

Agricultural Outlook Forum  
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A Cotton Producer Grows Grain: Reflections for 2007, Plans for 2008

Dow Brantley

# A Cotton Producer Grows Grain:

Reflections on 2007  
Plans for 2008

Dow Brantley  
Brantley Farming Co.  
Lonoke, AR



# History

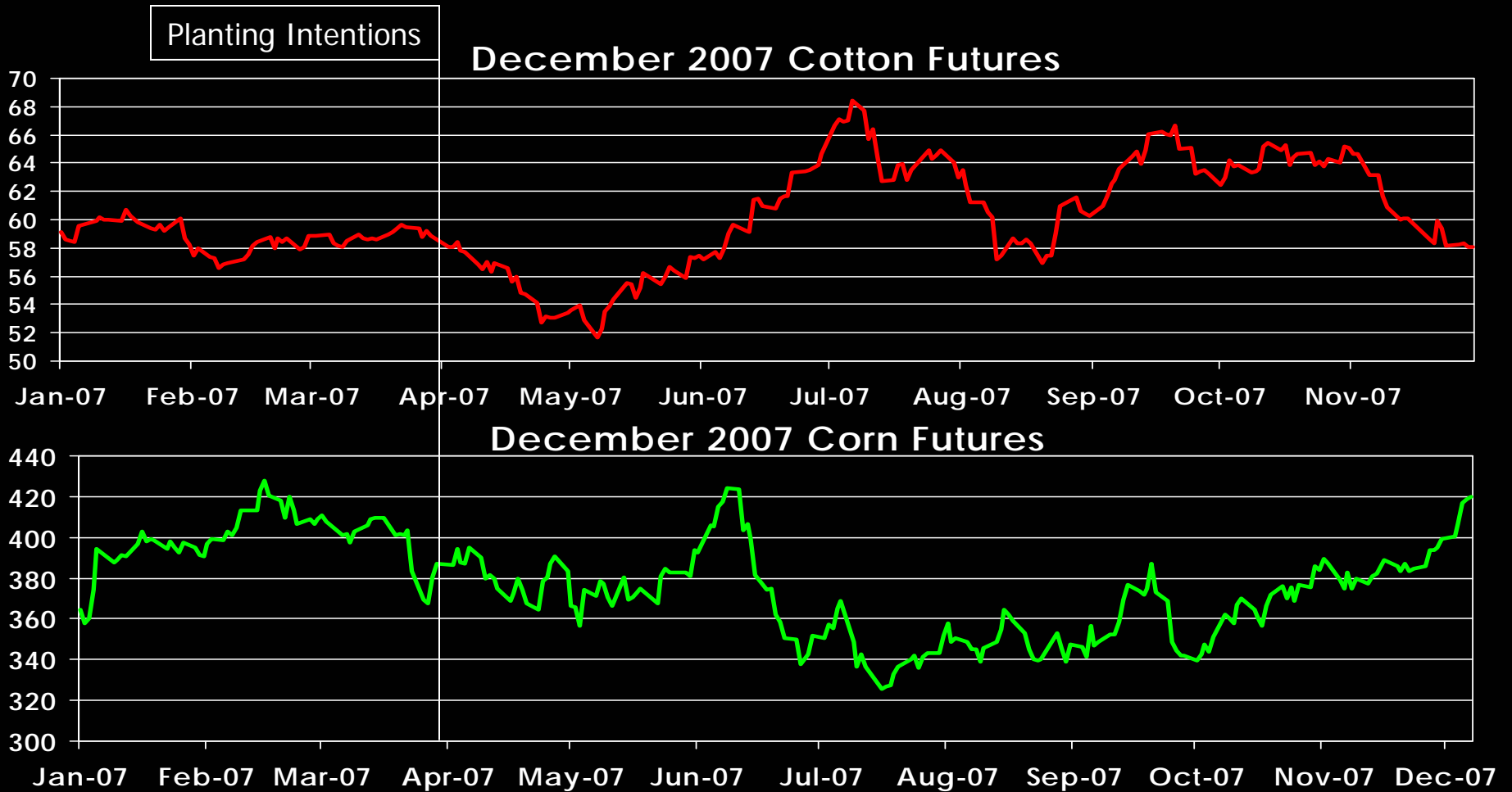
- Brantley Farm Began in 1946
- Changed to Brantley Farming Co. in 1996
- Began growing in Corn in 2002
  - » As productive crop to rotate w/cotton
  - » Studies show a 10-15% increase in cotton yields following corn



# Reflections on 2007



# Record Stocks in 06/07 Keep Cotton Prices Weak As Grain Prices Move to Historic Levels



# As Corn Prices Soar for 2007 Crop Farmers Change Crop Mix

## Lonoke County Acres

	Corn	Cotton
2006	4,489	26,160
2007	14,268	19,490
Change	9,779	-6,670

## Arkansas Acreage

	Corn	Cotton
2006	180,000	1,160,000
2007	590,000	850,000
Change	410,000	-310,000

- Cotton acreage on our farm dropped 30%
- Lonoke County
  - » Cotton acreage dropped 25%
  - » Corn acreage increase 218%
- Statewide
  - » Cotton acreage dropped 25%
  - » Corn acreage increase 225% (largest percent increase in the U.S.)



