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Cotton Poised to Gain Ground in 2017

January 2, 2017
By: Beck Barnes
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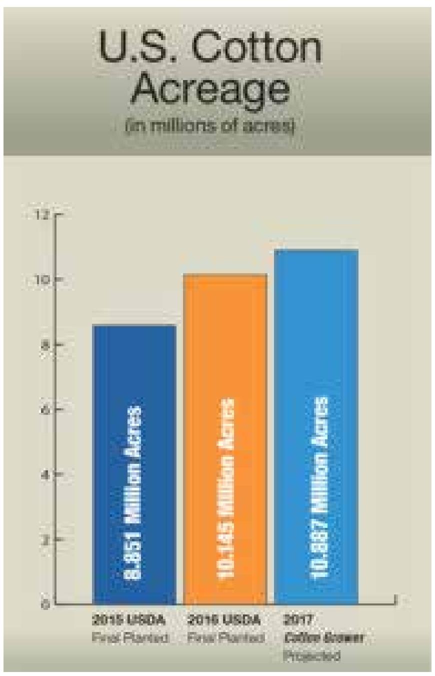
America's cotton producers are indicating that they will plant significantly more cotton in 2017. Coming off a year that featured outstanding cotton yields in most regions, and in light of flagging competitive crop prices, U.S. cotton growers collectively stated that they will plant 10,887,075 acres of cotton in 2017, according to data culled from the annual Cotton Grower Acreage Survey.



If realized, that number would represent a nearly 8% increase over final planted acreage in 2016, according to USDA figures. Last year, American cotton producers planted just over 10.1 million acres. The 2017 Cotton Grower projection of 10,887,075 acres represents a robust rebound from the historically low 2015 acreage total of 8,581,000.

So what's driving this remarkable rebound of nearly 2.5 million acres in only two years? According to many with intimate knowledge of the American cotton market, on-farm performance is a major factor.

"As a whole, Mid-South cotton yields were excellent during the 2016 season," says Tyson Raper, Extension cotton specialist with the University of Tennessee. "The year was a relatively dry one with marginal corn yields and inconsistent soybean yields. With recent market shifts, it appears cotton may be one of the more profitable crops to grow on dryland acres within Tennessee during 2017."

Mid-South Poised to Embrace Cotton

Others in the Mid-South region echoed Raper's sentiments regarding recent success with high yields. According to an Extension source in Mississippi, growers in that state have rattled off five straight years of excellent yield numbers. Perhaps that's why Mississippi is poised to see one of the largest acreage rebounds in the entire Cotton Belt in 2017. Growers in the Magnolia State planted 440,000 acres of cotton in 2016. According to research data, they are set to plant 622,000 in 2017.

All told, the Mid-South is set to plant 1.864 million acres of cotton in 2017, according to the survey. That is a full 360,000 added acres compared to the region's 2016 total. Like in every region, growers indicated competitive crops' flagging prices would only serve to make cotton more attractive in the coming planting season.

Texas Leads the Way

As has become routine, Texas will lead all states in cotton production by a wide margin, according to the survey. Growers in the Lone Star State indicated they will plant 5,932,500 acres of cotton in 2017. That number represents an increase of more than 200,000 acres over 2016, according to USDA data.

"Acres are going to cotton from grains due to very good cotton yields in 2016 and lower grain prices," said one Extension source.

It appears that cotton's only limiting factor in some parts of the state is arable land. Some in the state have suggested the High Plains are already operating at near max capacity when it comes to cotton.

Such is not the case, however, in Kansas. While many have predicted booming cotton increases there, Kansas respondents projected only moderate growth for next season – rising from 32,000 acres in 2016 to an estimated 35,000 in 2017. This projection seems especially conservative given that producers in Kansas averaged 1,099 pounds per acre in 2016 – a whopping 435 pounds higher than their five-year average, according to the USDA-NASS December Crop Production Report. Sources within the state indicate Dow's Enlist trait, featuring tolerance to 2,4-D herbicides, has been a major benefit to cotton production.

Acreage Flat in Georgia

Georgia is set to remain the clear number two in terms of cotton production in the U.S., behind only Texas. But in spite of acreage increasing across the rest of the Cotton Belt next season, Georgia is poised to see its cotton acreage remain flat – or possibly even fall in 2017.

"Alternative crop prices (especially peanuts) will influence how much cotton acres will decline," explained one Extension-based source. "Potentially, cotton acres could drop to 1 million, or perhaps even less."

Elsewhere in the Southeast, North Carolina growers indicated that they will plant significantly more cotton in 2017 than they planted the year prior. In 2016, producers in the Tar Heel State planted 280,000 acres of cotton.

According to the recent Cotton Grower survey, they plan to plant 350,000 acres of cotton in 2017.

Growers in Alabama, too, expect a moderate increase in cotton acres next season – up from 345,000 in 2016 to 360,000 in 2017. "Cotton prices are slightly better, and corn prices are low at the moment," wrote one producer.

