Economics of Pesticide Use in Cotton

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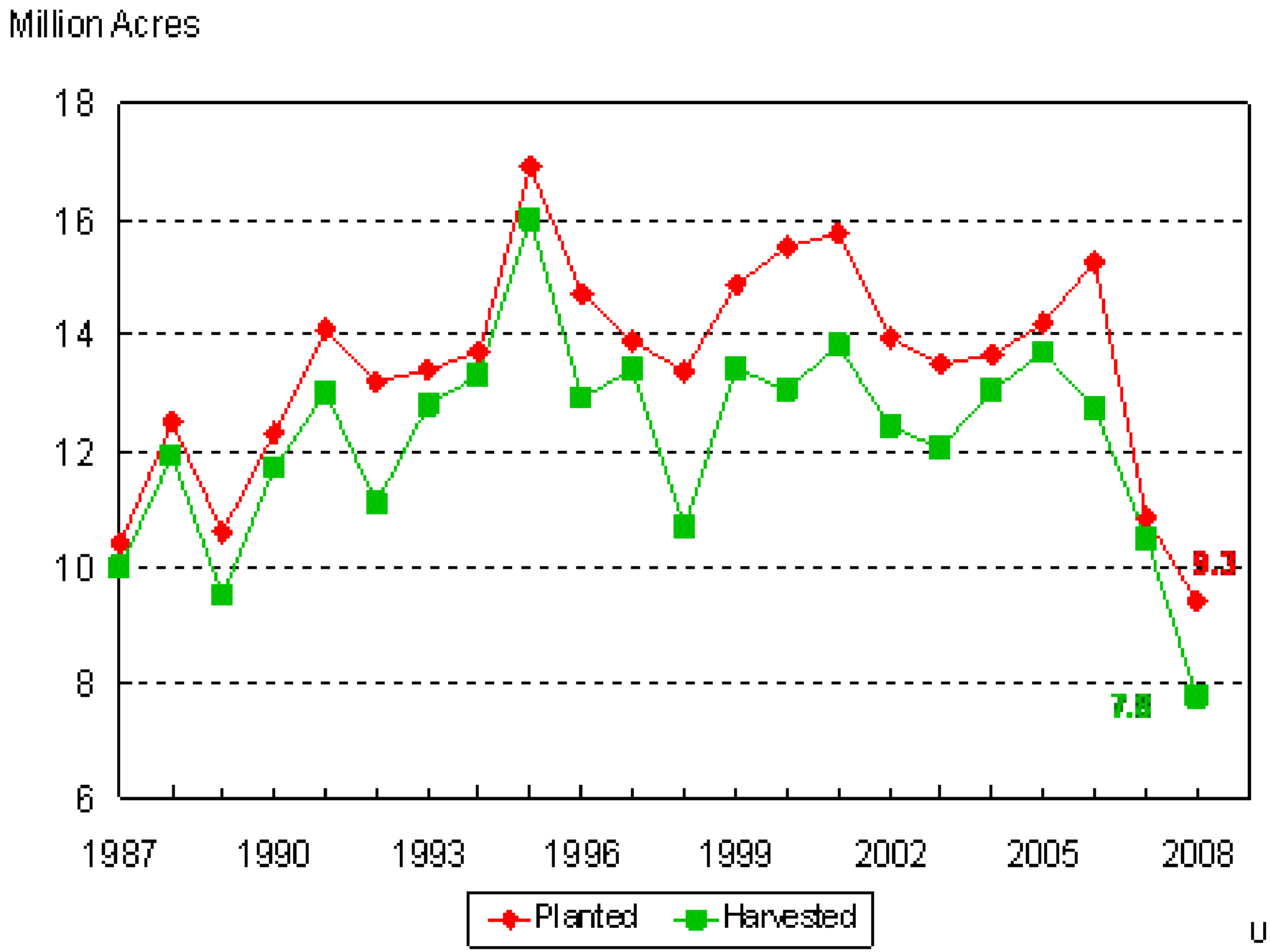
U.S. All Cotton Acres



