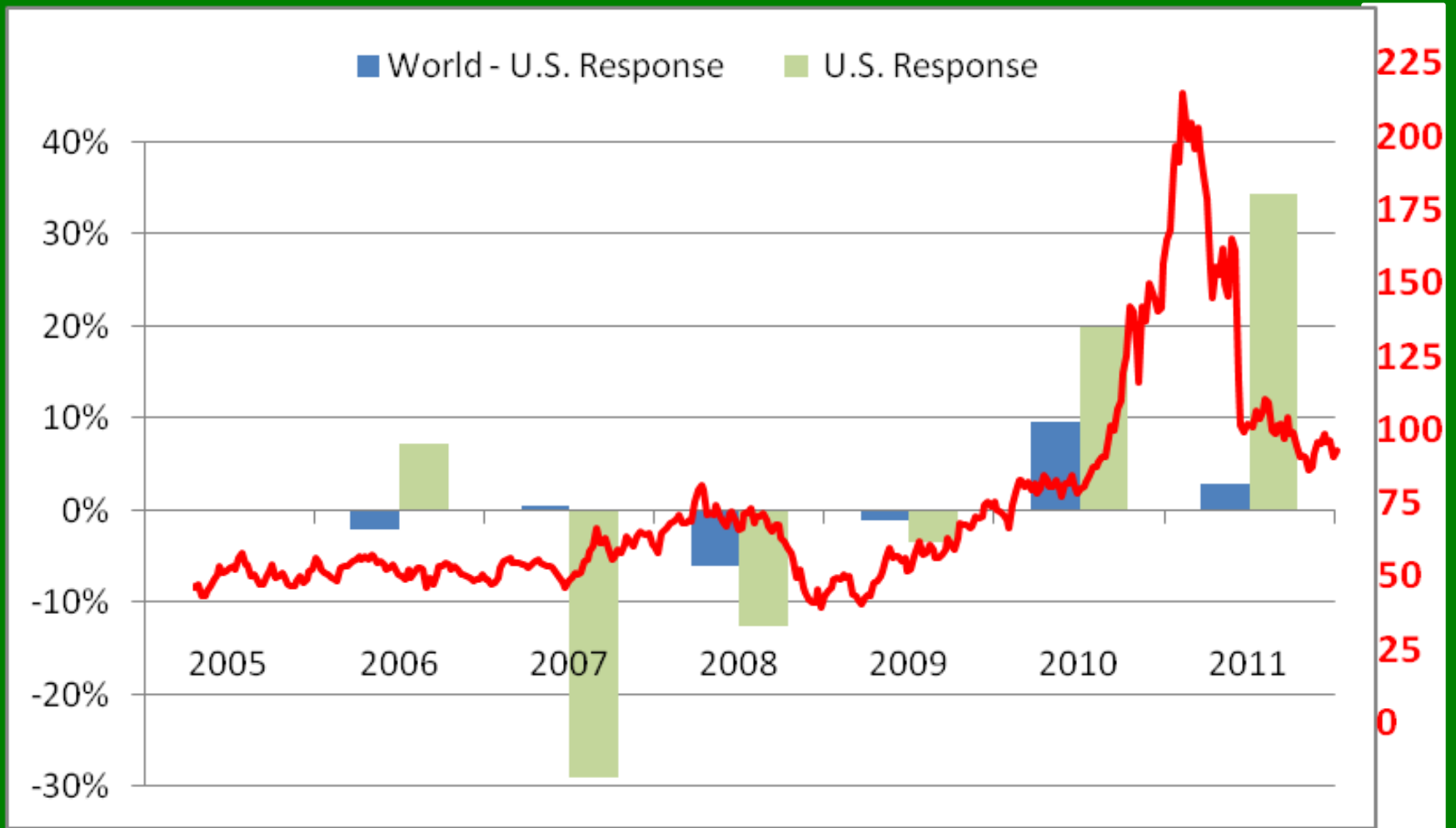
Soybeans



Corn



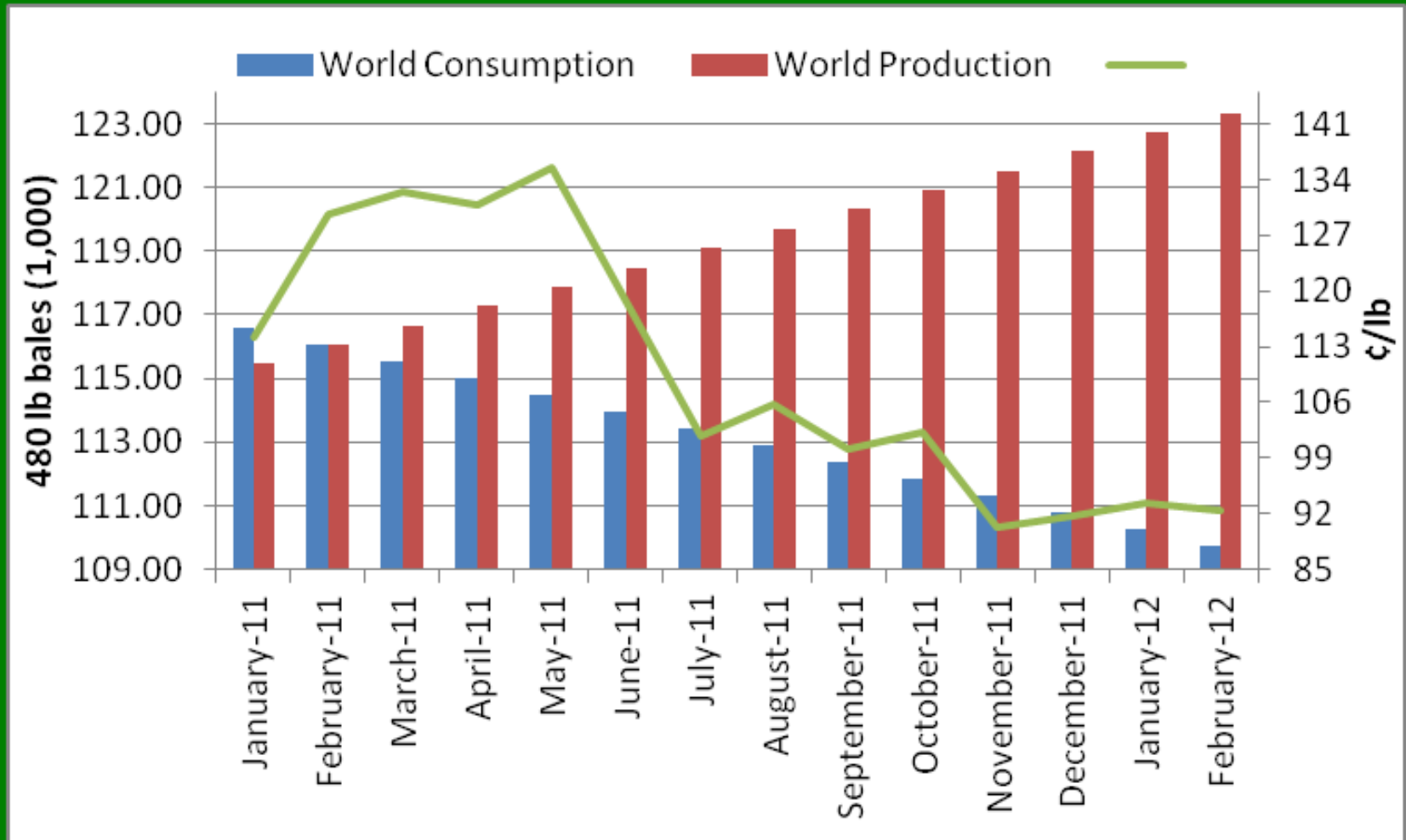
Cotton



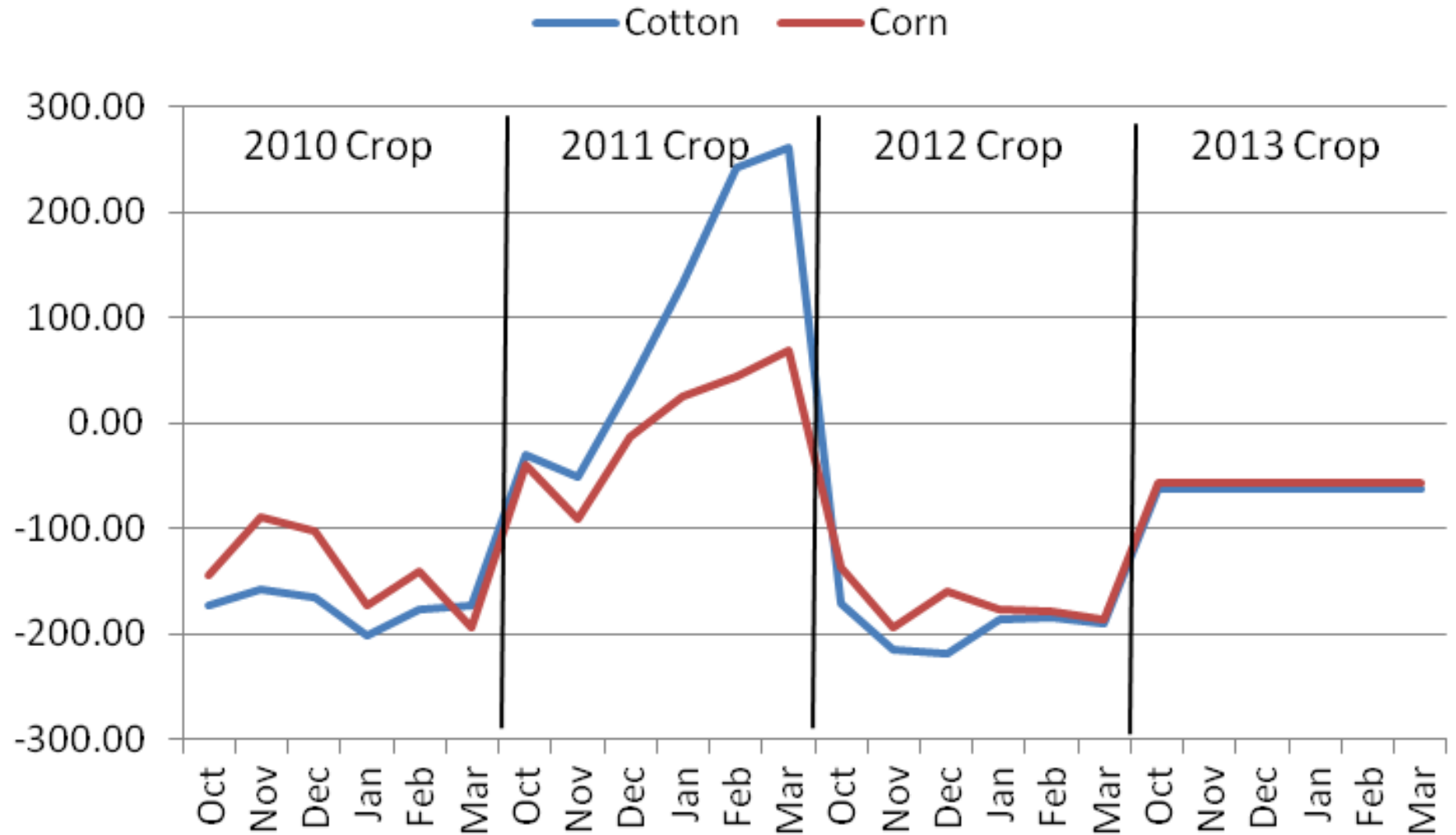
USDA Supply & Demand

| Crop | World | Foreign | | U.S. | World |
|-------------|--------------------|-------------------|-------------------|-------------------|----------------------|
| <u>Year</u> | <u>Consumption</u> | <u>Production</u> | <u>Difference</u> | <u>Production</u> | <u>Ending Stocks</u> |
| 2005 | 116,786 | 92,522 | 24,264 | 23,890 | 61,759 |
| 2006 | 123,914 | 100,657 | 23,257 | 21,588 | 62,480 |
| 2007 | 123,626 | 100,490 | 23,136 | 19,207 | 60,974 |
| 2008 | 110,322 | 94,659 | 15,663 | 12,815 | 60,808 |
| 2009 | 119,005 | 90,403 | 28,602 | 12,188 | 45,287 |
| 2010 | 114,637 | 98,354 | 16,283 | 18,104 | 46,990 |
| 2011 Est. | 109,709 | 107,668 | 2,041 | 15,674 | 60,722 |

