



WELCOME

This is our second newsletter, representing an attempt to keep the cotton industry, our academic/research/extension colleagues, and the public at large informed of our activities in cotton economics research. It is not possible to fully explain our research results, their impacts, or their relevance in this newsletter, but we hope to provide enough information for you to contact us with questions related to the research.

Response to the first newsletter in January was positive, and our mailing list is growing. If you know of others who should receive it, please send the information for us to add them to the mailing list.

--Don Ethridge

RECENT STUDIES

Standardized Performance Analysis for Cotton Production

Standardized Performance Analysis (SPA) is a program that enables cotton producers to analyze the financial and production performance of their farming operations. SPA consists of two parts — production and financial analysis. By using records regarding production, marketing, and financial information, farmers can calculate the cost of production, return on assets, and other indicators of profitability. The program allows for the allocation of production costs, overhead costs, income, and other financial information to analyze multiple enterprises or multiple farm operations. Being able to analyze a farming operation on an enterprise level helps provide information to the producer as to what aspects of the overall farming operation are profitable. An additional benefit of SPA is the completion of a set of accrual adjusted financial statements which provide the producer with more useful financial management information to assist in making management decisions.

Information provided by the SPA will be compiled into a data base which will allow farmers to compare performances of their operation to others within a region. A data base of cost and profitability information will give the cotton industry a source of useful information that will help in evaluating the farm level impacts of policies and economic conditions.

The SPA project is in the field testing stage, with efforts being concentrated in the Texas High Plains. Funding for the project is being provided by the Texas State Support Committee of Cotton Incorporated and the Cotton Economics Research Line-Item. The project is a cooperative effort with the Texas Agricultural Extension Service. For more information, contact Phillip Johnson (phone/address in this newsletter).

Bur Extractors Can Save Producers Between \$7.00 and \$10.00 Per Bale in Ginning Charges

A recently completed study examined the cost/benefits of bur extractors on stripper cotton harvesters. The findings show that investment in bur extractors is profitable for Texas producers in all irrigated and most dryland cotton production situations with at least 500 acres of cotton. Producers using bur extractors saved between \$7 and \$10 in ginning charges per bale of cotton lint. In all cases of irrigated cotton examined, the farm recovered the cost of the bur extractor in 5 or fewer years. In dryland production, the cost of the bur extractor was recovered in 9 years or less, with the exception of the low and medium yields on a 500 acre farm. The 500-acre farm with low and medium yield dryland cotton are the only cases with a payback period longer than the life of the bur extractor. The most profitable alternative had a recovery period of 2 years. Producers beyond these levels of yields, acres, and break-even time periods have greater returns.

This research was supported by the Texas State Support Committee of Cotton Incorporated, and was done in cooperation with Alan Brashears, ARS/USDA, Lubbock. Contact Sukant Misra (address/phone in this newsletter) for more information.

Biotechnology Impacts in the Northern Plains Region of Texas

A recent study evaluated the impacts of biotechnological advances in crops grown in the Northern Plains Region of Texas. These technological advances are expected to increase net revenue to producers and decrease net revenue variability as long as crop producers are flexible enough to adjust enterprises within their operations. Significant increases in dryland cotton and sorghum acreage are expected to occur at the expense of wheat and irrigated sorghum acreage in the

Southern High Plains and Northern Low Plains subregions. Also, biotechnological advances tend to decrease irrigated crop acreage, especially at high levels of risk aversion. Such a decrease in irrigated acreage may coincide with increased demand for water for uses other than agriculture in the region.

This study was supported by the College of Agricultural Sciences and Natural Resources at Texas Tech University and the Texas Agricultural Experiment Station. For more information, contact Eduardo Segarra (address/phone in this newsletter).

Cotton Price Policy in Pakistan

A study on the effects of cotton price policies of Pakistan has been completed. This study analyzed the impacts of an export tax on cotton fiber markets, the cotton and yarn products sectors, trade, and sectorial economic growth in Pakistan. Results indicate that the export tax significantly decreased exports of cotton fiber from Pakistan, which benefited U.S. cotton producers by placing upward pressure on world cotton price. However, yarn production and exports also increased over the time period analyzed (1970-1993), which displaced some yarn production in other parts of the world, including the U.S.

The policy was a substantial burden to the economy of Pakistan. Losses as a result of this policy were equal to about 2% of Pakistan's Gross Domestic Product, which may help explain why Pakistan discontinued use of this policy in 1995. The elimination of the policy may reverse some of the effects. A similar study is under way to examine a similar set of policies in India, which is another major consumer and producer of cotton.

This research was supported by a CSRS/USDA National Research Initiative Grant. For more information on this research, contact Don Ethridge (address/phone in this newsletter). ■

NEWS ON RESEARCH PROJECTS

Cotton Wizard

Some cotton economics research projects are ending, some are continuing, others are being initiated. Referring to the projects summarized in the previous "Update," Elam's lint/seed "Cotton Wizard" work, with support from the Cotton Economics line-item and the Cotton Foundation, is effectively complete. Ervin's analysis of using crustacean by-products, funded by the line-item and in cooperation with the International Textile Center, is nearing completion.

Misra's project on farm-to-mill cleaning costs is now completed. A more complete summary of all of the research projects will be included in the second Cotton Economics Research Annual Report in September.

