

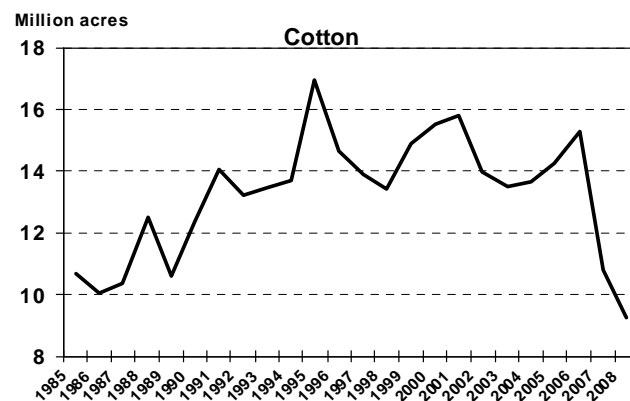
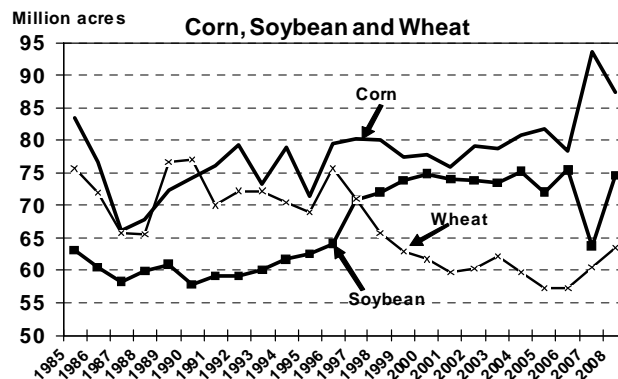
U.S. Planted Acres: Corn Down 7%, Cotton Down 15%, Soybeans Up 17% and Wheat Up 5% *Jose G. Peña, Professor and Extension Economist-Management*

USDA's highly anticipated acreage report, released on June 30, 2008, indicated that farmers planted 87.3 million acres of corn, down 6.7 percent from 93.6 million acres planted last year and up 5.6 million acres (1.5 percent) from 86.0 million indicated for planting in the initial March '08 planting intentions report. (See Figure 1 and Table 1). Despite the decrease, corn planted acreage was the

second highest since 1946, behind last year's total of 93.6 million acres. The report surprised the market which had estimated an average of 85.3 million acres planted to corn. Corn futures prices on the Chicago Board of Trade (CBOT) finished limit down on the report release date in response to a larger-than-expected USDA acreage report.

While 2008 contracts are still trading in the \$7.00-\$7.28/bushel range, most contracts have weakened from record highs above \$7.50/bushel, just prior to the report release date. On Monday (7.7.08), with the exception of the July '08 contract, most contracts finished limit down again probably as a result of long futures contract liquidations, minor profit taking, and forecasts for better weather in the Corn Belt.

Figure 1: U.S. Corn, Soybean, Wheat and Cotton Planted Acreage



Source: USDA Prospective Plantings report, June 30, 2008

All cotton plantings at 9.25 million acres were down 14.6 percent from 10.827 million acres planted last year and down 144,000 acres (1.5 percent) from 9.39 million acres indicated for planting in March. Soybean planted acreage at 74.533 million acres were up 17.1 percent from last year but down 260,000 acres from 74.793 million acres indicated for planting in March. All wheat planted area at 63.5 million acres was up 5.0 percent from 2007 and down 448,700 acres from 63.8 million acres intended for planting in the March '08 planting intention report.

While grain markets weakened slightly but generally held their ground, after the report was released, the cotton market continued to weaken, after March '08 highs in the mid-90's, and is now trading in the mid-70's.

COMMODITY	2001	2002	2003	2004	2005	2006	2007	2008		% CHNG	% CHNG
								March ¹	June ²	Mar/June	2007/June 08
	<i>(X 1,000 ACRES)</i>										
CORN	75,752	79,054	78,736	80,930	81,759	78,327	93,600	86,014	87,327	1.5%	-6.7%
SOYBEANS	74,075	73,758	73,404	75,208	72,142	75,522	63,631	74,793	74,533	-0.3%	17.1%
ALL WHEAT	59,617	60,358	61,700	59,674	57,229	57,344	60,433	63,803	63,457	-0.5%	5.0%
Winter	41,078	41,735	44,945	43,350	40,433	40,575	44,987	46,840	46,605	-0.5%	3.6%
Durum	2,910	2,909	2,915	2,561	2,760	1,870	2,149	2,630	2,655	1.0%	23.5%
Other Spring	15,629	15,714	13,840	13,763	14,036	14,899	13,297	14,333	14,197	-0.9%	6.8%
ALL COTTON	15,769	13,958	13,480	13,659	14,245	15,274	10,827	9,390	9,246	-1.5%	-14.6%
UPLAND	15,499	13,714	13,301	13,409	13,975	14,948	10,535	9,186	9,044	-1.5%	-14.2%
PIMA	270	244	179	250	270	326	292	204	202	-0.8%	-30.9%
SORGHUM	10,252	9,580	9,420	7,486	6,454	6,522	7,718	7,415	7,271	-1.9%	-5.8%
PEANUTS	1,541	1,358	1,344	1,430	1,657	1,243	1,230	1,430	1,461	2.2%	18.8%
OATS	4,403	5,005	4,601	4,085	4,246	4,168	3,760	3,420	3,467	1.4%	-7.8%
HAY/2	63,511	64,497	63,342	61,916	61,649	60,807	61,625	60,583	60,439	-0.2%	-1.9%
TOTAL	304,920	307,568	306,027	304,388	299,381	299,207	302,824	306,848	307,201	0.1%	1.4%