2011 World Consumption & Production

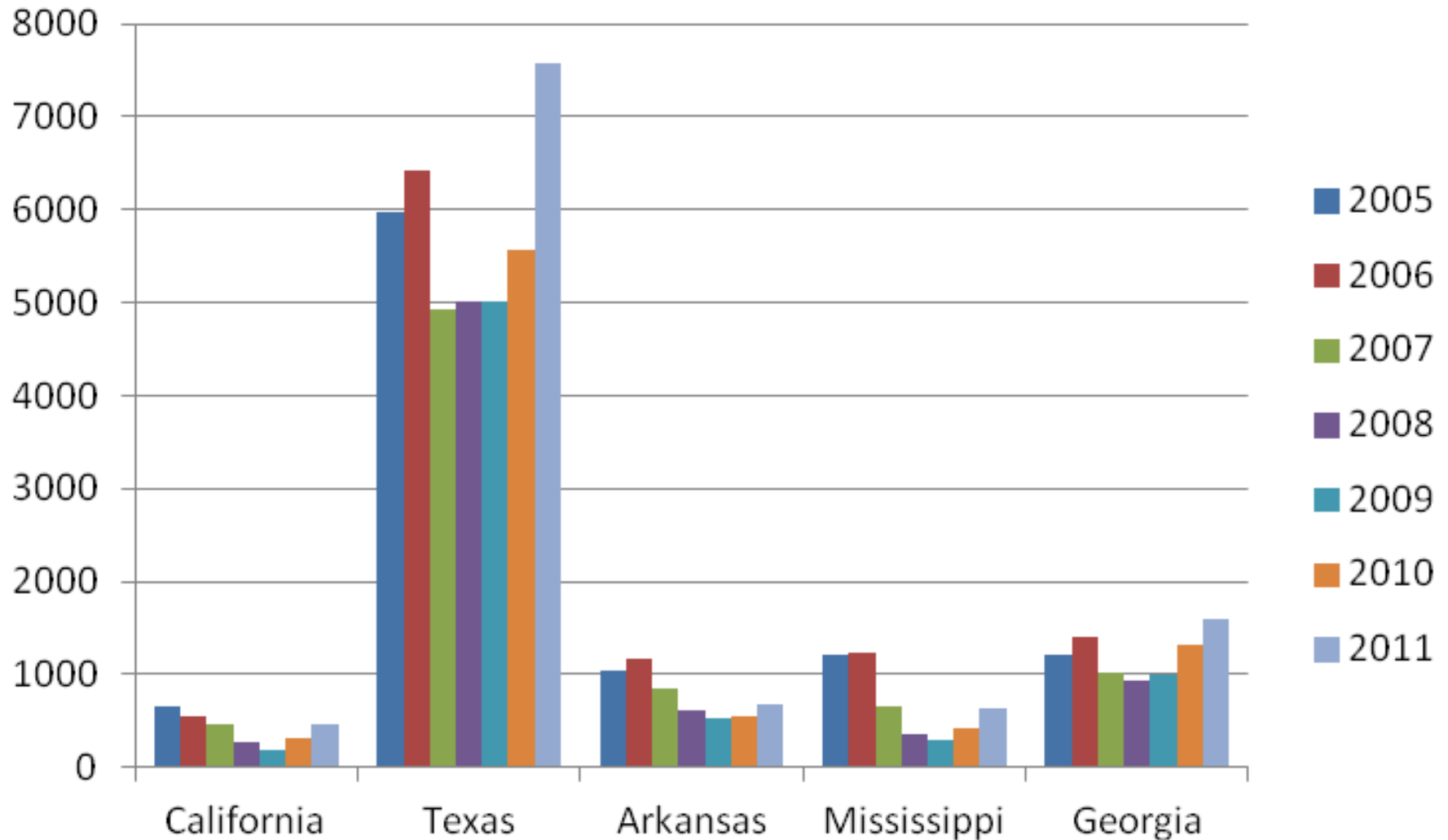


Far West Crop Profitability

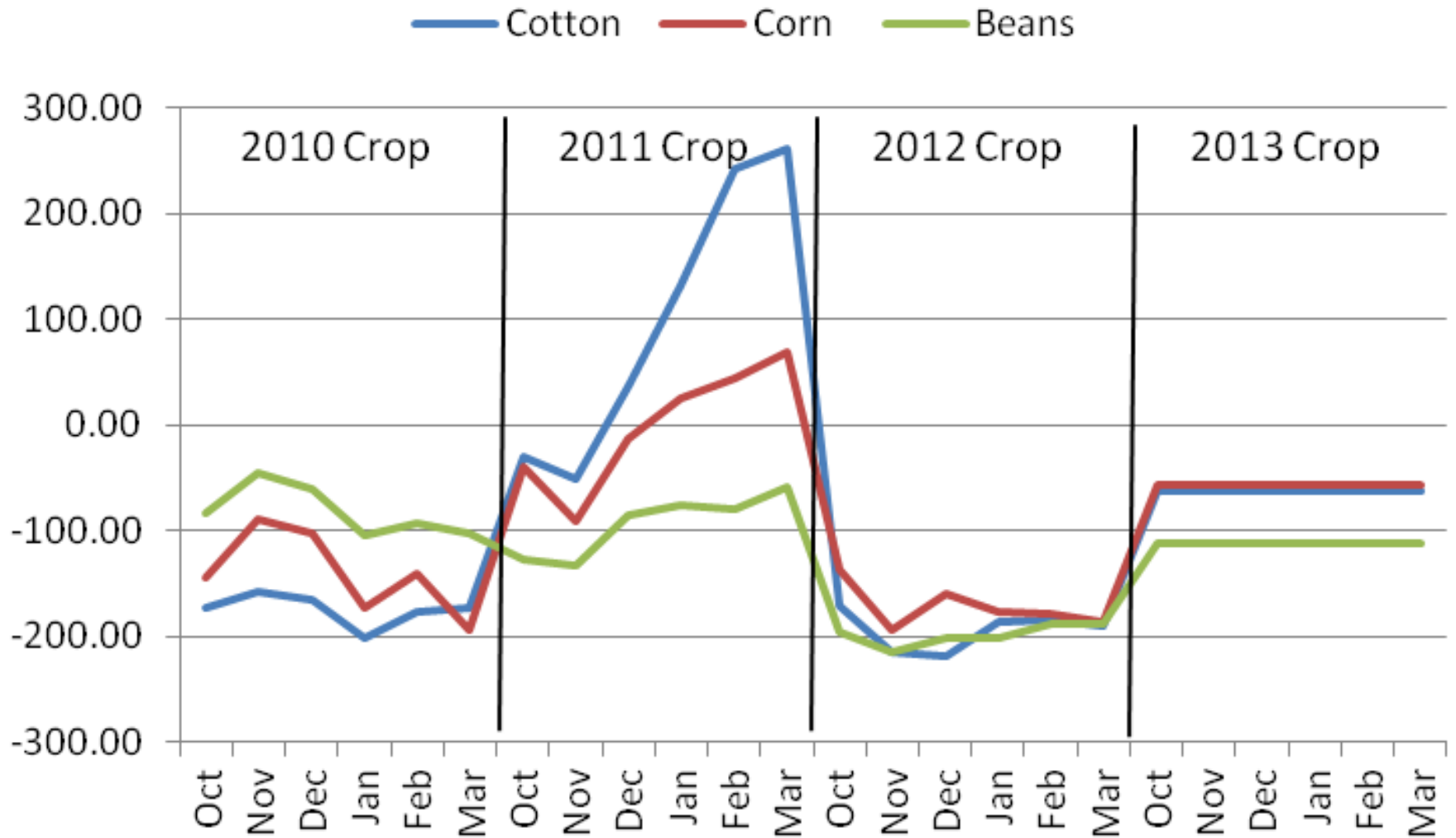


U.S. Cotton Planted Acres by State

(1,000 acres)