# Record Yields and Strong Prices Made Corn the Right Decision for 2007

Gross Revenue			
	Yield	Value	Gross Revenue
Corn	180 bu	\$4.00	\$740.00
Cotton	1,300 lbs	\$0.56	\$728.00
Gross Revenue (Advantage Corn)			\$12.00

- The total cost of producing corn including land rent is \$105 per acre less than cotton
- Additionally there is less risk, time and effort required to grow corn



## The Downside:

### The Increase in Corn Acres Caused a Major Storage Deficit

- Arkansas grain storage capacity is ~**196 mil bu**
  - » Farm storage is just over 115 mil bu
  - » Commercial Storage
    - State Lic **31 mil bu**
    - Federal Lic **50 mil Bu**

Arkansas Grain Production (Million Bushels)		
	2006	2007
Rice	211	208
Soybeans	107	100
Corn	26	99
Wheat	19	29
Sorghum	5	20
Total	368	456

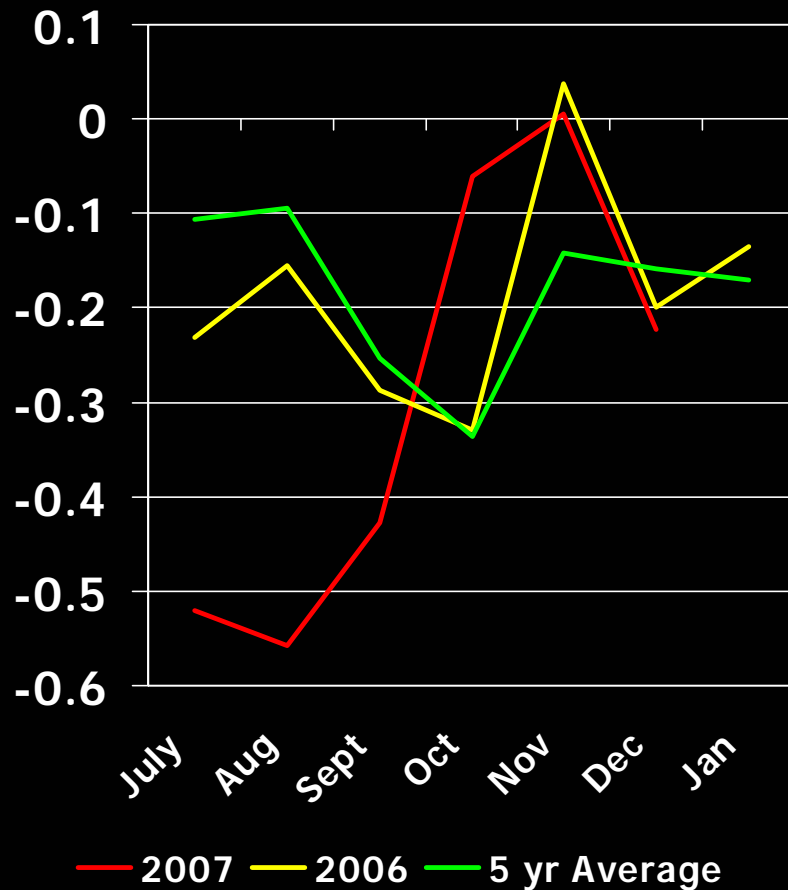




# Storage Issues in 2007, Solutions for the Future



# Storage Allows a Farmer to Take Advantage of the Large Basis Swings



- At harvest basis ranged from 30 to 50 under
- Today the basis is 0 to 10 under
- The change in basis combined with the increase in price led to a significantly higher cash price.
  - » \$3.70 in September
  - » \$4.69 Today



