

A Cotton Producer Grows Grain:

Reflections on 2007
Plans for 2008

Dow Brantley
Brantley Farming Co.
Lonoke, AR



History

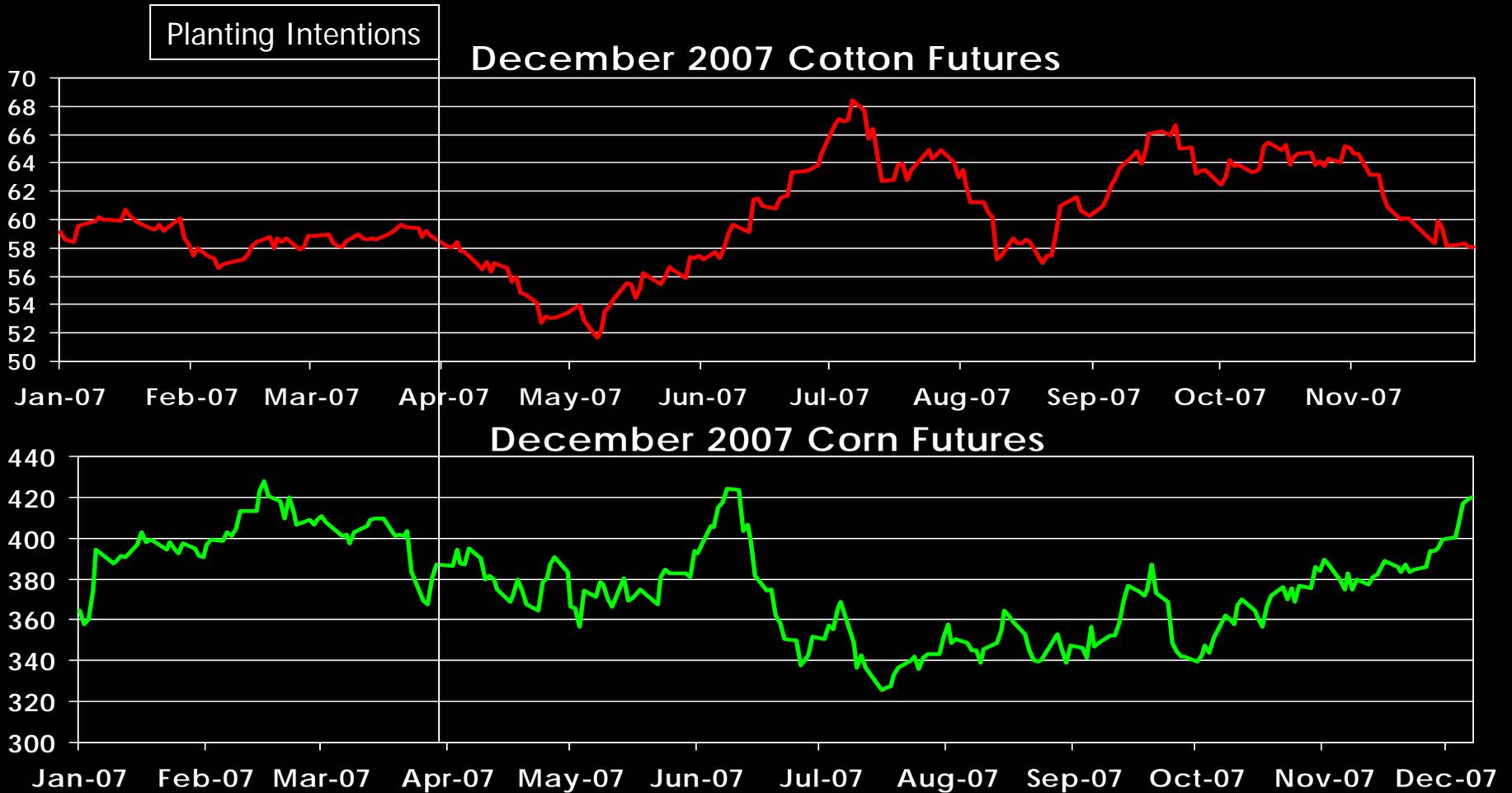
- Brantley Farm Began in 1946
- Changed to Brantley Farming Co. in 1996
- Began growing in Corn in 2002
 - » As productive crop to rotate w/cotton
 - » Studies show a 10-15% increase in cotton yields following corn



Reflections on 2007



Record Stocks in 06/07 Keep Cotton Prices Weak As Grain Prices Move to Historic Levels



As Corn Prices Soar for 2007 Crop Farmers Change Crop Mix

Lonoke County Acres

	Corn	Cotton
2006	4,489	26,160
2007	14,268	19,490
Change	9,779	-6,670

Arkansas Acreage

	Corn	Cotton
2006	180,000	1,160,000
2007	590,000	850,000
Change	410,000	-310,000

- Cotton acreage on our farm dropped 30%
- Lonoke County
 - » Cotton acreage dropped 25%
 - » Corn acreage increase 218%
- Statewide
 - » Cotton acreage dropped 25%
 - » Corn acreage increase 225% (largest percent increase in the U.S.)