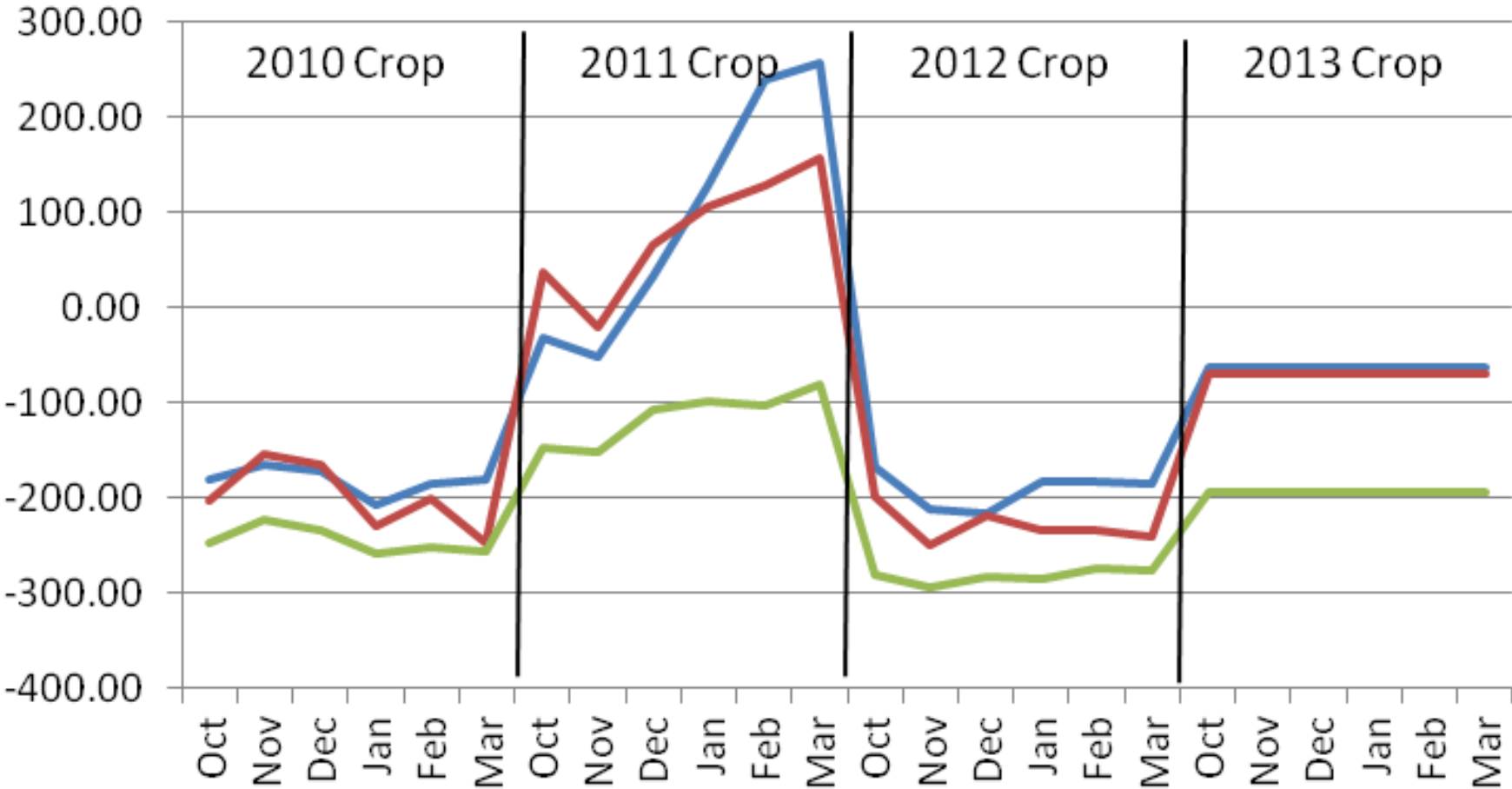


Southwest Crop Profitability



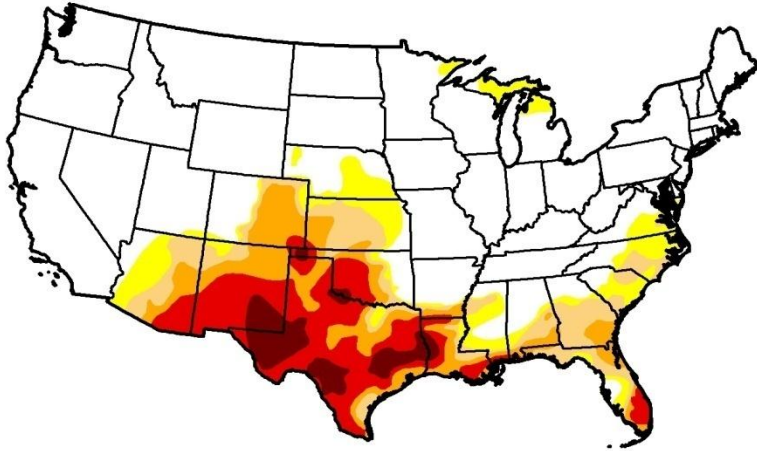
Texas Crop Profitability

Cotton Corn Beans

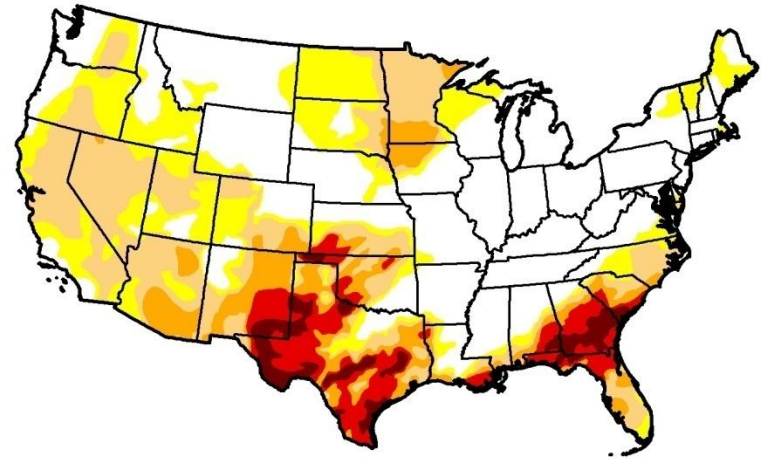


Texas Drought

Before 2011 Planting



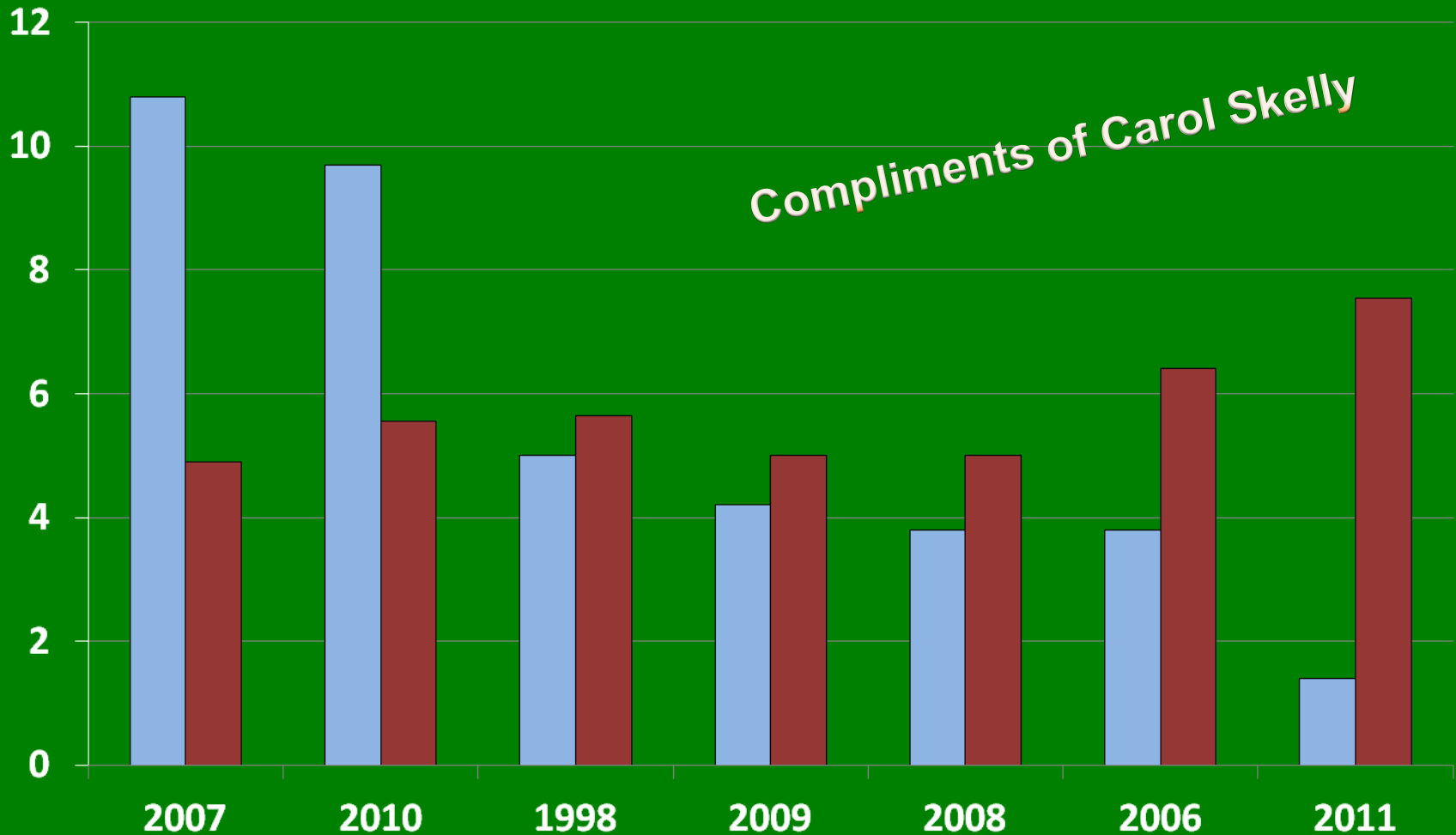
