COTTON ACREAGE RESPONSE TO PRICE SIGNALS DUE TO AGRICULTURAL POLICY AND MARKET CONDITIONS

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Abstract

The objective of this research is to quantify the response of cotton acreage to market prices and LDP for cotton and competing crops. Legislation in the 2002 Farm Bill provided for a common commodity policy of income support among field crops consisting of direct payments, counter-cyclical payments, and marketing loans. Data are for 17 states with upland cotton producing during 2002-2010. Panel data for a short time period leads to results that encompass a common program of agricultural commodity policy. Price elasticities developed for short time periods lead to acreage response estimates that are due to a single agricultural policy. Relatively high prices for competing crops have impacted cotton acreage. Results for cotton acreage allocations with own-price and cross price elasticities demonstrate it is possible to alter markets without creating distortions that cause producers to ignore price signals.