California Holds Steady

In the Far West, California will likely lead the region in acreage planted. Following a year which saw the state plant 221,000 acres of cotton, California growers indicated they would be slightly down in 2017 to a total of 195,150. As the nation's leading producer of extra-long staple cotton, California is set to plant 136,605 acres of Pima in 2017, according to the survey. The state's remaining upland acreage (nearly 60,000 acres) is heavily dependent on seed companies who produce seed cotton in California, according to an Extension source.

Still, conditions are bright for increased acreage in California in 2017, provided sufficient water resources are available.

"I would say that moderate insect pest pressure the past two years, moderate to higher yields and problems with prices or soil condition (salt buildup, in particular) for some competing crops might help out cotton acreage if there are water supplies available," said one Extension source.

Arizona appears set to increase acreage in 2017, as growers have said they will plant 135,000 acres next season.tailers are opening their eyes and ready to investigate more of what's out there."

By the same token, Bettner says, one has to take into account the risks with a more unfamiliar supplier, not to mention the loyalty programs backed by many products and countless other factors. "Retailers and growers are going to say, 'Who am I going to trust?'"

Bettner touts HELM's position as a 115-year-old family-run company that is not beholden to shareholders. It is financially strong with $8 billion in annual sales, and values its relationship with its retail, distributor, and grower partners above all else. In ways, it's what many of his competitors increasingly are not.

Rattled by so much uncertainty in agchem of late, Bettner says, "if I'm going to look to other (supplier) options as possibilities, I want to feel comfortable with what those options are. In our world, do all the post-patent companies out there research compounds thoroughly; do they look at the formulations in the field before bringing them to market; do they do adequate testing to know that they're going to be no surprises in the field? If there is an issue in the field, will that company be there to walk the field with me and back me? I say that from a retailer perspective."

He adds, "When you're walking with the retailer, you're walking with the farmer."

Heinze recalls an article he read recently that discussed how Bayer-Monsanto could control 40% of inputs, and the resulting loss of supplier and product optionality for farmers.

From where he's sitting, it's a phenomenal time for post-patent companies and their partners to give those options back to them.

When supplies restabilize — and he believes they will within 18 to 24 months, perhaps sooner — the grower's needs will not have changed much. "The one thing that we know is that next year there will be somewhere around 90 million acres of corn planted, 70 million acres of soy, and between 30 and 40 million acres of cereals," Heinze says. "We're of no benefit to you long-term if we're not solvent. Growers are either going to use a preemergent or a postemergent herbicide to control weeds in their crops; the ones that are less predictable are insecticides and fungicides," Heinze says. "Your growers are going to have to protect their crops." ■

Grab Hold. The Bulls Are Running!

March 6, 2017
By: Dr. O.A. Cleveland

I was wrong. The highs are not in. The cotton bull, with freshly sharpened and longer horns, has broken out.

The old crop May and July contracts are attempting a run to the 83 cent mark. The new crop December says it wants to see 78 cents. I still find difficulty in buying into those forecasts, but be prepared.

Note the phrase "attempting a run." The bull probably only has short legs, but he is still strong.

Speculators and large funds continue to flock to the cotton market at historic levels. The mill on-call sales, though impossible to move higher, do not even have a rear view mirror anymore. If export sales maintain the current pace for another two weeks, then sales would exceed USDA's export forecast for the 2016-17 year – and there are five months remaining.

The only bearish factor facing the market is that everything is bullish – everything. That, in itself, merits a caution flag.

Large funds and algorithm traders have pushed cotton to the point where it holds the third largest level of managed fund longs for all agricultural markets, trailing only sugar and soybeans and even larger than the big corn pit. The level of managed funds with long cotton positions has even surpassed the historical big boys in silver. It is very notable that the funds have not even blinked at any price selloff and, in fact, continued to pour money into the cotton ring.

Exports – driven primarily by the record high quality U.S. crop, the Indian demonetization, and the cash basis of U.S. cotton vis-à-vis other growths – have maintained U.S. sales at the on again/off again 16 million bale level we have mentioned since October. Granted, I have, on each occasion, said that could not happen. Yet, the pace has been there, and it remains very conceivable. Southeast Asia, China and the Subcontinent simply have not backed away from buying U.S. cotton.

It is difficult to project U.S. exports above 13.7 million bales, but that is a million bales above the current USDA estimate. An earlier USDA forecast that U.S. carryover would be 5 million bales now looks more like 3 million bales. The caution flag does emerge as carryover levels suggest prices in the 85-plus cent level. Price rationing of exports could encourage export cancellations.

Mill on-call sales continue to increase. Logic, history, and common sense clearly dictate a decrease is in order. On-call sales did decline a minuscule 582 contracts in the latest report. But the past week's export sales, again over 500,000 bales, will likely push the on-call position higher in the next report.

The difficulty for any market bear is that the price of over 8 million bales of cotton must be fixed on either the May or July contract with the deadline for action in mid-June. Again, both the old crop and new crops markets are asking to be fed. Both crop years are now in the upper 20% of the historical price range. It is time to price.

Growers are advised to be at least 75% priced on old crop, with the idea that they could have until May to find pricing opportunities for the other 25%. New crop pricing should be at least 50% by now. We will likely see some price advancement, but one might have to stay up all night to take advantage.

New crop plantings in the U.S. will approach 12 million acres – a 2 million acre increase.