Before 2012 Planting



Texas Area

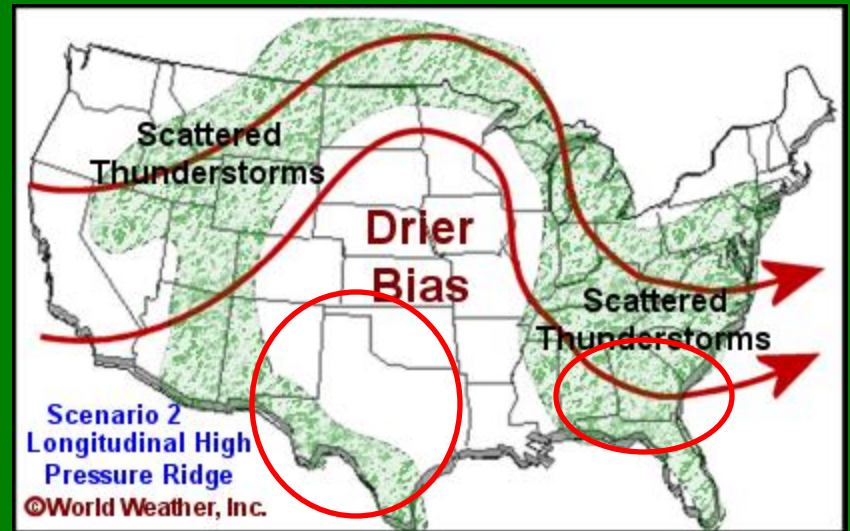
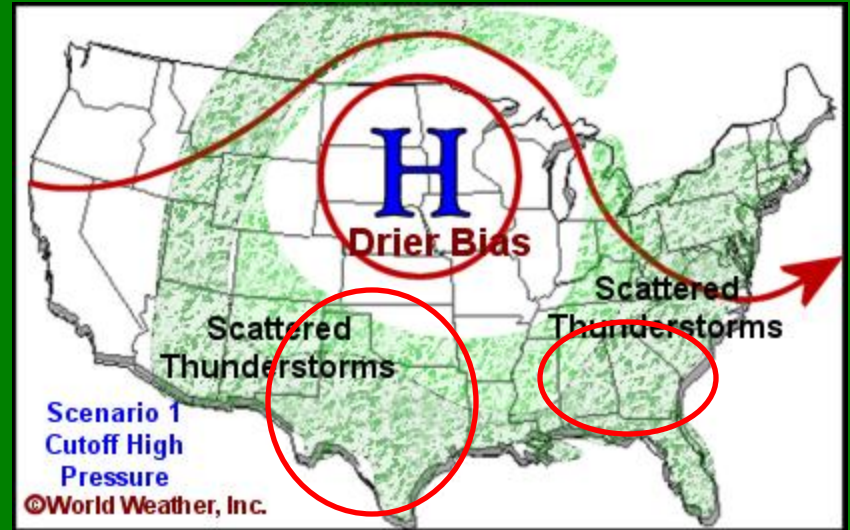
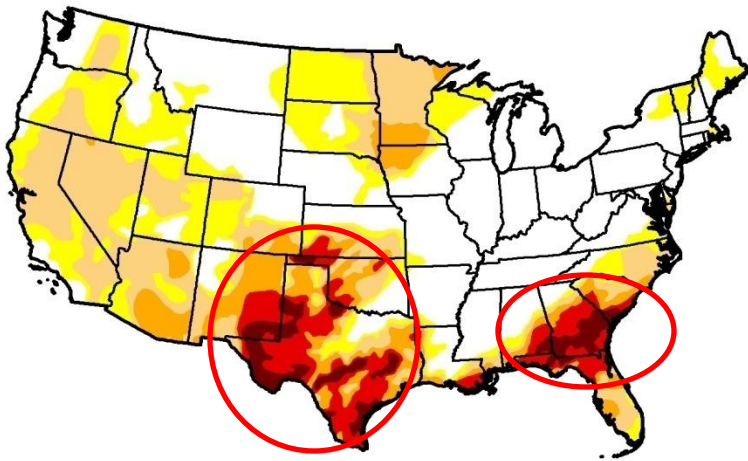
Positive Response to Drought

■ Jan-May rainfall (inches) ■ Texas planted (mil. acres)