# Plans for 2008



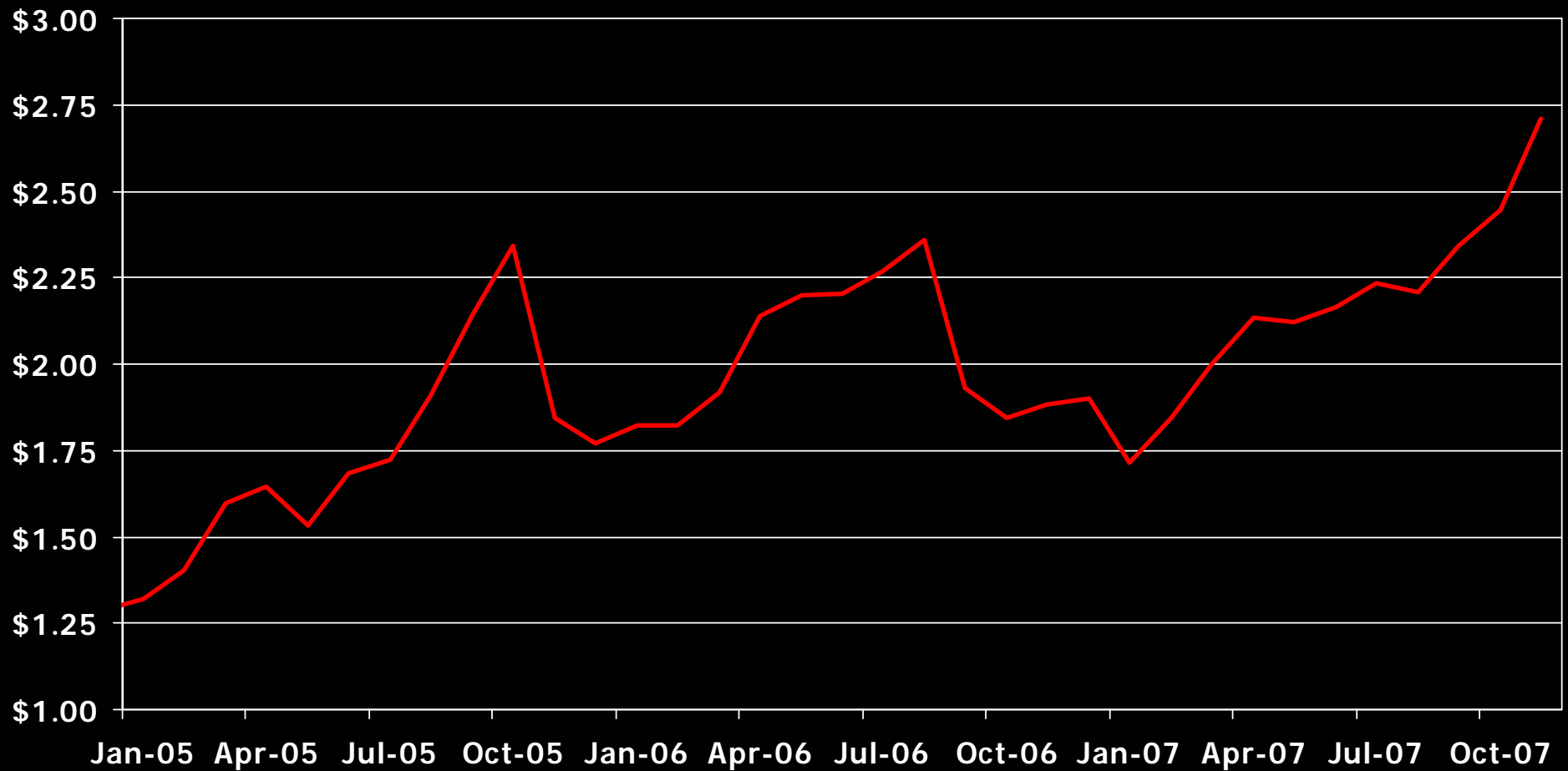
# Overall Arkansas Corn Acres will Decline in 2008, But So Will Cotton Acres

## ➤ WHY?

- » ***\$12 SOYBEANS /\$9 WHEAT!!!!***
- » Lack of Storage
- » Increased cost of inputs
- » Cotton prices have not risen enough to make competitive
- » Cotton is too labor intensive, when other commodity prices are this high.