1/Intended plantings in March 31, 2008 as indicated by reports from farmers.
2/Acres planted as indicated on June 30, 2008 by reports from farmers.
Source: Agricultural Statistics Board

Corn

While the June 30, 2008 estimate of corn planted acreage at 87.327 million acres is down 6.7 percent from last year's record planting, USDA's acreage report estimates that only 90.4 percent of the planted acreage will be harvested, compared to 92.4 percent of last year's record plantings which were harvested. USDA's June '08 estimate of use for the 2008/09 season at 12.51 billion bushels is down 450 million bushels (3.5%) from total use of 12.96 billion bushels during the 2007/08 season. Ethanol use now accounts for over 34 percent of USDA's June 10, 2008 production estimate of 11.735 billion bushels.

Reduced plantings, reduced acreage for harvest and continuing problematic rains is influencing the recent market volatility. USDA's July 8, 2008 Crop Progress report, indicated that only 6.0 percent of this year's corn crop is silking, compared to a five year average of 19 percent. Also, only 62 percent of the crop was rated good to excellent, compared to 70 percent last year at this same time.

Using USDA's June 30, 2008, estimate of corn acreage for harvest at 78.94 million acres and USDA's national

average yield estimate of 148.9 bu/acre in the June 10, 2008 supply/demand report, production should approximate 11.754 billion bushels, up just slightly from USDA's June estimate of 11.735 billion bushels. This means that USDA's mid-June supply/demand estimate remains up to date with ending stocks dropping to about 673 million bushels, down about 47 percent from this past season's ending stock estimate of 1.433 billion bushels.

While fundamentals probably support a stronger market response, keep in mind that USDA's June estimate of use includes the use of about 4.0 billion bushels of corn for ethanol production. About one-third to 40 percent of this corn will be recycled into livestock feed, which influences the corn market.

Cotton

While USDA's, June 30, 2008 acreage report dropped the acreage estimate planted to cotton by 144,000 acres to 9.246 million from the March '08 estimate of 9.39 million acres, the cotton market remained bearish. Price bids for December '08 cotton futures contracts dropped from the mid-80's to the high 60's-low-70's.

All cotton plantings for 2008 are expected to total 9.246 million acres, (Upland 9.044 million; Pima 202,000) down 14.6 percent from 10.827 million acres planted last year. The report surprised the industry as trade was expecting even lower planted acreage. The 9.246 million acres is the smallest acreage planted since 1983.

Upland planted area is estimated at 9.044 million acres, down 14.2 percent from 2007. Decreased planted acres are estimated for all States except Oklahoma and Virginia. The largest percentage declines were in California and Mississippi where upland producers planted 44 percent fewer acres than last year at 110,000 acres and 370,000 acres, respectively. American-Pima cotton growers planted 202,000 acres, down 31 percent from 2007.

Adjusting the estimate of acres planted by the historical harvested-to-planted ratio would indicate that about 8.44 million acres of upland cotton will be harvested. Using this estimate of cotton acres for harvest and USDA's national average yield estimate of 830 pounds/acre in the June 11, 2008 supply/demand report would indicate production at about 14.6 million bales, down 10,000 bales from USDA's mid-June '08 estimate of 14.5 million bales, but down 24 percent from 19.21 million bales produced this past season. Using USDA's June estimate of use at 19.3 million bales would indicate that use will exceed production by 4.7 million bales, dropping the ending stock estimate to about 5.3 million bales. The U.S. June estimates include a forecast range of 58.0 to 72.0 cents per pound for the 2008/09 upland cotton weighted average price received by farmers and an estimate of 57 cents for the 2007/08 season.

USDA's August supply/demand report, which is based on actual surveys of growers, will be critical to future market situation.