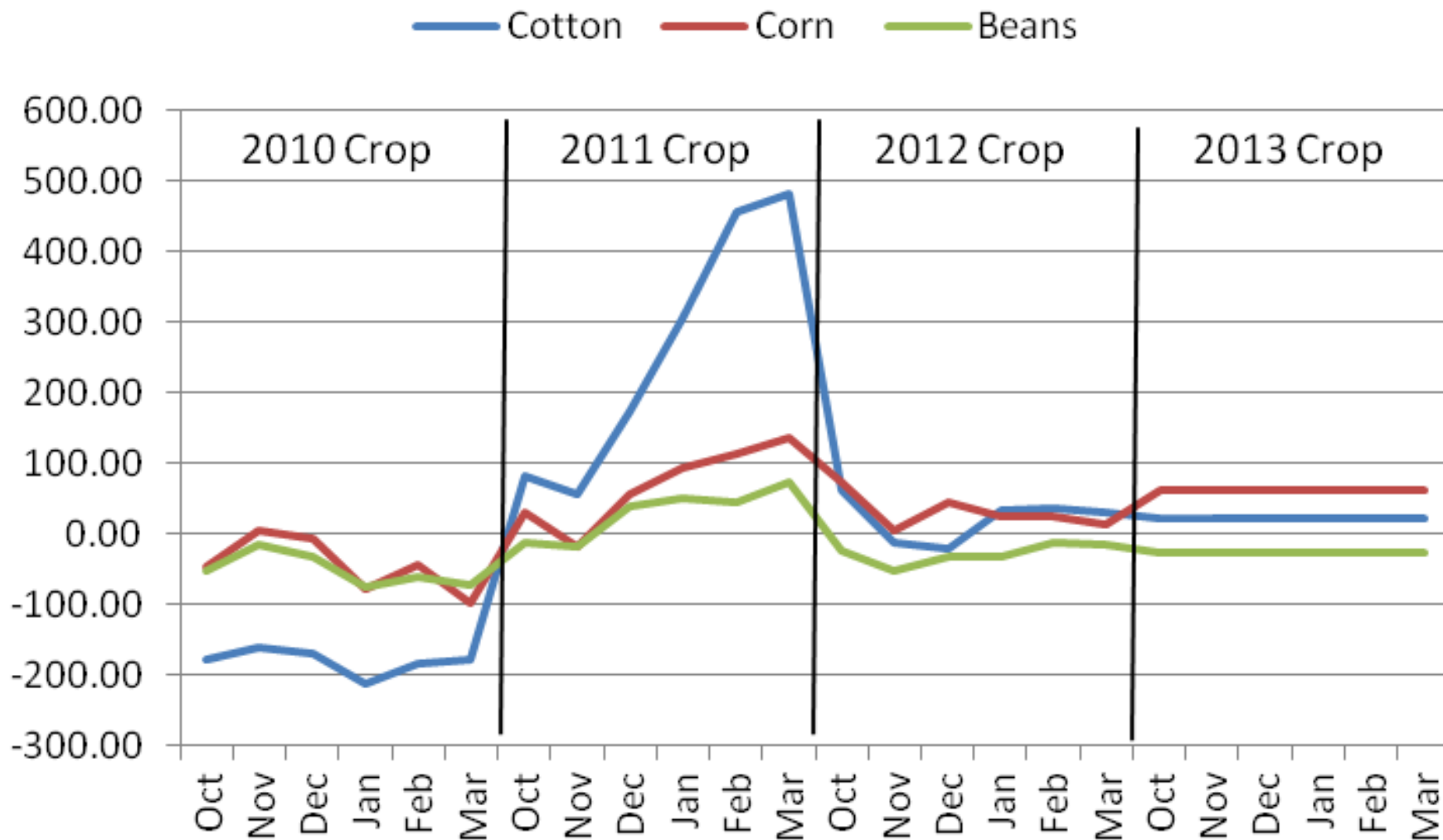
Pre-Planting Conditions

Before 2012 Planting



Source: Drew Lerner

Mid-South Crop Profitability



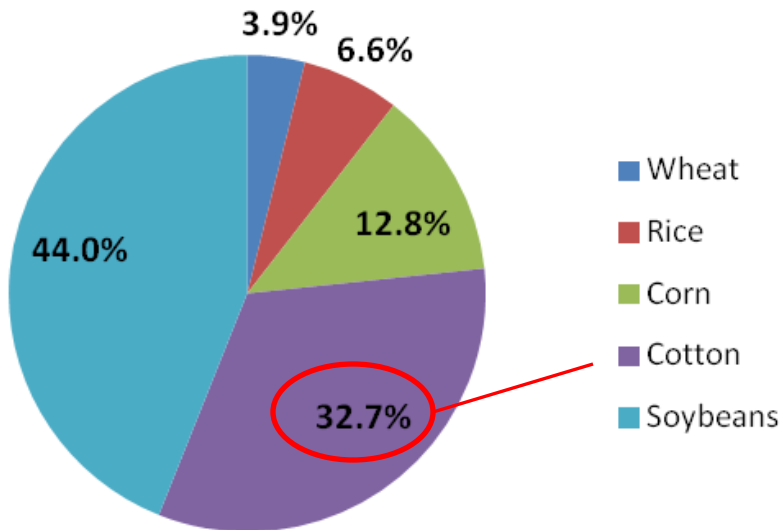
U.S. Cotton Planted Acres by Region

(1,000 acres)

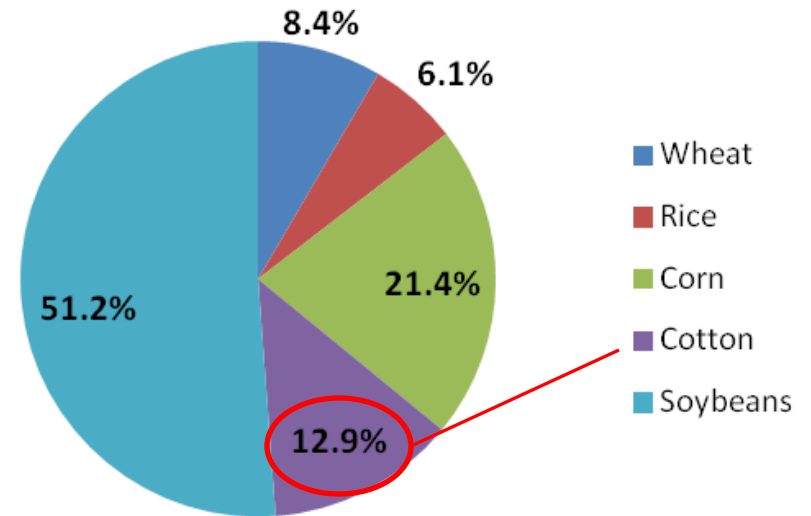
| | Far West | Southwest | Mid-South | Southeast | U.S. |
|----------------------------|----------|-----------|------------|-----------|----------|
| 2006 | 820 | 6,866 | 4,235 | 3,353 | 15,274 |
| 2007 | 678 | 5,147 | 2,750 | 2,225 | 10,830 |
| 2008 | 451 | 5,221 | 1,876 | 1,923 | 9,471 |
| 2009 | 371 | 5,261 | 1,627 | 1,891 | 9,150 |
| 2010 | 555 | 5,903 | 1,920 | 2,597 | 10,974 |
| 2011 USDA January | 786 | 8,065 | 2,475 | 3,406 | 14,732 |
| % Change from 2006 | -4% | +17% | -42% | +2% | -4% |
| Acreage Change from '06 | -34,000 | +1,199,00 | -1,760,000 | +53,000 | -542,000 |