Record Yields and Strong Prices Made Corn the Right Decision for 2007

Gross Revenue			
	Yield	Value	Gross Revenue
Corn	180 bu	\$4.00	\$740.00
Cotton	1,300 lbs	\$0.56	\$728.00
Gross Revenue (Advantage Corn)			\$12.00

- The total cost of producing corn including land rent is \$105 per acre less than cotton
- Additionally there is less risk, time and effort required to grow corn



The Downside:

The Increase in Corn Acres Caused a Major Storage Deficit

- Arkansas grain storage capacity is ~**196 mil bu**
 - » Farm storage is just over 115 mil bu
 - » Commercial Storage
 - State Lic **31 mil bu**
 - Federal Lic **50 mil Bu**

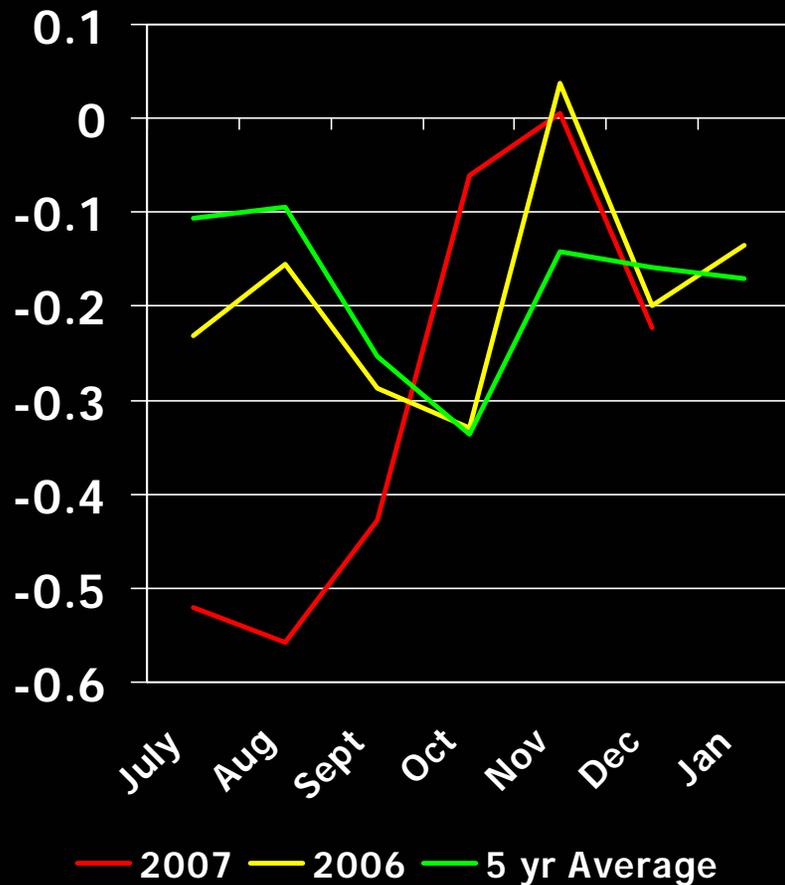
Arkansas Grain Production (Million Bushels)		
	2006	2007
Rice	211	208
Soybeans	107	100
Corn	26	99
Wheat	19	29
Sorghum	5	20
Total	368	456



Storage Issues in 2007, Solutions for the Future



Storage Allows a Farmer to Take Advantage of the Large Basis Swings



- At harvest basis ranged from 30 to 50 under
- Today the basis is 0 to 10 under
- The change in basis combined with the increase in price led to a significantly higher cash price.
 - » \$3.70 in September
 - » \$4.69 Today