USDA-NASS
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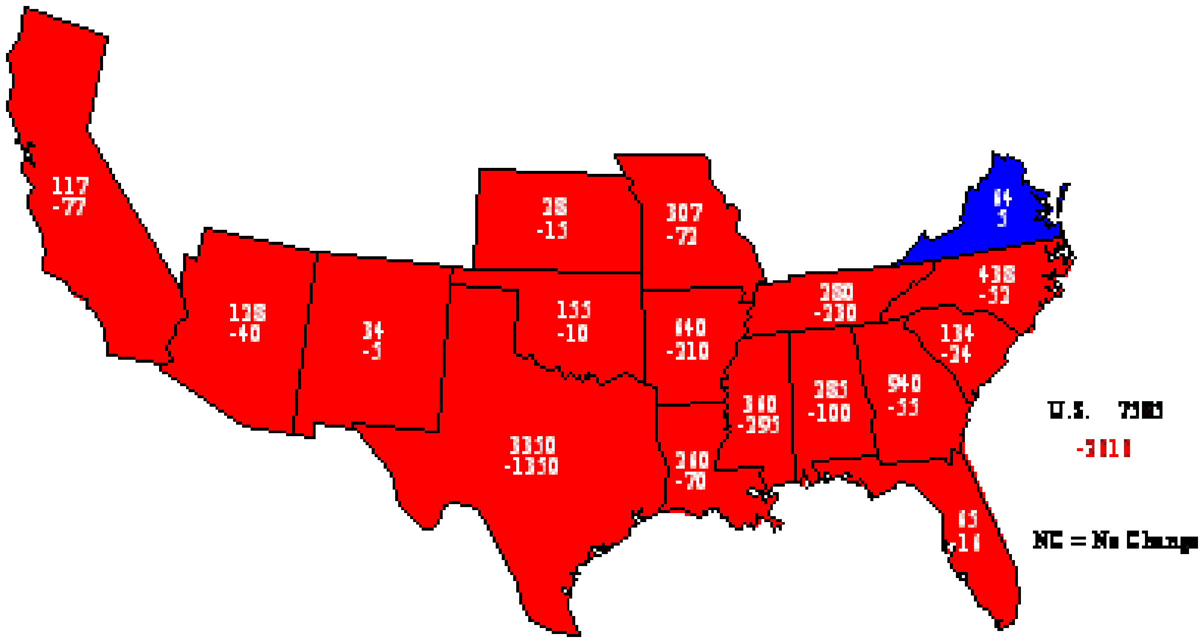
2008 Upland Cotton Harvested Acres

Acres (000) and Change From Previous Year



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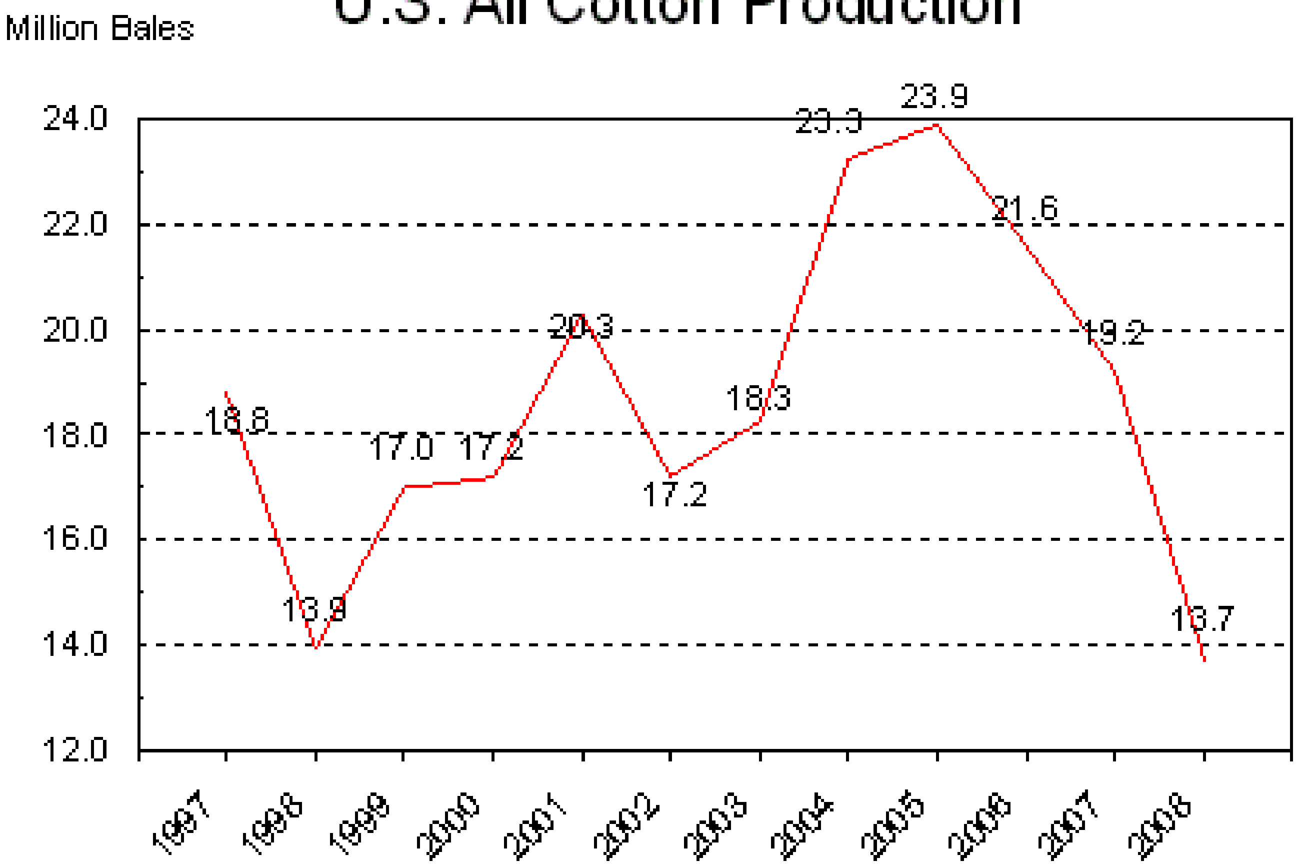
U.S. All Cotton Production