Mississippi Planted Acres

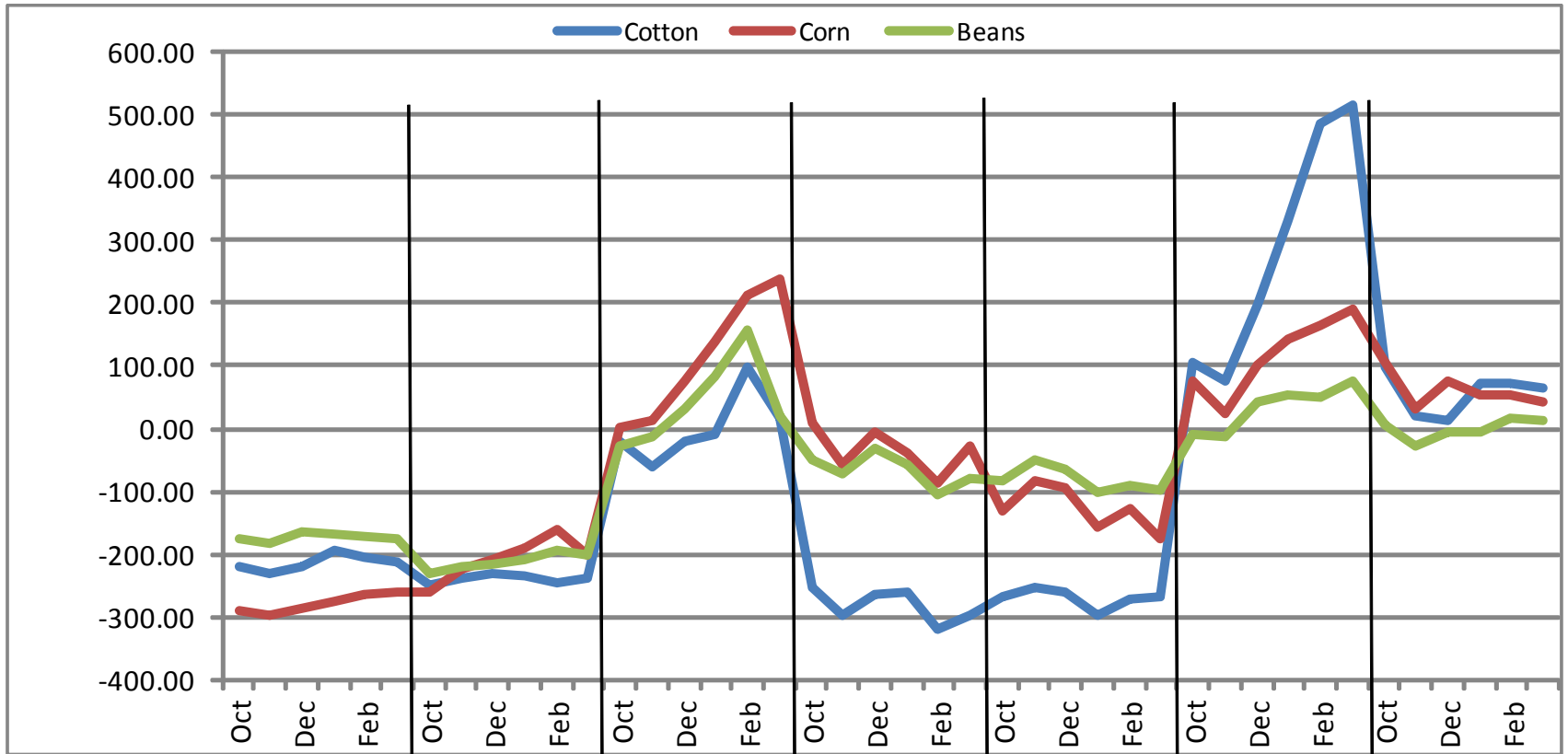
2002-2006



2007-2011



Mississippi Crop Profitability and Acreage Shift



2006

2007

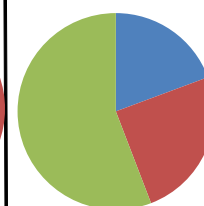
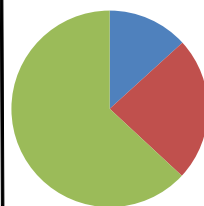
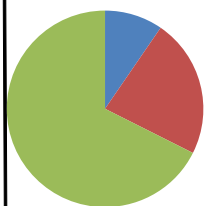
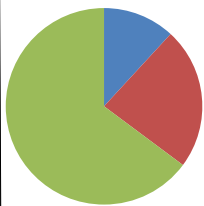
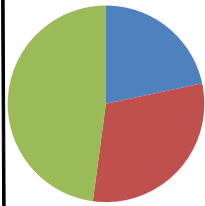
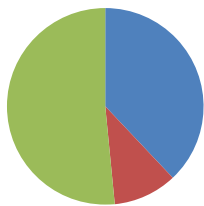
2008