Cotton Economics Research Proposals

Proposals to be supported by the Cotton Economics Research line-item for the next biennium (1997-1999) were solicited earlier this year. The proposals were sent to the Advisory Committee members for evaluation and Interim Dean Bob Albin, Interim Associate Dean for Research Reed Richardson, and Don Ethridge reviewed them. The result was that continuing support for three projects was approved — the research on textile mill premiums and discounts, the research on Standardized Performance Analysis, and the modeling research emphasizing agribusiness linkages. Two new projects were approved, one by Dr. Elam on gin trash utilization by feedlots and one by Dr. Segarra (with Wayne Keeling and Art Onken, TAES) on precision farming in cotton.

1996/97 Crop Report

A report of market activity for the Texas and Oklahoma producer markets by Hoelscher, Hudson, and Ethridge is currently available. This report summarizes the price, premium, and discount activity as estimated by the Daily Prices Estimation System for these markets for the 1996/97 marketing year. Those interested in receiving a copy of this report should contact Don Ethridge. ■

RECENT ACTIVITIES

Advisory Committee

Two members of the Cotton Economics Research Advisory Committee, Dr. John Abernathy and Mr. Bob Poteet are rotating off the committee in August (we are really just moving them to "emeritus" status, not losing them). They will be replaced by Dr. James Supak, Texas A&M University, and Mr. Robert Joseph, International Cotton Marketing, Inc., in Lubbock.

Carl Anderson, Roy Baker, Tommy Fondren, and George Herron continue on the Committee. The next meeting is scheduled for September.

Boll Weevil Impact Study

Eduardo Segarra and Don Ethridge worked with other economists, entomologists of Texas Tech and Texas A&M, and crop consultants on a task force to estimate the expected economic impact of the boll weevil on the Texas High Plains economy. Major findings were that the 30-county region would lose about 800,000 bales of production and \$500 mil-

lion in gross business sales per year. Net farm income would decrease by about \$140 million per year, and the region would lose 9,000 jobs. Copies of the report can be obtained from Segarra, Ethridge, or Ron Lacewell (Texas A&M). Ethridge is presenting the study in a symposium at the American Agricultural Economics Association annual meeting in Toronto, Canada, in late July.

Presentations at the Texas Cotton Ginners' Gin Show in April

Sukant Misra presented some of the field cleaner research at the Cotton Ginners' Workshop sponsored by Cotton Incorporated. Additionally, Misra and Ethridge presented research on the effect of price information on ginning practices at the Plains Cotton Growers annual meeting. Ethridge, Ron Lacewell, and Don Rummel presented the boll weevil economic impact study at a producer workshop sponsored by Plains Cotton Growers, the International Textile Center, and the Texas Agricultural Extension Service. Emmett Elam presented the "Cotton Wizard" cotton variety selection model at the trade show booth occupied by the National Cottonseed Products Association. (The "Cotton Wizard" was also presented and demonstrated at the National Cotton Ginners Association, Ginning Technology Committee - Cottonseed subcommittee, Stoneville, MS, June 25.)

Engineered Fiber Selection Systems Conference

Misra, Ethridge, Darren Hudson, and Blake Bennett presented a paper on the importance of price information at the EFS System Conference in May. The research shows that erroneous market price information is promoting "over-ginning" of cotton. ■

UPCOMING EVENTS

1998 Beltwide Cotton Conferences

The 1998 Beltwide Cotton Conferences will be taking place January 5 - 9, 1998, San Diego Marriott Hotel and Marina, San Diego, California. Eduardo Segarra will be serving as the chairman for the Cotton Economics and Marketing Conference.

Be looking for the call for papers. The deadline for chairperson to receive requests to present papers is August 29, 1997.

Web Site

Reminder:

Information on current research projects and publications regarding cotton economics research in the Department of Agricultural and Applied Economics can be obtained through the department homepage at www.ttu.edu/~agecon/cotton.htm.

Students Involved in Cotton Economics Research

We thought you might be interested in knowing of the students who are involved in the cotton economics research programs. At the present time (Spring and Summer), they are:

<u>Name</u>	<u>Degree Program</u>	<u>Advisor</u>
Talah S. Arabiyat	M.S.	Segarra
Blake Bennett	Ph.D.	Misra
Dee Dee Beaty	B.S. (Senior)	Johnson
Jane Bondurant	M.S.	Ethridge
Mark Castleberry	M.S.	Elam
April Clark	M.S.	Johnson
Kent Durham	B.S. (Senior)	Johnson
Hope Floeck	B.S. (Senior)	Ethridge
Kevin Hoelscher	B.S. (Senior)	Ethridge
Darren Hudson	Ph.D.	Ethridge
Rabih Karaky	Ph.D.	Ethridge
Brent McPeek	M.S.	Misra
Jeannie Nelson	B.S. (Senior)	Misra
Jenny Phillips	M.S. (Education)	Misra
Steve Teal	M.S.	Ervin
Man Yu	Ph.D.	Segarra

Note that the Department has research projects in other areas — e.g., water resources, rangeland economics, finance, biotechnology, wine marketing, etc. — with faculty and students involved in those research areas as well. ■

For more information on cotton economics research, contact the department at:

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Hello, Hope!

Here are the changes you requested. Please let me know if there are any more corrections necessary, and I'll put your logo on a final draft and bring it to you today. My email address is rwkac@ttacs.ttu.edu if you just want to let me know that way. But you already have that address! Anyway, hope this works for ya!

Kerri