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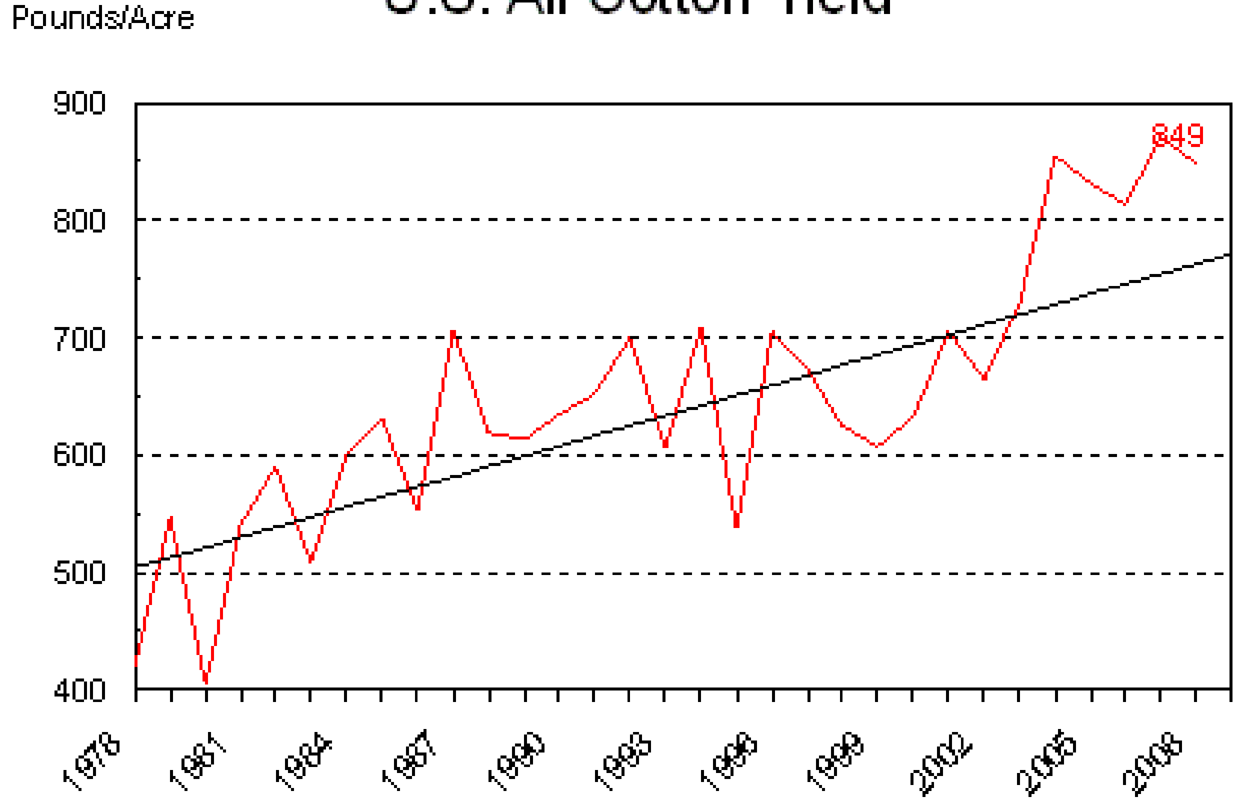
U.S. All Cotton Yield