Give a gift of cotton today. ■

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Cotton Prices Reach Upper Third of Historical Range

March 17, 2017
By: Dr. O.A. Cleveland

The declining health of the cotton bull continues to draw discussion, but symptoms are few, as he made another impressive stand on the week.

The new crop December contract established a new life of contract high on the week – 75.64 cents – and the old crop July all but kissed 80 cents, coming within 47 points of a new contract high in trading up to 79.80 cents on March 16.

Vigorous U.S. export sales, renewed concerns surrounding widespread environmental pollution from polyester, the later-than-normal arrival of Indian cotton, and the very significant imbalance in on-call sales versus on-call purchases remain behind the ability of the price of cotton to hold in the upper one-third of its historical price range.

It is noted that the new price high and renewed price advance was established after both ABC News and AP broke stories of polyester pollution. Yet, for the very short run, the market will continue to focus on the fact that the U.S. is essentially the only growth available to the world market, as well as the on-call sales dilemma that has textile mills caught in a record price squeeze.

The market should be expected to back and fill between 77.50 cents to the very low 80s in old crop. The new crop range will continue between 74.50 cents and 76.50 cents in the December new crop contract.

While the new crop December is being boosted by old crop fundamentals, once 2017 plantings are more prominent on the horizon, the price for December futures will come under pressure. That clock will likely begin a noticeable ticking by the end of March and rapidly accelerate before mid-June. That is a rather wide window of action. However, while the March 31 USDA plantings intentions report is expected to be very bearish for new crop prices, old crop prices will continue to offer support to new crop prices into the final on-call fixation deadline for the July contract in mid-June.

Nevertheless, the cotton bull continues to ask to be fed – i.e., continues a bias for higher prices.

That being said, my recommendation to be all but fully priced on old crop still stands. New crop should be 50-75% priced, with puts purchased on all of the remainder. We are essentially attempting to pick the top of the market now. Too, I know and understand it is extremely early for a grower to fix the price of such a large volume this early, but the market's cyclical pattern of price activity and its historical nature of shifting is paramount in the decision. Market fundamentals have played their hand. Cyclical analysis holds the cards now.

This week's export sales report confirmed that U.S. export sales over the past four weeks climbed above two million bales, essentially representing a record movement of U.S. cotton into the world marketplace. The U.S. seed companies have excelled in delivering to the grower a seed that combines the best of both yield and quality. That combination cannot be overstated, as it is at the very core of the increasing share of the world cotton trade that the U.S. is enjoying.

Such success now only increases the need for more success as cotton continues to lose fiber market share to polyester and its aforementioned pollution problems. The research reports on that subject referred to the polyester pollution as finding "plastic" in the water.

China continues its robust appetite for U.S. cotton, despite most analysts suggesting that China does not need to import cotton. As we have stated for some time, the Chinese Reserve stocks are facing quality problems which have caused sales to slow and prices to weaken. Chinese mills need some 3-5 bales of high quality imported cotton to mix with every one bale of their Reserve stock in order to spin desirable yarns. This will keep the Chinese in the market primarily for U.S., Australian and Brazilian imports. The U.S. remains at the forefront, as the other growths are simply not available at present.

Mills did have a brief opportunity to rid themselves of some of their on-call sales on the week and so. However, the overall ratio was little changed, falling from 15:1 to just over 12:1. More importantly however, new on-call sales volume was added to the July contract, where the ratio now stands at nearly 16:1. Thus, there are 4,300,000 bales of cotton that must be "bought" (price fixed) on the July contract versus only 28,000 bales that must be "sold" (price fixed) on the same contract. This demonstrates that the requirement to buy futures swamps the requirement to sell.

While this very bullish position has nearly played out in terms of price advancement, it does emphasize the fact that downside price risk on the July contract is very limited.

Give a gift of cotton today. ■

Deltapine Retains Top Spot Among Varieties Planted in 2017

October 3, 2017
By: Jim Steadman
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Once again, the Deltapine brand of upland cottonseed was the most popular brand planted in the U.S. this year, according to the USDA Agricultural Marketing Service's 2017 Cotton Varieties Planted report.

The Americot/NexGen brands were the second most popular varieties planted, followed by PhytoGen, Bayer's FiberMax brand, All-Tex/Dyna-Gro and Bayer's Stoneville brand.

Deltapine's DP 1646 B2XF was the top upland variety planted in the U.S. this year, commanding 14.7% of total cotton acres. Last year's top variety – NG 3406 B2XF from Americot – was second in 2017 with nearly 11% of overall acres.

According to the report released on September 29, Deltapine brand upland varieties accounted for 35.9% of the U.S. acreage in 2017. Regionally, Deltapine varieties were planted on 56% of acres in the Southeast (AL, FL, GA, NC, SC, VA), 61.7% of Mid-South acres (AR, LA, MS, MO, TN), 22.5% of cotton acres in the Southwest (TX, OK, KS), and 24.1% of Western acres (AZ, CA, NM). In addition to DP 1646 B2XF, other popular Deltapine varieties included DP 1518 B2XF, DP 1522 B2XF and DP 1538 B2XF.