Plans for 2008



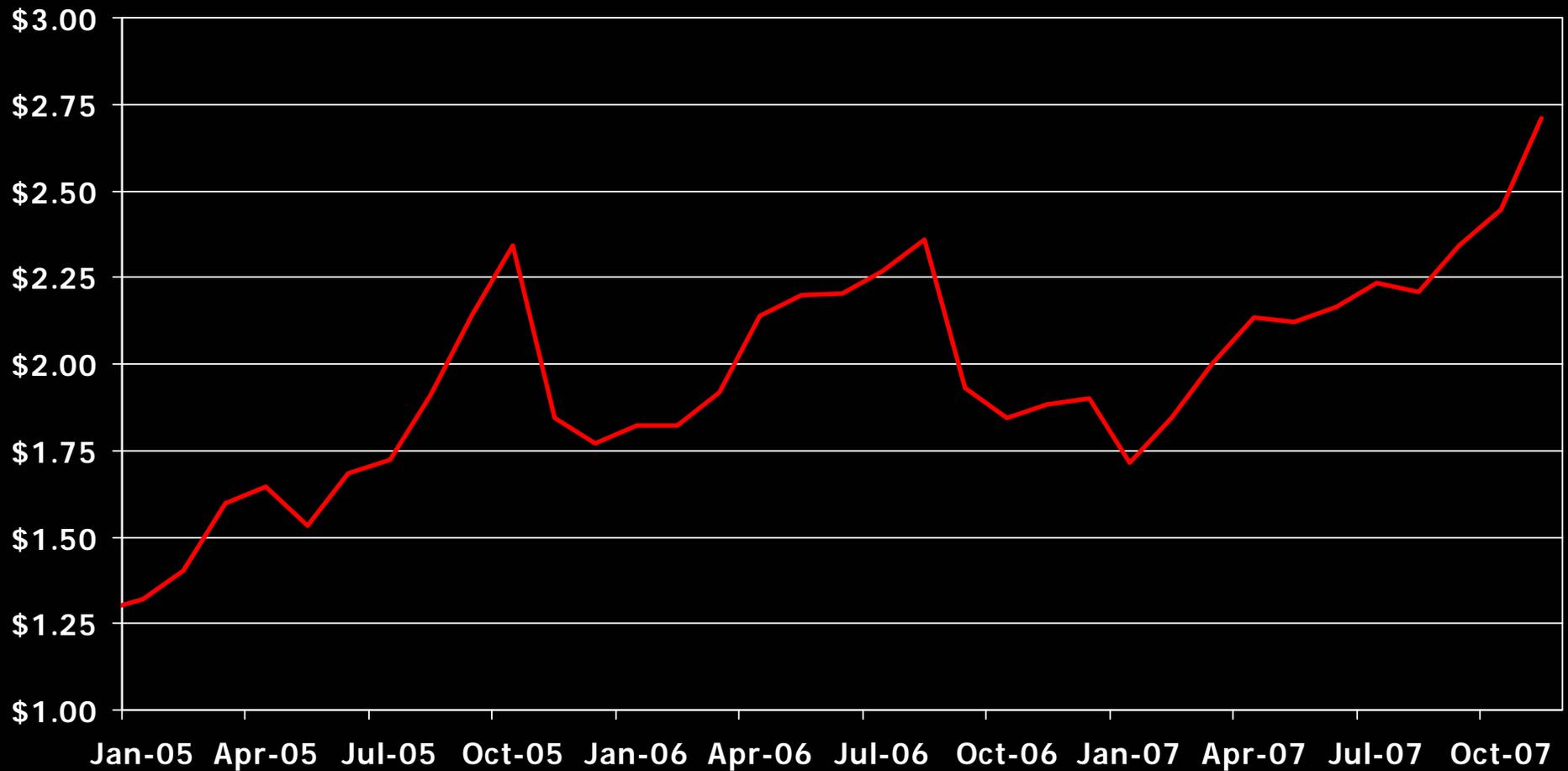
Overall Arkansas Corn Acres will Decline in 2008, But So Will Cotton Acres

➤ WHY?

- » ***\$12 SOYBEANS /\$9 WHEAT!!!!***
- » Lack of Storage
- » Increased cost of inputs
- » Cotton prices have not risen enough to make competitive
- » Cotton is too labor intensive, when other commodity prices are this high.