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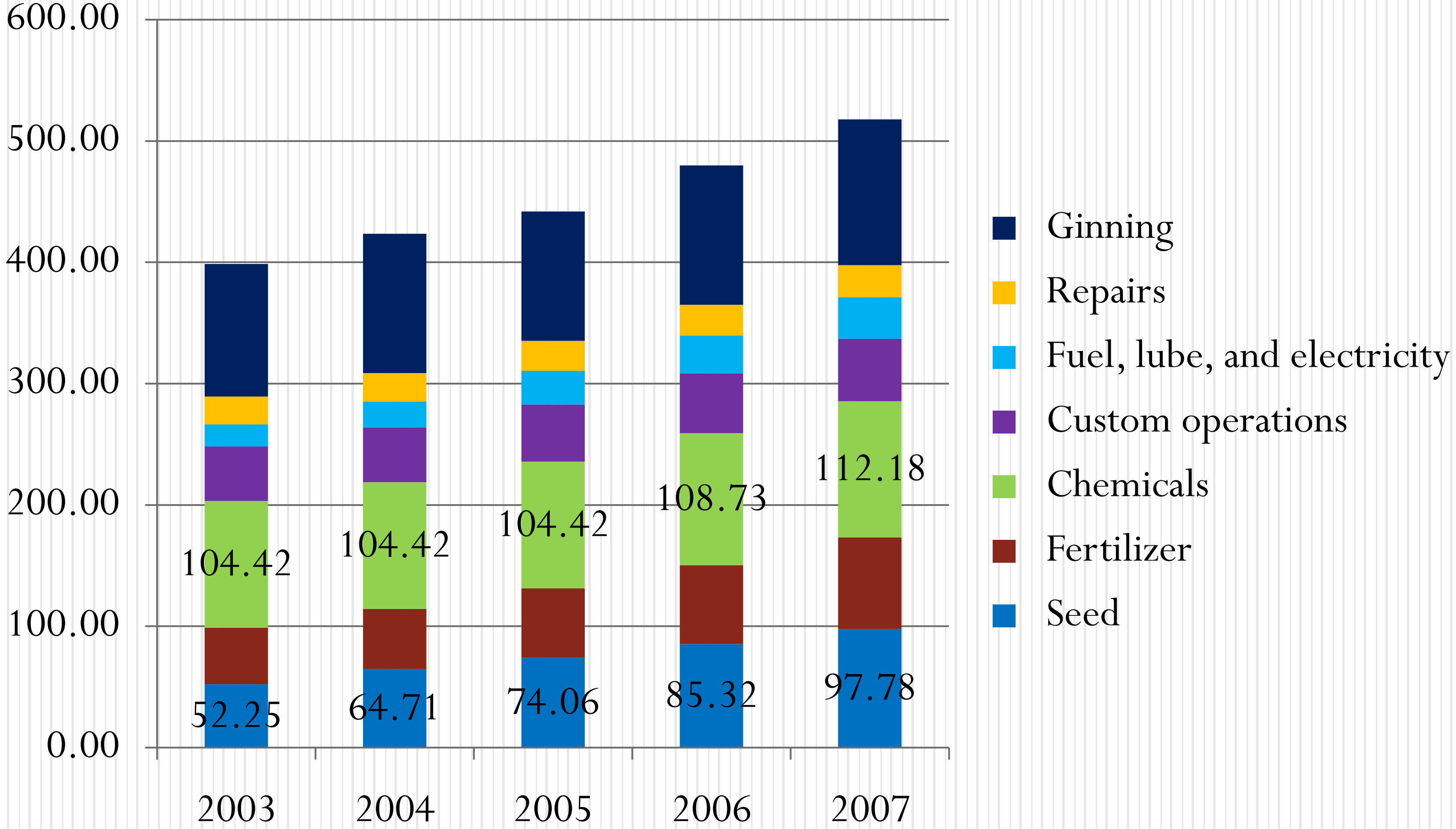
Cotton Price Outlook