Americot/NexGen claimed 27% of the 2017 acreage, including 10.8% of Southeast acres, 8.1% in the Mid-South, 38.7% of Southwest acres, and less than 1% in the West. Top varieties included NG 3406 B2XF, NG 4545 B2XF, NG 3500 XF and NG 3517 B2XF.

PhytoGen brand varieties accounted for 14.4% of U.S. upland cotton acres. The varieties were planted on 21.3% of Southeast acres, 14.8% of Mid-South acres, 11.4% of Southwest acres, and 22.4% of Western acres, led by PHY 444 WRF, PHY 333 WRF and PHY 490 W3FE.

Bayer's FiberMax brand varieties accounted for 9.6% of the U.S. acreage. The varieties were planted on less than 1% of Southeast and Mid-South acres, 13.9% of Southwest acres and 43.6% of Western acres. Most popular FiberMax varieties for 2017 were FM 1830GLT, FM 2011GT and FM 2334GLT.

All-Tex/Dyna-Gro varieties accounted for about 7% of the U.S. acres, with its strongest showing in the Southwest (9.8% of acres). Bayer's Stoneville brand varieties accounted for 4.6% of total U.S. acres, including 8.2% of the acres in both the Southeast and Mid-South.

Of the 20 most popular varieties in the report, Deltapine claimed eight spots, followed by Americot/NexGen (5) and PhytoGen (4). All-Tex/Dyna-Gro, FiberMax and Stoneville each placed one variety in the rankings.

PhytoGen varieties remained the most popular choice for Pima cotton growers in 2017, accounting for 72.7% of all Pima acreage. Three of the company's varieties topped the Pima rankings – PHY 881 RF (42.6% of Pima acres), PHY 841 RF (17.4%) and PHY 888 RF (10.2%).

Estimates of the percentage of the cotton varieties planted in 2016 were based on informal surveys made by USDA's Cotton and Tobacco Classing Offices with ginners, seed dealers, Extension agents and other industry sources. ■

No One Reason for "Frustrating" Dicamba Issue

July 18, 2017
Jim Steadman
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By Larry Steckel, University of Tennessee Extension Weed Specialist

"I can't keep dicamba in the field" has been a frequent comment I have heard from many frustrated folks who have followed the rules and tried their best not to drift on their neighbors. Quite a few good and conscientious farmers have thrown up their hands and gone back to Flexstar to try to control pigweed in soybean. Others have reported that they often have been successful not drifting onto non-target areas. However, judging by all the off-target dicamba injury, that seems to be more the exception than the rule.

So what are the reasons for all the drift? After visiting hundreds of dicamba-drifted Roundup Ready, Liberty Link and conventional soybean fields that easily have totaled over 30,000 acres, I can say with certainty that many of the reasons I have heard recently from upper management in Monsanto are NOT the cause of all these dicamba-injured broadleaf plants across west Tennessee.

I cannot imagine the hundreds of thousands of acres of non-dicamba tolerant (DT) soybeans in Tennessee that have shown dicamba injury could be due to contamination of Liberty jugs with dicamba, calcium deficiency, Dual Magnum burn, and/or surfactant burn. Nor do any of those reasons explain the dicamba injury I have seen in a vineyard, gardens, trees in parks and back yards – even my backyard.

We do not need speculative reasons to explain all the drift issues, as there are plenty of real reasons. Firstly, though it looks straight forward on paper, it is extremely hard to follow the label. The best example of this is that you cannot spray when the wind is above 10 mph or below 3 mph. Just that stipulation when you have crops to spray timely in three different counties makes the logistics a nightmare.

Another reason, which I believe could be the main reason, is dicamba's inherent volatile nature. Dicamba is unique compared to most pesticides, in that it is prone to "picking back up" as a gas and departing a field hours after application when temperatures are warm. This is particularly true for the older Banvel and Clarity formulations. There is some evidence that older formulations have been used in Xtend crops, which would certainly contribute to the off-target movement. Exactly how much of this is going on is difficult to figure. However, it is hard to believe that old dicamba formulations can possibly explain all of the hundreds of thousands of acres of dicamba injured soybean in this state.

Could Engenia or XtendiMax be volatilizing as well? My colleague, Dr. Tom Mueller, was asked by members of the Tennessee Soybean Promotion Board to test if there was a difference with Engenia volatility if it was tankmixed with Roundup PowerMax. In the attached figures below showing Dr. Mueller's research data, please note the data is presented in time intervals following the herbicide application to an acre of soybean. It is presented from 0–6, 6-12, 12-24 and 24 -36 hours after application. Dr. Mueller has said that some of the detection from the first 6 hours could, in part, be small spray droplets still in the air caught in an inversion which dissipated as the morning warmed up. However, after that 0-6 hour time frame, any detection the next 24 hours would be exclusively from volatility.

In short, his data shows that Engenia does volatilize and could depart from the field, albeit at extremely small amounts, many hours after application. It also suggests that Roundup PowerMax does not affect the volatility profile of Engenia to any great extent. The level of volatility for Engenia alone or the Engenia in the tankmix was extremely low, but was not zero. I have seen data as well that would suggest that XtendiMax shows similar level of volatility over that same time frame.

