REMARKS
Woody Anderson
2005 Outlook Forum
"The View from Texas, the World's Fifth Largest Cotton Producer"
February 24, 2005

John, thank you for that introduction. I also want to thank Carol Skelly and the other organizers of this event for the invitation to be your luncheon speaker today.

After serving as the National Cotton Council chairman this past year, having the opportunity to travel to many meetings in many places; and focusing on a wide variety of industry issues—it is a pleasure to be able to narrow that focus and talk about the 2004 Texas cotton crop and the remarkable year we've had. I'm sure that many of you think that we Texans are prone to tell tall tales and that everything in Texas is big---well---this year everything in the 2004 cotton crop was big and at least this year we were the world's fifth largest cotton producer.

To put things in perspective, I want to compare the 2004 Texas crop to the last five years; and by doing that I think that you will begin to understand how extraordinary this year really was. To do this comparison, I'll take three areas that I'll compare to the rest of the cotton belt and to the last five years in Texas. Then I want to address a few other challenges that this crop created and how all of this has affected the Texas cotton producers' perspectives.

Planted Acreage

Compared with the 5-year average, Texas planted 100,000 less acres in upland cotton in 2004 (5.85 million vs. 5.95 million). And that reduction in planted acres, less than 2 percent, compares favorably with the 7.5 percent reduction of U.S. upland cotton acres.

Yields

Texas yields in 2004 were spectacular at 673 pounds, a remarkable 40 percent above the five year average of 480 pounds. That yield increase compares very favorably to U.S. upland yield increases of 27 percent (835 pounds vs. 657 pounds).

Production

And with these record yields, USDA says that Texas will produce an incredible 7.5 million bales. That is 66 percent above the 4.5 million bales that we've averaged over the past 5 years. With that kind of yield increase, I think you can readily see that the large

Texas crop was one of the primary reasons why we saw the U.S. upland crop above 22 million bales last year.

Quality

The quality of the crop continued to show improvement. The 2004 crop, as compared with the five year average, closely followed the trends of the U.S. crop—with a lower percentage of SLM or better color and lower micronaire, but increased staple length and strength. The color and micronaire problems in Texas this year are attributable to the unseasonable late rains for much of the High Plains and Rolling Plains and generally cooler late season temperatures. The staple and strength increases, despite these production and harvest problems, are truly significant improvements—particularly in view of the weather problems in major production areas. Texas staple length compared very favorably to the Midsouth and the Southeast, who also experienced an improvement over the average.

Infrastructure

And as you might expect the large crop in Texas, coupled with the weather problems during harvest season has strained the industry's processing and handling infrastructure almost to the limit. To put this in perspective, the record crop in 2004 of 7.5 million bales is being processed at 273 gins (and for the U.S., 23 million bales are being processed on 890 gins). In 1981, the year of the previous production record (5.5 million bales – some two million bales less than 2004), that crop was processed on 759 gins in Texas (the 1981 U.S. crop of 15.2 million bales was processed on 2,189 gins). In 1981, the average gin volume in the state of Texas was less than 7,300 bales; in 2004, it will be over 27,000 bales. Interestingly, the 1981 Texas crop (again, two million bales less than 2004) came from 7.2 million harvested acres compared to 5.35 million harvested acres in 2004.

A number of new warehouses have been or are being built, including an expansion of the Plains Cotton Cooperative facilities in Corpus Christi and Sweetwater; and the construction of a new PCCA cotton warehouse in Liberal, Kansas.

Recap

I think that there are a number of factors in addition to the favorable weather that contributed to the bumper crop of 2004. Like much of the rest of the U.S. crop, Texas had very light insect pressure (losses reported at just 4 percent). We're continuing to increase the percentage of plantings to transgenic cotton. Varietal improvements have contributed greatly to both the trends of higher yields and better quality in Texas.