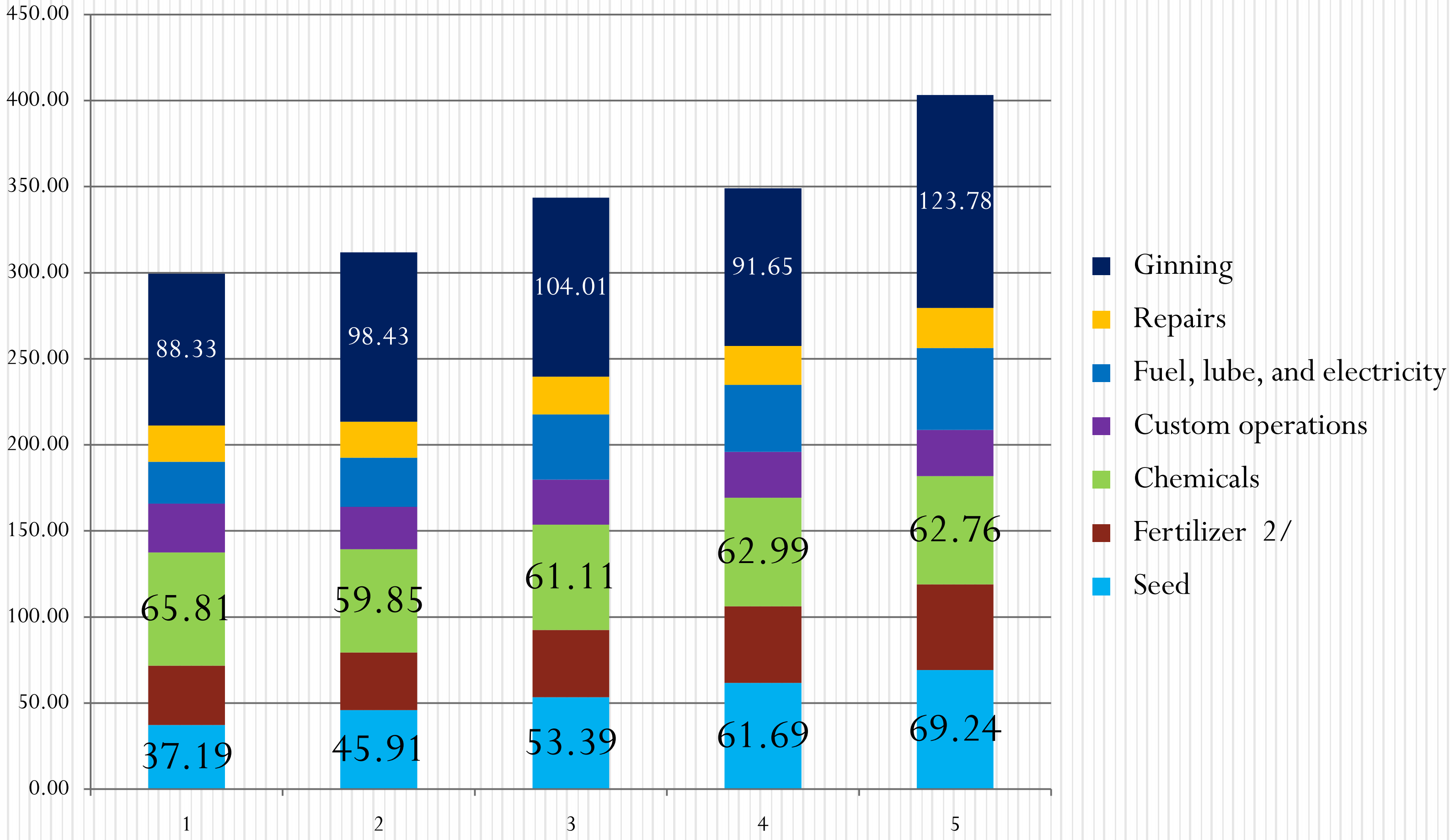
- Dec. 2008 44.03
- Dec. 2009 55.90
- Dec. 2010 64.47