Are numbers that low biologically significant? Probably not in small plots like this or possibly in a 20-acre field. I am not as sure when a good number of farmers spray thousands of acres in a single county in a few days. Could even those small amounts build up when sprayed over that many acres and help cause all the drift we are seeing? I don't know, but it is a good question, and I am not confident BASF (manufacturer of Engenia) nor Monsanto (manufacturer of XtendiMax) really know.

Finally, inversions are another common reason we may be seeing so much dicamba trespassing across the country side. Inversions occur most days in Tennessee during June and July. Just that fact makes it very hard to not accidently spray into an inversion. Of course, if you spray into an inversion, tiny drops can get caught in the cooler air and hang up for some time. Moreover, if dicamba is volatilizing out of a field, it likely can get caught in the inversion as well.

There are many moving parts to this issue and I'm not confident we will ever get to the bottom of it. My best guess is that, at some time or another, all the reasons mentioned above are a cause.sources. ■

USDA Report Stuns Market. Now, Wait for Reality.

August 14, 2017
By: Dr. O.A. Cleveland

Rain makes grain. And cotton too, it seems!

The market was stunned on the August WASDE report day, but discounted the report at the end of the week (a USDA report is very good at humbling private market analysts). Yet, we must stick with the USDA objective estimate of 20.5 million bales for the U.S. crop until the release of the September estimate. If USDA still calls the crop at 20 million bales then, look for December futures prices to slip closer to 62-63 cents.

The world could use a big crop, but long range weather ideas continue to suggest a U.S. crop below 19 million bales. The important question as to actual U.S planted acreage still remains. Traditionally, USDA has given a well-defined acreage estimate by August. Yet, this year we may see a marked increase in the planted acreage estimate in next month's report. If so, the case for a 20.5 million bale crop estimate becomes more realistic.

Too, USDA's decision to raise world carryover drew considerable second guessing, as USDA seems to feel India is stockpiling cotton. Thus, the market seems to discount the world supply demand estimates as more and more cotton traders around the globe are questioning USDA's carryover estimates – thus, increasing the market volatility.

As this is sorted out, look for December to hold within the prior 65-69 cent trading range. However, three weeks of excellent weather in the near term would pressure the 65 cent price support level.

Along with the 1.55 million bales increase in the size of the U.S. crop, USDA also increased its estimate of exports 700,000 bales, up to 14.2 million. U.S. domestic consumption for 2017-18 was lowered 50,000 bales, down to 3.35 million. The corresponding increase in carryover out to August 1, 2018, was increased from 5.3 to 5.8 million bales. Thus, USDA is estimating that U.S. carryover stocks will increase 3.0 million bales during the current season. It is this increase that will keep pressure on cotton prices.

World production was estimated to increase some 2.0 million bales, up to 117.31 million – mostly accounted for by an increase in the U.S. and a 500,000 bale increase in China. World consumption was increased 400,000 bales, up to 117.4 million. Consumption by China was estimated at 38.5 million bales – 500,000 bales higher – but Indian consumption was lowered 250,000, down to 24.5 million bales.

USDA appears to use its Indian statistics to balance its world data bank, as it alternatively raises and lowers that country's production, exports, domestic use and/or carryover on a monthly basis, often backtracking in subsequent months. It was surprising that USDA did not change Australian production, expected to be lower, or Chinese carryover, also expected to be lower. The Chinese production increase was offset by an equal consumption increase.

World carryover was increased about 1.25 million bales, up to 90 million. Most expected world carryover to be lowered some 2-3 million bales, notwithstanding the 6-10 million bale overestimation most analysts claim exists in USDA estimates specifically related to India and China – the world's two largest producers (note: USDA has responded by providing its methodology in a professional manner to some criticisms surrounding its cotton estimates). Currently, those two countries are expected to produce 53.5 million bales of the world's expected 117 million. India, China and the U.S. are expected to produce 74 million bales.

This marks the second consecutive year that upland yields were estimated to average in excess of 1,000 pounds per acre in at least eight states. All Mid-South states, except Louisiana, were estimated above that mark. Georgia, with the second largest planted acreage behind Texas, was estimated to harvest 1,039 pounds per acre – the only state in the Southeast above 1,000 pounds. Certainly growers can be well pleased with the yields and choice of varieties that seed companies have made available. Upland yields were estimated to average 23 pounds more than in 2016.

It is still months away before the peak ginning season. It should be noted that the historical average deviation between the August estimate and the final harvest is some 1.8 million bales. Thus, many in the industry feel the August estimate will prove to be the highest of the season.

Basis December futures, prices will continue to trade the 65-69 cent level for at least another two weeks and likely into early September.

Give a gift of cotton today. ■

Dicamba Damage Reports Increasing in Arkansas

June 12, 2017
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PHOTO: UNIVERSITY OF ARKANSAS

Tom Barber, University of Arkansas Extension weed specialist, reports that 40 complaints from off-target movement of dicamba have already been submitted to the Arkansas State Plant Board, as of June 12.

"This year, the release and approval of Engenia herbicide (an improved formulation with reduced volatility) was registered in Arkansas and coupled with more strict application guidelines which included mandatory applicator training, extending 100 foot buffer zones around the entire field at application as well as a 0.25 mile downwind buffer to sensitive crops," says Barber in a newly-posted blog. "The thought during the development of these restrictions was an attempt to minimize the amount of injury from off target movement this season. Unfortunately, that has not been the case."

