



Delta Acreage: Cotton and Rice Give Ground to Corn and Soybeans

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Inside this Issue...

Introduction 1
 Value Chain Impact..... 3
 Fewer Inputs..... 3
 Cotton..... 4
 Rice..... 5
 Future Implications..... 7
 Concluding Remarks..... 10

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Key Points:

- *Since 2001, acres planted to cotton or rice in the Delta region have fallen by half, as regional growers have shifted to soybeans and corn.*
- *The shift of Delta acreage away from rice and cotton and into corn and soybeans has reduced growers' fertilizer and chemical application costs dramatically. This has been a boon to growers, but a revenue loss to input suppliers.*
- *The cotton industry has endured major market upheavals in recent years, including wild price swings, record high foreign inventories, and textile mills' substitution of cotton in favor of synthetic fabrics – all resulting in a steep drop in throughput for cotton gins, warehouses, and merchandisers throughout the Delta region.*
- *The rice industry has fared better in comparison, with world supply and demand having remained relatively well balanced in recent years. Nonetheless, rice volumes are down considerably and industry margins are under pressure.*
- *Rice industry concerns are also mounting over rising input costs, grain quality issues, shrinking U.S. exports, and an increasing global appetite for aromatic rice varieties grown in Asia.*
- *Going forward, the potential of significantly higher returns for soybeans and corn is expected to shrink cotton and rice acreage further in 2013/14. Thereafter, returns for the four crops are likely to converge, limiting the incentive for additional large acreage shifts out of cotton and rice.*
- *Given the challenges facing both industries, however, and the prospect of long-term demand growth for soybeans and corn, Delta rice and cotton acres are not expected to rebound to past levels in the near-to-medium term.*

Introduction

Several states removed from the heart of corn and soybean country, a new grain producing region has emerged in the Delta. Since the early-2000s, elevated grain prices and improved seed traits have spurred a gradual but steady shift in acreage away from the Delta's traditional crops of rice and cotton to make room for more profitable corn and soybeans. Producers in the region have benefited not only from