Operating Costs on Cotton in the Mississippi Portal, 2003-2007 ($/ac)



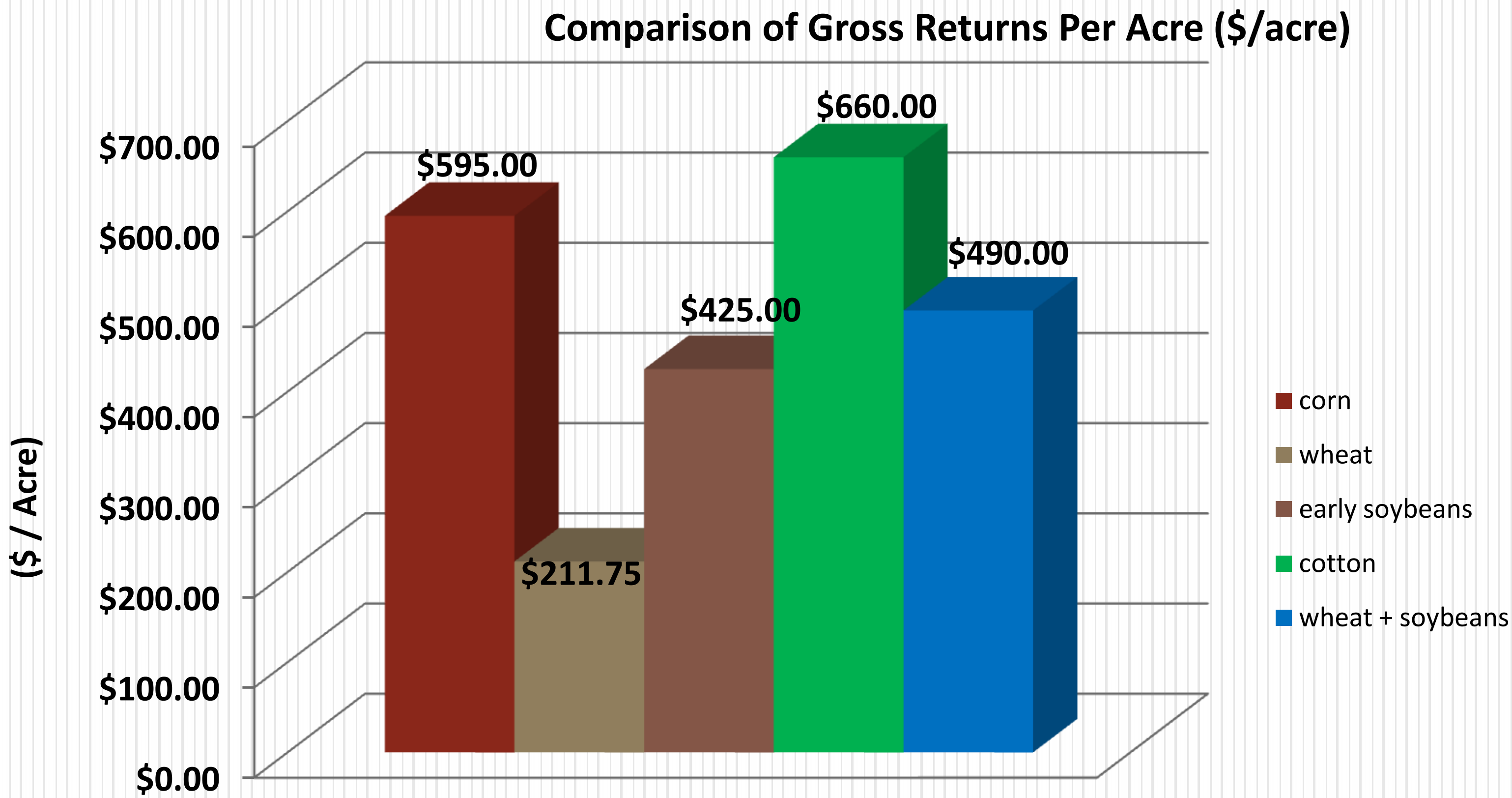
Source: USDA Economic Research Service

U.S. Operating Costs for Cotton 2003-2007 ($/ac)