Barber notes that numerous other drift complaints for other products have also been filed this year, but these drift events have been much more localized. The dicamba complaints have been much more widespread, often covering 1000 acres or more each time.

The biggest problem, says Barber, is the sensitivity of non-Xtend soybean to dicamba. Although more than 1000 growers and applicators completed the required training, most of the reported damage has come from use of the wrong nozzles, high winds, disregarding the buffer zones, or night applications during a temperature inversion.

"This physical drift accounts for at least 80-90% of all the dicamba injured fields that I have personally walked," states Barber. "The other 10-20% is not that easy to figure out."

Growers who suspect dicamba injury from off-target movement should call the Arkansas State Plant Board. This will provide an official record of the complaint.

Barber's entire blog, with additional details and information, can be read here. ■

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Arkansas Plant Board Votes to Ban Dicamba. Now What?

June 23, 2017
By: Jackie Pucci
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The Arkansas State Plant Board has voted to pass a proposed emergency rule to ban the use of in-crop dicamba, with an exemption for pastureland, and to expedite the rule increasing civil penalties for dicamba misuse.

The proposed rule is the first step in the process of establishing an emergency rule. The next step includes a review of the proposed rule by the governor before being submitted to the Executive Subcommittee of the Arkansas Legislative Council for approval.

"Governor (Asa) Hutchinson has followed this issue closely and previously tasked Secretary (Wes) Ward and ASPB Director (Terry) Walker with visiting farmers in areas with heavy dicamba damage. Governor Hutchinson will be conducting a thorough review of the proposed rule as soon as possible," says Adriane Barnes, spokesperson for the Arkansas Agriculture Department.

As of the morning of Friday, June 23, the board had received 242 complaints about dicamba drift across 19 counties in the state — and the number continues to grow by the day. The complaints are what triggered the vote. Earlier in the week, the board passed further restrictions that would require hooded sprayers and a one-mile buffer in order to apply the in-crop use of dicamba.

Bob Scott, professor and weed scientist at the University of Arkansas Cooperative Extension Service, spent about two weeks on the road when the complaints started coming in to take a look at the damaged fields and offer growers help. He says that a majority of the drift damage reported up until about 10 days ago was on soybeans that were in the vegetative stage, when the crop is still able to recover somewhat if irrigated and sprayed properly thereafter. When injury occurs in this stage, "it does not usually result in big yield loss, according to our limited data. There is really nothing you can do except give them time to recover," he says.

He is more concerned about complaints that have popped up in the last week, because despite the tropical depression that had moved through and delayed plantings, more plants would have still moved into the reproductive stage, where impact on seed production, plant development, and yield loss is much more severe.

Scott blames the drift problems in Arkansas primarily on wind movement and possibly inversions, as opposed to volatility, which BASF's Engenia formulation (as well as Monsanto's XtendiMax, although it is not labeled for use in Arkansas) addresses.

Impact of a Ban

In a state where about 35-40% of soybeans are Roundup Ready 2 Xtend, there were about a half-million acres of dicamba-tolerant soybean crops as of last week that either hadn't been sprayed or could possibly need a second application of dicamba, according to an unscientific study Scott's extension service team conducted. But that figure will decline each day as growers continue to spray until the governor reviews the rule. This number includes acres where Flexstar might still work and PPO resistance to pigweed has yet to develop.

"The bottom line is, if a farmer planted Xtend soybeans because he has PPO-resistant pigweed, he would be left without an option to control pigweed, so (a ban) would be a bad deal for those guys," he says.

In some cases, Scott got calls to visit farms that had been accused of drifting to their neighbor's fields, but there was no clear indication the growers had done anything out of line with the label requirements. "Those are the ones where you leave scratching your head. They are good applicators, have good records, and seemed to follow the guidelines well, and yet they still have unacceptable movement," Scott says.

"Going into the fall, we're really going to have to look at drift complaints, categorize and narrow them down, and try to figure out what's going on here to determine whether we can use this technology or not … I think we made a monumental effort to try to teach everyone, but I still think there was a lack of understanding by a lot of guys just how important it was to follow all of the regulations. Also, unless you see it for yourself, it's hard to believe how sensitive the soybean is to even the smallest amounts of dicamba. I just think a lot of guys didn't really comprehend how bad it could be," he says.

Scott notes that, should the ban be implemented, growers with Xtend cotton still have the option to treat their fields with Liberty herbicide, since Xtend is also glufosinate-tolerant. “Many of them already have sprayed with Liberty, so cotton is not such a bad deal,” he points out. “But with soybeans, those traits aren’t stacked. If a guy chose to go Xtend and has resistant pigweed, he didn’t have a choice except Engenia or Vapor Grip, depending on which state he’s in.”

Scott says that in his experience, “most of the guys who got drift aren’t walking around mad. They just want the problem solved, and if only way to solve it is a ban, then that’s fine with them. I don’t think they necessarily want that, but they just want to farm their crops and not be drifted on.”

