

## MANAGING PRODUCTION COSTS

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It is my pleasure to moderate the next segment of our program this morning. We will have a series of speakers, a panel of growers, a discussion period among our panelists and finally, questions from the audience, all focusing on the theme of managing production costs.

Every businessman is interested in ways of cutting costs in his operation and cotton producers are no exception. We are all aware of the need to be cost competitive with our product. We can no longer count on a crop disaster somewhere in the U.S. Cotton Belt or in one of the major cotton producing countries overseas to tighten supplies and raise prices. Not only do we have to be aware of our competitive position relative to foreign cotton producers, we must now be conscious of the threats to our markets from man-made fibers. This is especially true in our major cotton export markets in the Far East where the current economic crisis and currency devaluations have made man-made fibers more competitive than ever.

Being told that growers need to lower production costs is perhaps stating the obvious. It is also easier said than done. As we examine ways to produce more efficiently, I believe two points are important to understand. First, we must all realize even the best new technology is useless if it isn't affordable. Secondly, timely development and implementation of cost-cutting measures is also important. Because of the rapid information transfer capabilities now in place, our only advantage may be is that we have it first!

On a personal note, I am troubled by amount of pessimism about growing cotton I am picking up from my fellow growers in California. This pessimism is at a higher level than any time since I started farming. We are going to see a significant decline in the acreage of upland cotton in California in 1998. I know many growers may think California is the "land of milk and honey" for cotton production with state average yields in the range of 1200 pounds per acre. However, with production costs running between \$1,000 and \$1,100 per acre and SJV cotton selling for around 70 cents per pound, the average California grower is losing money on every acre of upland cotton he grows. Costs must be reduced in California and in every part of the Cotton Belt if we are going to survive as a healthy industry.

One additional observation. Because practices and conditions are different in every part of the Cotton Belt, we recognize that cost-reducing measures that works for some producers may not be applicable for others. Our hope is to

present a wide range of ideas that you can adapt to your operation where feasible.

With those admonitions, our panelists will focus on ways to reduce costs. This morning's presentations are just the first of many opportunities you will have at this Beltwide Production Conference to examine ways of improving production efficiencies. Examining the program, you will note several workshops and seminars that relate to specific production topics such as the Crop Monitoring and Emerging Technologies workshops this afternoon. You may want to attend the Risk Management session later today that focuses on marketing strategies.

Tomorrow's general session also includes specific production cost discussions including insect control, irrigation techniques and weed management. There are numerous aspects to reducing production costs that will be addressed this week. Our job is merely to kick things off."

The next series of speakers will focus on specific cost-cutting measures for several aspects of production. Selecting the right variety of seed to plant is one of those irreversible decisions that can make or break your production year. Knowing what crop protection products to apply and, as importantly, when to apply or not apply them can many times be the difference between a showing a profit or a loss. Whether to lease or buy equipment and whether to use conventional or conservation tillage practices are inter-related decisions. These are just a few of the critical input points that demand efficiency.

Following these presentations, and after the break, we will have grower panelists from each production region share some of their thoughts on ways of reducing costs. Before we conclude, we will have a brief time for questions from audience for our panelists.