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## Simulation Analysis of U.S. Cotton Production with ERS Costs and Returns Data

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Costs and returns data from the USDA are applied for evaluating the U.S. cotton industry. A sector model simulates economics of U.S. cotton production. Net returns for cotton production are projected as \$68,658 in 2008 on the U.S. average of 299 hectares (740 acres). After deducting opportunity costs for land, projected income from cotton farming is \$29,682. Without government payments, farm income would be -\$16,602. Commodity programs maintain net returns within a constant range as market conditions lead to differing levels of income support. Government payments decrease as market revenues increase, and net returns are greatest when market circumstances lead to the minimum need for income support.

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