He says, “We’re a pretty diverse state. We’ve got conventional soybean growers; we’ve guys that like LibertyLink; and we’ve got guys that made the switch from Roundup to Xtend or Liberty to Xtend, and we’ve got vegetable growers. I’m a big believer that a guy should be able to grow whatever he wants on his land, and shouldn’t have to plant any one company’s type of bean just in self-defense, to prevent injury.” ■

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78 Cent Cotton? The Opportunities are There.

February 6, 2017
By: Dr. O.A. Cleveland

With apologies to Yogi Berra, prediction is difficult, especially when it is about the future. Another way Yogi said it, "It ain't over until it's over." The opportunity for the nearby cotton futures prices to top 78 cents remains strong – rather, possibly I should say the opportunities are numerous.

All of these thoughts come to mind as I view the various events surrounding the cotton market. Too, another comes to mind – Cotton is Powerful, It can Make or Break Any Man. There is a lot to celebrate, as this past week was also the 48th anniversary of The Day the Music Died.

The leading sentence in last week's comments was "cotton prices jumped higher all week and have now seen higher closes on seven of the last eight trading days." Now comes another week of trading, and prices were up in five of the last six trading sessions. So it seems the road to higher prices is higher production.

Economics does not support that comment. So let me ponder on my thoughts of the titanic bullishness that has captured the cotton market.

The older trading range will return – that is, 71.50 to 78.50 cents. Price activity pounded the 78 cent barrier this week and, like its previous battle, failed to beat the big door down. While the market has 11 days before March goes first notice and May becomes the spot month, we are in the very short rows for a price breakout. Yet, there will be more opportunities.

Mills are doing nothing more than kicking the can down the road and continuing to hope they can stop their hemorrhaging. I doubt they can do little more than attempt to pick some pricing points near the bottom of the price range. Yet, as they desperately try to cover the disastrous pricing decisions they have made this year, the lower end of the range will actually creep higher.

There are three events that must be viewed in any attempt to understand where the market may go:

First, unfixed mill on-call sales versus on-call purchases are extremely bullish. The old crop ratio is 11:1.

Second, the speculative managed money funds have established an all-time record investment in cotton futures.

Finally, open interest in cotton futures is near the all-time record set in 2008. Only the February-March 2008 time period had a higher open interest.

Three events, all screaming BULLISH at the same time and drowning out any other sound.

The current market represents manna from heaven for the speculator, and funds have experienced very profitable gains that are set up to continue into June. Thus, cotton futures trading should remain very active at least into the early summer. While the quantity of cotton still in grower hands is limited, the quantity of cotton covered by futures or option contracts remains large. Thus, grower profitability is at stake as well as mill profitability.

Yet, this is the year for the grower and speculator, and not for the mills. Mills are simply in a squeeze of their own making and should have known much, much better.

Mill on-call sales for March are 32,383 contracts versus 3,807 on-call purchases, or a very bullish near 8:1 ratio of futures contracts that must be purchased to those that must be sold. Viewing the total old crop situation (March, May and July on-call sales), the ratio climbs to near 11:1 in favor of futures buying versus futures selling. Thus, the buying pressure is not going away.

Maybe, and let's hope the market keeps rolling. But then, as in the past, the economist comes along and spoils all your fun. Well, I don't think I am going to spoil the fun. We have already had the fun, and we will have a little more. But for now, I think the market has shot its wad. Now, there is no major price drop coming. It is just time to slow down and catch our breath and make sure we can "hold on to what we got."

The market is consolidating, to use a New York term. Holding on, I think, is almost guaranteed. There is plenty of bullishness in the market. The bearish factors are not really bearish as much as they are "consolidating" factors. The market will back into the lower-to-mid level of the trading range and search for new fundamentals to trade, with a bias back up to the up-end of the range.

Early in the week, the cotton market established a classical key reversal trading day. Key reversal days are unusually rare and, as such, hold great predictive power. In a rising market like this one, the requirements of a key reversal are that the current day must open higher than the prior day, it must trade higher than the prior day high and lower the prior day low, and then it must close lower than the prior day low.

That may sound easy to accomplish. But all conditions, as I said, rarely – seldom, if ever, so to speak – occur in the cotton market. Two adages of trading cotton: (1) never bet against the trend, and (2) never bet against major technicals.

In the coming few days, the mills will do the same thing they did in December. In the 11 days before first notice, mills will buy a "few" contracts, definitely fixing the price they pay for some cotton. However, most of their activity will consist of spreading – they will kick the can down the road. They will buy the March contract and sell the May contract and later be caught essentially in the same squeeze they are in now and were in back in December. Come mid-April, when the May contracts moves to first notice day, mills will buy the May and sell the July. In the meantime, they will gradually fix prices in the 71.50 to 74.00 cent range, and hopefully not end up in the same fix they are in now…and were in this past December.

How did all this come about? Months ago, mills thought they could buy cotton at 69 cents and below, so they delayed their pricing decision. They had poor advice and have failed to take advantage of price pullbacks to the lower end of the trading range. Their DNA tells them that prices are going lower. You might recognize this – the growers' DNA is made up of higher prices.