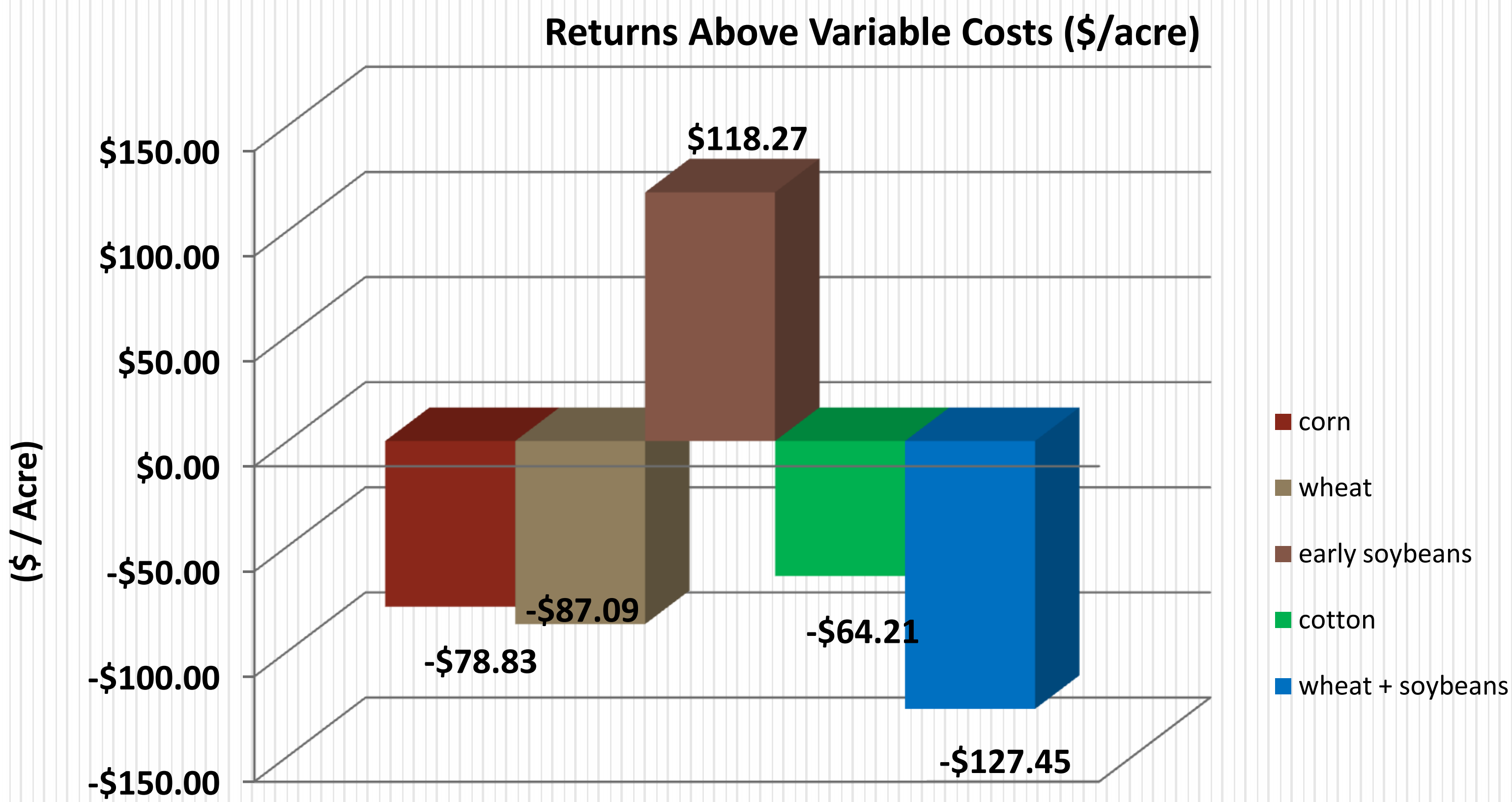
Source: USDA Economic Research Service

Estimated Gross Returns: Arkansas 2009

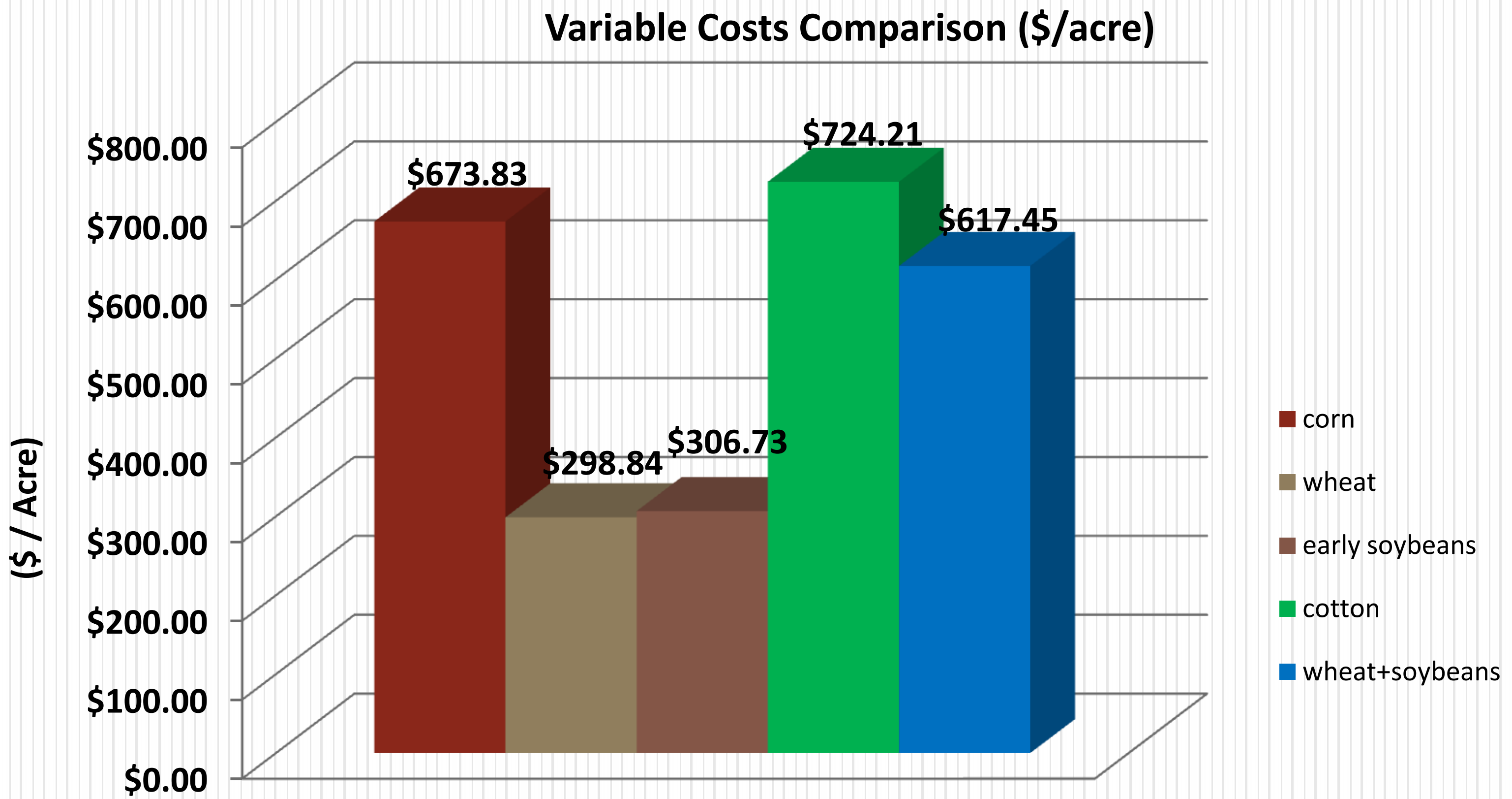


Visit www.uaex.edu for Crop Planning Budgets

Estimated Returns above Variable Costs: Arkansas 2009



Estimated Variable Cost: Arkansas



What's the plan for Cotton Production in 2009?

- Grow cotton on your best soils;
- Where insect pressure is light;
- Pray for rain;
- Protect yield;
- Do everything correctly (can't afford to take risks).

Summary

- Cotton acres are likely to decline further in 2009.
- Cost of production per acre has increased 25% in 4 years.
  - Seed expense has increased 50% to 100%.
  - Chemical expenses have increased also.
- Cotton still has favorable gross returns.
- Cotton has a favorable gross margin compared to wheat, corn, or a wheat/soybean double crop.
- So far cotton is not plagued with a basis or storage problem.
- High yields will be critical in 2009 to earn a good return.
- Grow cotton where its chances of success are greatest and protect the yield.