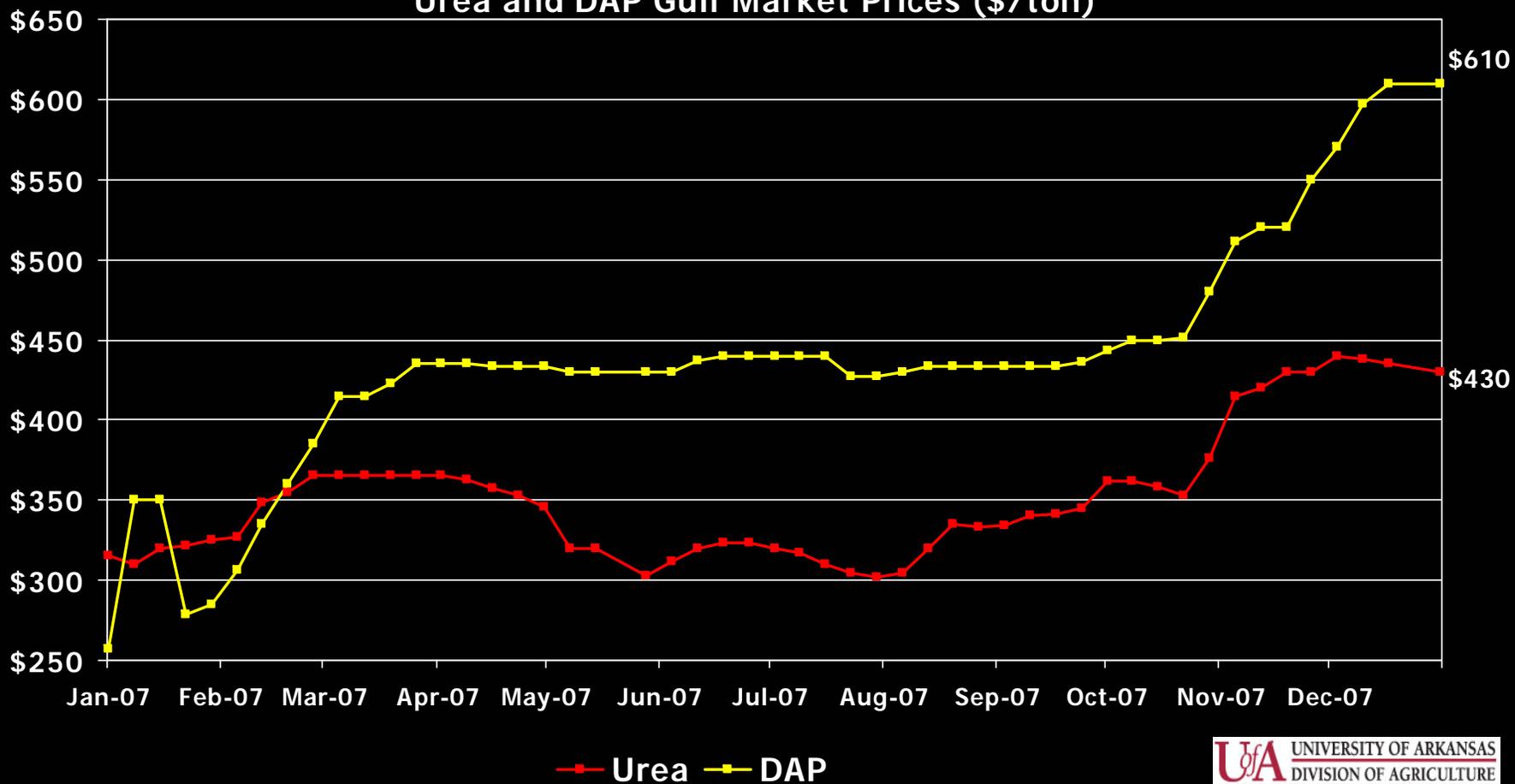


U.S. Wholesale Diesel Prices More Than Double From Jan 2005 to Nov 2007



Fertilizer Prices on the Rise Again for 2008

Urea and DAP Gulf Market Prices (\$/ton)



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Effect of Reduced Acreage on Cotton Infrastructure

- Gins
 - » Gin Consolidation
- Cotton Inc Promotional Programs
- Cooperatives
- Warehouses
- Equipment



Increases in Fuel and Fertilizer have Dampened Corn's attractiveness in 2008

2008 Budget			
	Yield	Value	Gross Revenue
Corn	175 bu	\$4.50	\$787.50
Soybeans	50 bu	\$11.00	\$550.00
Cotton	1100 lbs	\$0.66	\$726.00
Gross Revenue (Advantage Soybeans)			-\$176.00
Gross Revenue (Advantage Corn)			\$61.50

- The total cost of producing corn including land rent is \$63 per acre less than cotton
- The total cost of producing soybeans including land rent is \$375 per acre less than cotton



While Arkansas Corn Acres Decline, Our Operation Will Remain the Same

➤ WHY??

- » Long term commitment to grain
- » Expanded storage since 2003
- » Arkansas only produces enough corn to supply 30 days of our state Poultry industry needs.
 - This provides great opportunities to store corn



Implications of 2007 Farm Bill on Southern Cotton Production

- Cotton acres are forecast to continue to decline in 2008 as Cotton producers react to market forces
- Without an adequate safety net U.S. cotton production is at risk