A final word. Exports continue to explode. As I have stated for over a month, the world is hungry for the record high quality U.S. crop, and it remains the best deal on the world market, with excellent quality and a low price. We have discussed for three weeks now that both India and Pakistan have been big buyers – a market fundamental rarely seen.

The market is not in trouble at all. It is just that the 78 cent market cap is made of solid lead and is lined with the petroleum-based acid fiber polyester – one of the world's leading pollutants, yet loved by name brand clothing manufacturers and apparel importers.

Give a gift of cotton today. ■

Market Watching for Harvey's Impact on U.S. Crop

August 25, 2017
By: Dr. O.A. Cleveland

Mother Nature took us back to a 70 cent trade Friday morning (August 25) before succumbing to the "buy the rumor, sell the fact," market adage as Hurricane Harvey bore down on the open and ready-to-pick South Texas Upper Coastal Bend.

Harvey could hit 4 million bales of cotton in Texas and the Mid-South – a most unwelcome event. Potentially, it could add some welcome relief to the Southeast crop.

The overall threat sent prices on triple digit gains on the week and nearly wiped out all the losses that followed the bearish USDA supply demand report two weeks ago. The market will spend the weekend and early next week assessing crop damage, which is expected to be heavy in the Upper Coastal Bend.

Until some confirmation can be had, look for prices to find resistance at 69 cents, with support at 65 cents. The 65-69 cent trading range will likely remain in play. But Mother Nature will work her magic in other regions as the season plays out. Longer term, the potential for a very wide 62 cent to 72 cent trading range could be in front of us. In the absence of Mother Nature, the bias calls for lower prices.

For example, the somewhat successful harvest in Brazil has been slowed by rains as it winds down, just as was the case in Australia. Long range weather forecasters are calling for the same pattern to surface in the U.S., especially on the Texas Plains as that crop moves toward maturity.

The Mid-South has been wet most of the year, but has fruited extremely well. Dry weather is now needed to mature that crop. The Mid-South wants nothing but sunshine for the next two months. But Harvey and its remnants may keep the Delta states wet all week and cause considerable fruit loss or deterioration.

The pattern Harvey actually follows changes by the hour, and it is possible that much of the Arkansas and Mississippi crops will miss the heavy rains. That, of course, would be welcomed by the grower and beneficial to the plant.

The Southeast could enjoy limited moisture, but could use another good soaking before settling back for another six to eight weeks of bright sun to finish off the region's heavily fruited crop.

The region in harm's way is the Upper Coastal Bend. The Lower Bend is some 95% harvested, but the remaining 5% of what has been a record quality crop with a record/near record yield will suffer heavy quality losses. Yet, the Upper Bend, with its harvest just beginning, and with mostly open bolls, stands to suffer 25% yield loss, but significantly more quality loss if the hurricane moves as forecast.

Most hurricane damage is actually associated with quality loss and is about 50-75% of the prior value of the fiber. Thus, fiber quality stands to endure the most significant loss. That is, the entire Upper Coastal Bend crop is faced with grading out as low quality and even some below grade, and that will amount to a devastating loss to the cotton grower.

Yet, behind all of this is the forthcoming USDA September crop report, which undoubtedly will contain the corrected and higher than previously reported U.S. planted acreage. USDA will likely adjust planted acreage 250,000 to 350,000 acres higher.

Additionally, the U.S. crop as reported by all accounts, has made excellent progress the past month and, before any loss to Harvey, was expected to total as much as 21.0-21.25 million bales. Thus, in the raw accounting scheme, including the loss to Harvey and the increased plantings and yield, the U.S. crop could easily remain at 20.5 million bales, unchanged from the August report or even higher (the primary reason why futures price saw triple digit losses on August 25).

Thus, Hurricane Harvey may be doing nothing more than preventing futures from falling below its 65 cent price support in the short term. Yet, the verdict will not be in for another week as to the crop damage/loss resulting from the storm. Too, USDA field enumerators will be in the fields next week gauging crop yield potential to be reported in the September 12 crop production report.

U.S. export sales continue to impress the market, as weekly net sales totaled 227,600 RB of upland and 6,900 RB of Pima. Even sales of 51,900 RB were reported for the 2018-19 marketing season. Shipments, noting the need for nearby delivery, totaled 221,800 RB of upland and 1,000 RB of Pima.

China continues as an excellent buyer of U.S. high quality, buying 45,200 RB of upland on the week. Chinese imports are being dominated by Australian and U.S. growths.

Likewise, Chinese Reserve sales continue to outpace the expectations of even the most optimistic. Friday sales (August 25) were fully subscribed, 135,683 bales, outlining the Chinese hunger for quality cotton. Annual sales by the Reserve to domestic mills to date have totaled almost 11.7 million bales. National Reserve stocks have fallen below 27.3 million bales and will likely fall to between 25.5-26.5 million by the end of September when Reserve sales end – corresponding with the beginning of the 2017 Chinese new crop harvest.

Most had expected the 2017 Reserve sales to total only 10 million bales, but it may balloon to near 13 million bales. Thus, the Chinese textile industry is booming, and world consumption estimates must be increased and the corresponding world carryover decreased.

Nevertheless, the 65-69 cent trading range will remain in force, but with a bias to the lower.

Give a gift of cotton today. ■