In many parts of my growing area, the Rolling Plains – as well as in the High Plains, there have been advances in moisture management, including subsurface drip irrigation systems, and a move toward planting picker varieties. In 2004, planting picker varieties provided improvement in quality but some growers' yields were hurt with the late season rains because these varieties lack the boll tightness necessary for late season storms. Growers in Texas continue to look for opportunities to increase yields but we are beginning to understand that we can't neglect quality if we are truly going to improve our bottom lines over the long term.

The cotton industry in Texas certainly understands and appreciates the essential role that research and extension play in developing and transferring many new important technologies to the field. We recognize that these programs contributed to the gains made in Texas yield and quality this year.

An unsung hero in 2004 that allowed many of the contributing factors to increase production is the Boll Weevil Eradication Program. The entire state is involved in the eradication program;

and there are now a total of 16 programs, two in the post eradication phase, 12 zones in active eradication, and two more beginning eradication in the fall of 2005. Current estimates are that for every dollar spent on eradication costs, the industry accrues $12 in benefits. The whole U. S. cotton belt is in the program and the annual economic benefit is estimated to be $780 million.

Prospective Plantings

After such a record year, I'm sure that you're interested in what is going to happen in 2005. Looking ahead to this year, the Council's planting intentions survey projects only a slight increase in planted acreage in Texas (5.85 million vs. 5.852 million), and the same holds true for the U.S. After last year, we know that Texas has the potential for a 7-million bale crop, but at the same time, we cannot forget that a 4-million bale crop is also possible. Weather is always a primary factor in determining the size and quality of the Texas crop; and it will ultimately determine our crop this year. But at this early stage, I can say that most parts of the state are starting the year with good moisture and the odds for producing another good crop is high.

The Future

Once we get this crop behind us (some of our gins will be running possibly into April), I believe Texas producers are looking to the future and that optimism can be demonstrated by:

- The trends for higher yields and improved quality.

- The fact that the industry's infrastructure will survive this record crop, successfully process and handle it and be ready for another.

- The Boll Weevil Eradication Program is getting the job done and has gained producer acceptance in every growing area of our state.

- The face that we have an outstanding Promotion and Research program for our commodity that has grown into the successful and ground-breaking activities carried out by Cotton Incorporated.

- Cotton Council International is playing a major role in strengthening key export markets for U.S. cotton.

- The National Cotton Council is coming off a successful year of meeting a number of legislative and regulatory challenges

So, there are many fundamentals in place which help us look forward with some confidence.

But, even with all this optimism and excitement coming off the 2004 record crop, there are some concerns— concerns that go beyond the normal and legitimate ones about higher costs of fuel, equipment and energy. Very simply, many growers in Texas are worried about whether we will be able to maintain the current farm bill through its term and what the next farm law will look like. They also are concerned with a number of pressing issues in the trade arena.

The budget proposal, while is only the first step in a long but important process, in the Texas producers' minds, threatens the stability of U.S. agriculture and U.S. consumers. The 2002 farm bill, written to last through 2007, has provided necessary stability and has allowed growth in farm investment and has greatly benefited the rural economy. It has been fiscally responsible and has been recognized by the Administration and Congress for its many environmental and conservation benefits.

Our growers feel that any substantial reduction in the farm bill's safety net undermines a producer's ability to make market-driven decisions, creates uncertainty with their lenders and impedes their ability to market their crops globally.

Producers also are concerned about the long-term implications associated with the WTO Brazil case and are closely watching developments in the Doha Round of WTO negotiations.

And lastly, our producers are concerned about the need for a good CAFTA, for fair trade with China, and the legal challenge to cotton's research and promotion program.

Even with this record crop, all is not rosy---we have questions and concerns--- but we cotton producers are the eternal optimists. We are about to begin a new crop and I think that we are also looking positively to the future of the cotton industry in Texas and the U. S. I'm confident that our industry will successfully address the challenges ahead. We have excellent leadership and great organizations—both locally and nationally. And we have a commitment as an industry not only to survive but to prosper.

Thank you again for the invitation to be with you today and for the opportunity to share a few thoughts on the state of cotton in Texas.