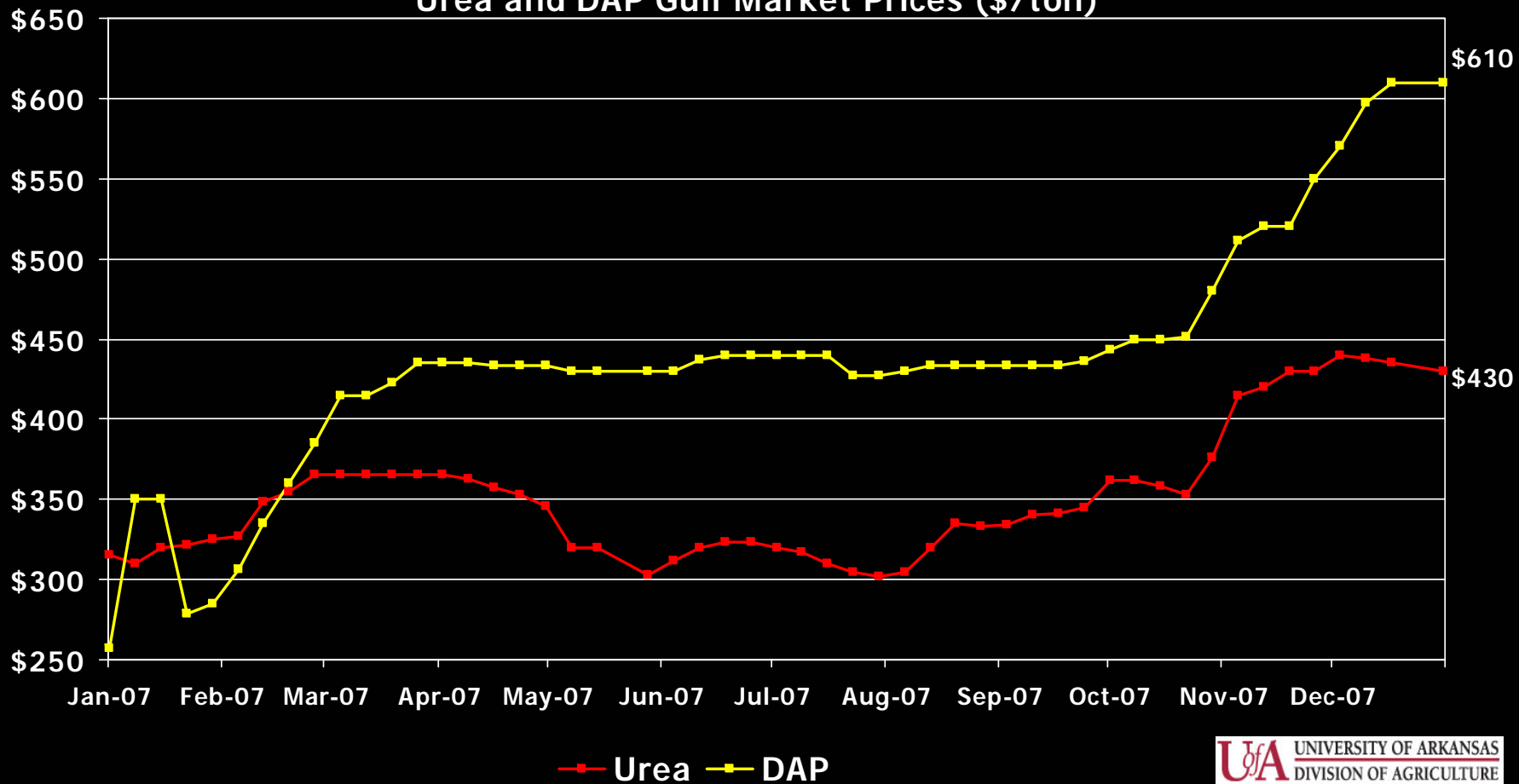


# U.S. Wholesale Diesel Prices More Than Double From Jan 2005 to Nov 2007



# Fertilizer Prices on the Rise Again for 2008

Urea and DAP Gulf Market Prices (\$/ton)



**U of A** UNIVERSITY OF ARKANSAS  
DIVISION OF AGRICULTURE



# Effect of Reduced Acreage on Cotton Infrastructure

- Gins
  - » Gin Consolidation
- Cotton Inc Promotional Programs
- Cooperatives
- Warehouses
- Equipment



# Increases in Fuel and Fertilizer have Dampened Corn's attractiveness in 2008

2008 Budget			
	Yield	Value	Gross Revenue
Corn	175 bu	\$4.50	\$787.50
Soybeans	50 bu	\$11.00	\$550.00
Cotton	1100 lbs	\$0.66	\$726.00
Gross Revenue (Advantage Soybeans)			<b>-\$176.00</b>
Gross Revenue (Advantage Corn)			\$61.50

- The total cost of producing corn including land rent is \$63 per acre less than cotton
- The total cost of producing soybeans including land rent is \$375 per acre less than cotton





# While Arkansas Corn Acres Decline, Our Operation Will Remain the Same

## ➤ WHY??

- » Long term commitment to grain
- » Expanded storage since 2003
- » Arkansas only produces enough corn to supply 30 days of our state Poultry industry needs.
  - This provides great opportunities to store corn



# Implications of 2007 Farm Bill on Southern Cotton Production

- Cotton acres are forecast to continue to decline in 2008 as Cotton producers react to market forces
- Without an adequate safety net U.S. cotton production is at risk

