



## Drought-Hit Texas Farmers on Brink of Writing Off Cotton

By Rene Pastor

NEW YORK, June 9 (Reuters) - Reeling from the worst drought in a century, cotton farmers in Texas are on the brink of writing off their withered plants this year and collecting the insurance.

"We cannot make this crop with no relief from hot temperatures and the wind," said Gary Evitt, a cotton farmer for over 40 years working on 2,000 acres of irrigated cotton outside Lubbock, Texas, in the heart of the Lone Star State's cotton area. "This is the worst (drought) I have seen."

The drought plaguing Texas, the biggest cotton growing state in the U.S., pushed up cotton futures this spring. Futures are hovering near \$1.30/lb, four times what they were in 2010 when cotton was the best performing commodity.

Carl Anderson, an influential economist with Texas A&M University, said farmers like Evitt may decide to just let their crop die so they can collect the insurance payments.

"They're very close to throwing in the towel on this season," he said. "It's looking very bleak."

The deadline to planting is this Friday, and the insurance claims are supposed to start coming in by around June 20. Anderson said that to save money, farmers planning to collect insurance will give no fertilizer or water to their cotton plants.

Any word that farmers will tear out their plants and collect insurance money -- rather than ride out the drought -- could spark a fresh rally in a cotton market that saw a rally to historic highs in 2010.

That may put further strain on profits at clothes companies like Levi Strauss & Co [LEVST.UL] and Guess Inc.

Some of these firms are already looking for alternatives to cotton, with Naturally Advanced Technologies Inc forging deals to sell its organic fiber to uniform maker Cintas and HanesBrands Inc.

Anderson said production in Texas may drop by as much as a third in 2011/12 as the state could lose around 2 million acres of the 6 million acres sown to cotton this year.

Analysts said that could slice the state's cotton production to as low as 5 million (480-lb) bales from nearly 8 million bales in 2010/11 when bumper rains swept Texas.

With the drought in mind, the U.S. Agriculture Department's monthly supply report Thursday cut its estimate of U.S. 2011/12 cotton production to 17 million bales from the 18 million it projected last month.

In 2010/11, output came to 18.1 million bales.

Without quick rain, this year may rival the record 20 percent or 2.6 million acres that were abandoned by farmers in 1998, according to USDA data based on planting and harvesting figures since 1965.

The culprit for the drought is the weather anomaly La Nina, an abnormal cooling of waters in the equatorial Pacific Ocean that is often linked to severe droughts in the southwestern United States.

The 2010/11 La Nina is one of the strongest in the last decade. The U.S. Drought Monitor said it is the worst drought in Texas since 1990.

Analysts said that combined with flood damage along the Mississippi River and dry spells in Georgia, the question now is how much of a hit U.S. cotton output will sustain and whether USDA will further cut its estimate of the domestic crop.

Agricultural officials in Texas have estimated that losses will amount to more than \$3 billion. They have set up hotlines to provide assistance for farmers and ranchers.

"It's a disaster for the farming community in Texas," said Anderson.