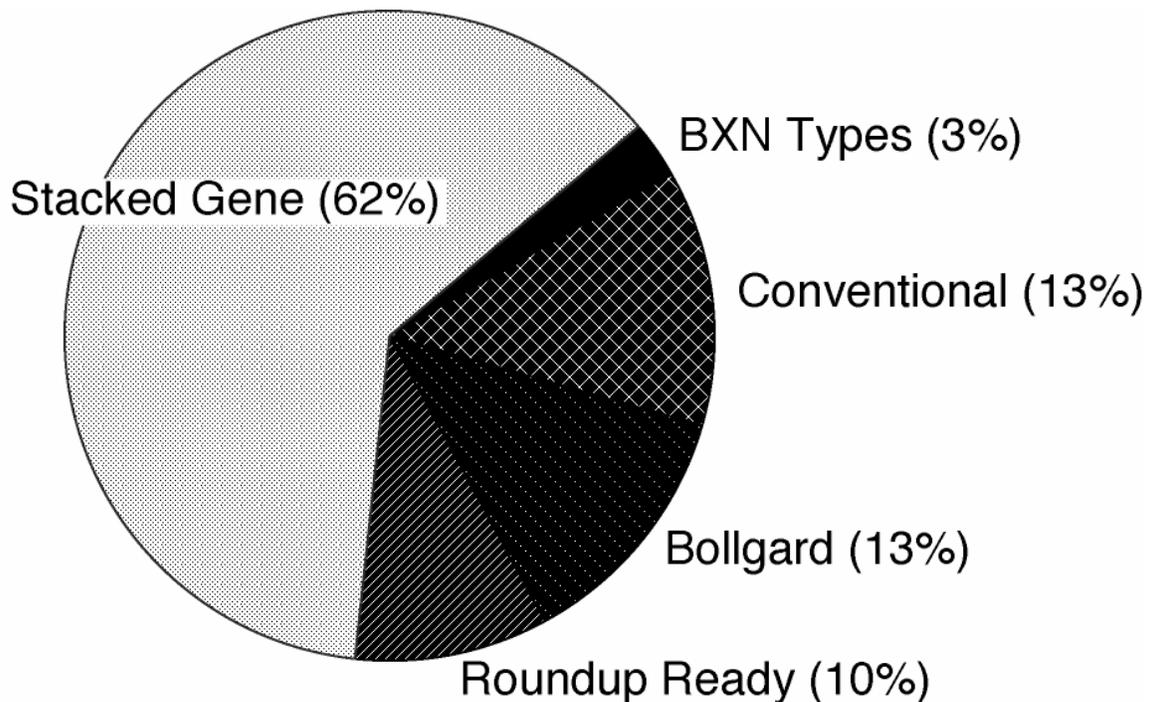


The percentage of Upland acreage planted to different classes of seed varieties in 2004 for Arizona is described in figure 2. The percentage planted to transgenic seed varieties declined slightly in 2004, going from 89% to 87% of all plantings. In 2003 74% of the crop was planted to a stacked gene and these plantings declined to 62% for the 2004 crop. As newer varieties were released with specific transgenic traits, plantings for Roundup Ready, Bollgard, and BXN Types increased modestly to offset most of the decline in “stacked gene” varieties. Going from 2003 to 2004, total coverage for Bollgard and Roundup Ready genes declined by 9% and 5%, respectively. Herbicide Buctril resistant or BXN varieties increased by 2% last year.



Source: USDA/AMS, Cotton Varieties Planted, 2004 Crop. Note, 1.78% of miscellaneous varieties reported were distributed to the above categories using their respective proportions.

Figure 2. General seed varieties of Upland cotton planted in Arizona for the 2003 crop

Arizona cotton producers will remember 2004 as close to ideal for production. The statewide average yield of almost 2.9 bales/acre is 5.5% above the average yield for the last five years. In general, weather conditions were extremely favorable for cotton production across the state. To be more specific, in the western regions of Arizona, early spring weather was very favorable enabling successful early planting and stand establishment with minimal necessary replant. In the central region, rain in early April delayed planting with the majority of the crop planted from approximately the second week in April through May 1. In a few cases, replanting was necessary for the producers unfortunate enough to have planted just prior to the cool, wet early April conditions. In the southeastern region, the early April rains also delayed planting slightly with most of the cotton planted by May 1 also.

After the planting season was negotiated, weather conditions in the low deserts were considered ideal for cotton production. During the summer months, daytime high temperatures were considered normal with lower than average nighttime low temperatures. The much anticipated “monsoon” period also started later in the season and was shorter in duration. Even during the “monsoon” season, nighttime lows were cool resulting in much fewer heat stress events when compared to 2003. These favorable conditions resulted in high, uniform fruit set and retention. The delayed “monsoon” also enabled the crop to complete the majority of the primary fruiting cycle under ideal weather conditions. In the southeastern region, cooler temperatures during the summer months and into early fall delayed the maturity of the crop making defoliation more challenging than normal.