2009

2010

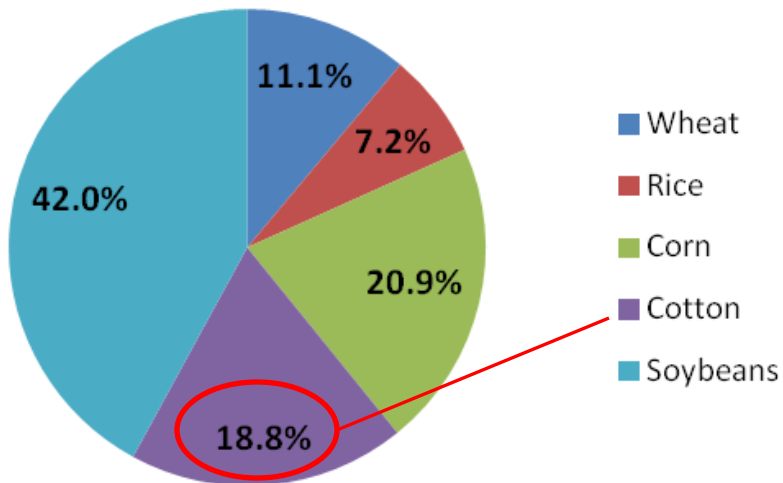
2011

Acres

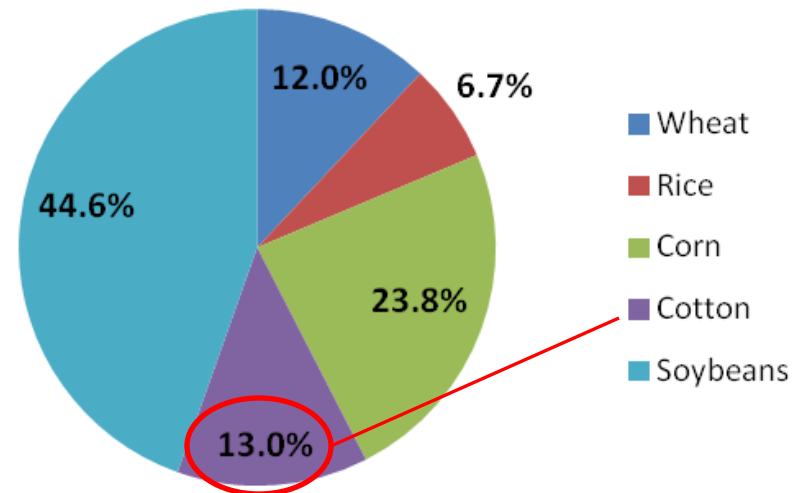


Mid-South/Southeastern Planted Acres w/o Mississippi

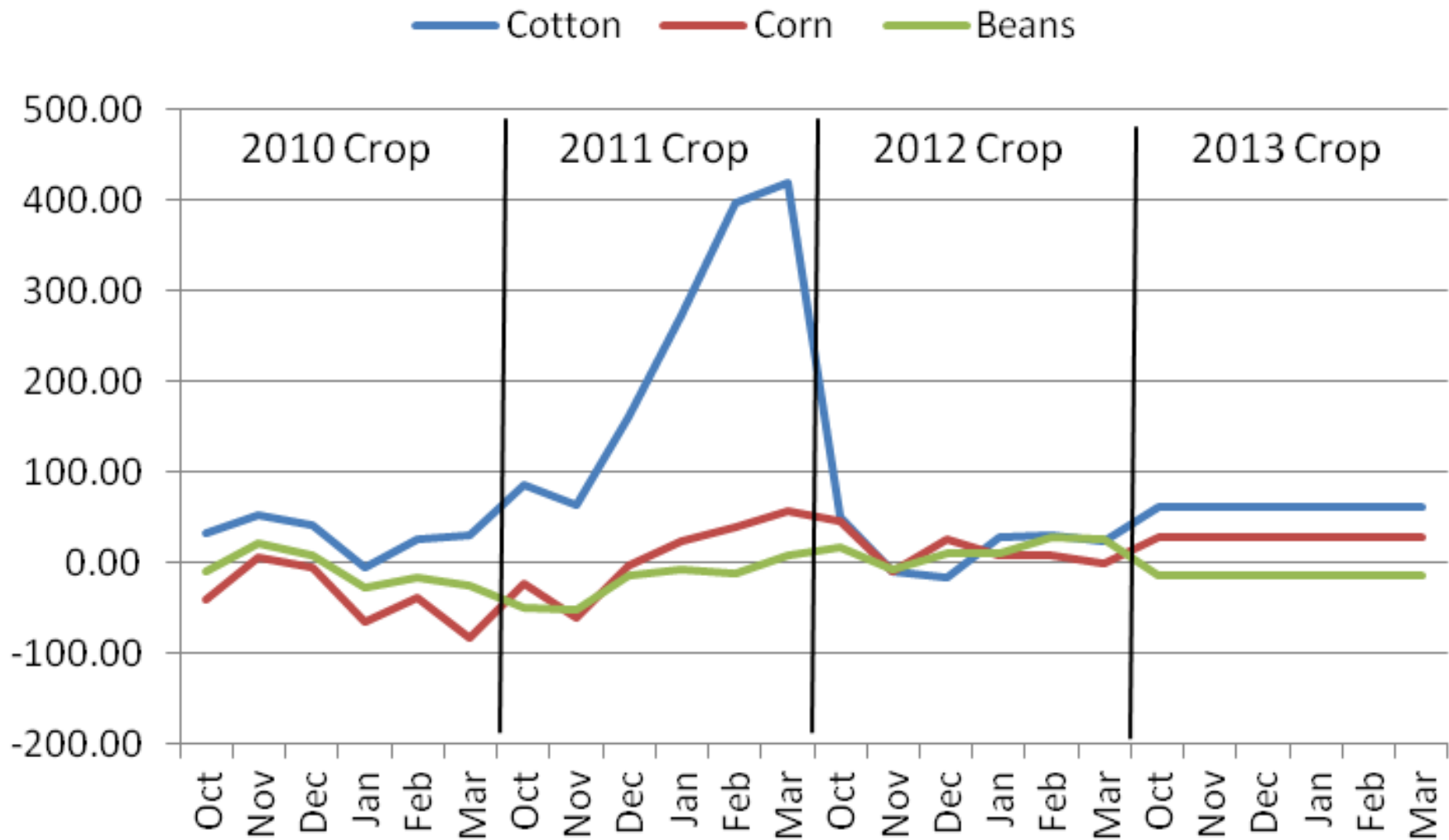
2002-2006



2007-2011



Southeast Crop Profitability



Comparative Future Market Prices as of February

| | 2011 Contract | Percent Increase | 2012 Contract | Percent Increase | 2013 Contract |
|--------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| Sept Corn | \$6.55 | -9% | \$5.97 | -6% | \$5.59 |
| Dec Corn | \$6.25 | -9% | \$5.68 | -3% | \$5.53 |
| Nov Soybeans | \$13.95 | -10% | \$12.61 | -5% | \$11.99 |
| Nov Rice | \$15.04 | 0% | \$15.06 | 4% | \$15.60 |
| Dec Wheat | \$8.66 | -20% | \$6.91 | 7% | \$7.42 |
| Dec Cotton | 132.50¢ | -30% | 92.60¢ | -1% | 92.02¢ |

2012 U.S. Crop Projection

| Region | Acres | Bales |
|-----------|--------|--------|
| Southeast | -13.8% | 4,675 |
| Mid-South | -5.8% | 4,425 |
| Southwest | -0.1% | 6,650 |
| Far West | -17.5% | 2,000 |
| Pima | -6.4% | 750 |
| Total | -4.9% | 18,500 |

NOTE: Based on assumption drought lifts in growing season, still very little subsoil moisture

15.0 million bale crop with continued weather patterns

2012 World Crop Projection

| | NCC Projection | Projection |
|------------------|-----------------------|-------------------|
| Beginning Stocks | 60.72 | 60.72 |
| Production | 119.40 | 120.68 |
| Imports | | |
| Mill Use | 113.8 | 115.1 |
| Exports | | |
| Ending Stocks | 66.32 | 66.22 |
| Stocks-to-Use | 56% | 55% |

2012 & Beyond

- Chinese Reserve
- Acres Around the World
- World Consumption
- Input Costs
- Ethanol Policy
- Farm Bill & Insurance Programs
- Weather
- Texas Acres