The Yuma area cotton crop was excellent in terms of yield and fiber quality. Due to the produce industry, planting, termination, and harvest was early with the crop produced under ideal conditions. Consistent cool and wet weather across the state from late October through early December presented defoliation and harvest challenges for producers from the far west to the southeastern regions. Despite the late season conditions, yield and quality was high, however, with some expected reduction in color grades.

Insect pest pressures were light in most cases. Lygus and whitefly infestations were generally lighter than normal with a few isolated but manageable late season whitefly infestation levels. Average chemical treatment numbers for pest management was definitely lower than normal.

Favorable weather conditions also produced a crop with desirable lint quality attributes, including micronaire. In 1999 and 2000, Arizona produced crops of lint where 41% and 35% of the crop had a micronaire reading of 5.0 or higher. From 2001 to 2004, the percentage of Arizona’s crop with a high micronaire reading has been between 25% and 29%, as described in figure 3. Nonetheless, the potential for high micronaire continues to be a point of concern for the future reputation of Arizona’s cotton quality and economic viability.

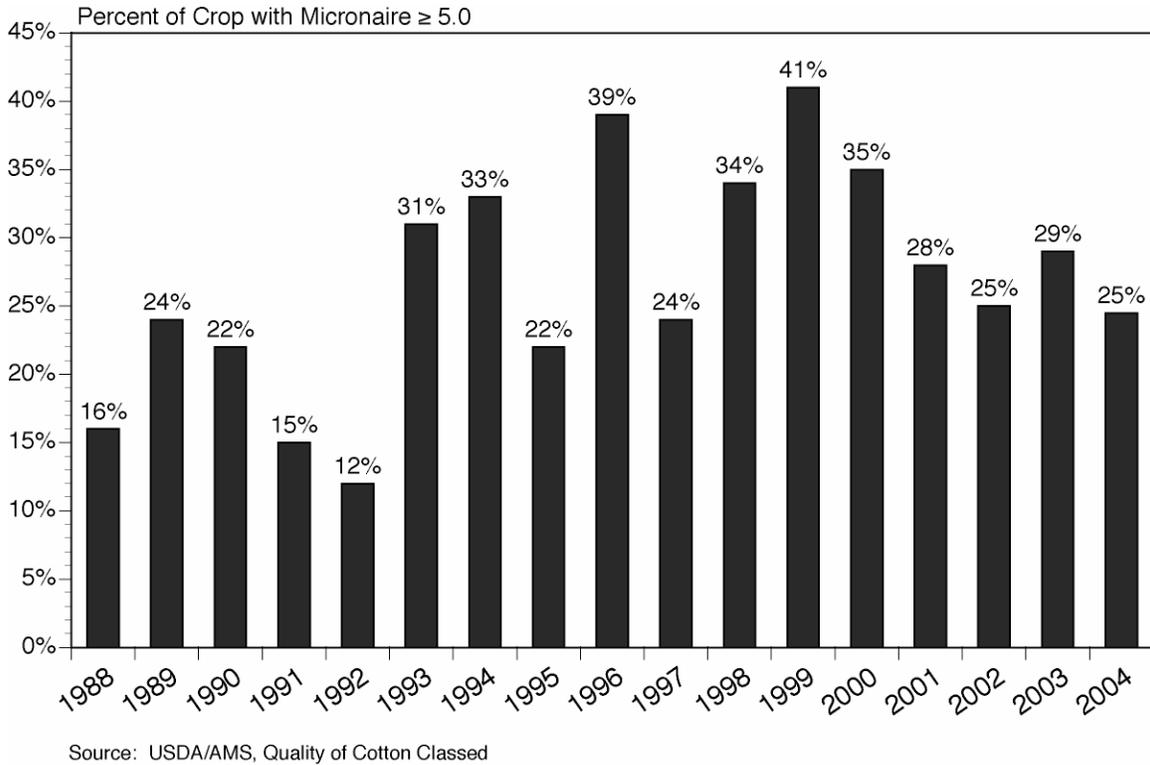


Figure 3. Percentage of Arizona Upland cotton that received a micronaire classification \geq 5.0, 1988–2004

While weather conditions were ideal for cotton production this last year, political winds surrounding farm program payments were the harshest they have been in recent history. In March of 2005, the World Trade Organization (WTO) Appellate Body announced that they upheld findings of an earlier WTO panel ruling that U.S. “production flexibility contracts” and “direct payments” were “trade-distorting domestic support” and could not be categorized as permissible “decoupled payments.” In addition, the Appellate Body further agreed that “export credit guarantees” and “step 2 marketing payments” that last handlers of U.S. cotton receive need to be withdrawn “without delay” because they are prohibited export subsidies. Farm program payments have been brought to the forefront of WTO “fair trade” negotiations and the economic role they play for Arizona producers may be greatly altered in the near future.