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Weekly Cotton Market Review

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Spot cotton prices averaged higher than the previous week, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading was most active in the south central markets. Demand was good and many merchants turned their attention to new-crop supplies in south Texas. Domestic mill buying was light to moderate. Export trading increased. Rains were received in the southeastern states, giving some relief from drought conditions. Many areas of the Cotton Belt reported open bolls. Harvesting was at peak levels in south Texas and expanding rapidly in central Texas. All cotton production in the U.S. for 1986 was forecast at 10.7 million bales. Increased world consumption and trade prospects highlight the 1986-87 cotton outlook.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 26.70 cents per pound during the week ended Friday, August 15. Prices ranged from a low of 26.59 cents on Monday to a high of 26.81 cents on Friday. A week earlier, prices averaged 26.29 cents per pound and ranged from 26.06 to 26.59 cents. The New York October 1986 futures settlement price ended the week on Friday at 33.13 cents per pound compared with 31.17 cents a week earlier. The December settlement price was 34.20 cents against 32.09 cents a week earlier.

Trading in the western markets was a little more active but continued light. Several merchants in short positions were aggressively seeking cotton but most are holding adequate supplies. A small volume of San Joaquin Valley equities traded at \$27.50 to \$57.50 per bale, net to growers. Equity trading was slow in some of the southwestern markets but demand was strong for cotton stored in south Texas. Equities for 1985 crop brought growers \$8 to \$21.25 per bale and 1986-crop equities traded at \$10 to \$20 per bale. Trading accelerated in the south central markets as a large volume of merchant-held equities changed hands. Demand was very good. Equity prices for 1984 crop were steady to slightly higher, ranging from \$8 to \$20 per bale. Equity prices trended mostly higher for 1985 crop and ranged from \$8 to \$30 per bale. Merchant-to-merchant trading accounted for most of the limited activity in the southeastern markets. Grower-held supplies reached low levels. Demand was light. Interest was shown for 1986-crop cotton and a light volume of equities traded at prices of \$8.50 to \$12.50 per bale. CCC cotton certificate trading remained active. Certificates traded at an average of 96 percent of face value with some trading at par. Domestic mills purchased a light volume of cotton for prompt through forward delivery. Export trading was more active. Bangladesh was the major buyer with shipment scheduled for September. Sales were made to other Far Eastern mills and a light volume was purchased by European mills for prompt through December shipment. Several thousand bales of 1986 crop were purchased by a number of countries for October through June 1987 delivery. Purchases reported by cotton exchanges in the designated markets totaled 189,400 bales in the week ended Friday, August 15. This compares with 180,900 bales reported a week earlier and 55,500 bales in the corresponding week last season.

Textile mill report. Domestic mill buying was slow to moderately active. A few mills made purchases to cover spot shortages but buying was primarily the medium and higher grades, central and western growths, for nearby and later shipment. New-crop inquiries increased and included a range of qualities with delivery dates extending into the first half of 1987. Demand was good for a fairly wide range of textile products and mill sales of finished goods remained active. Apparels, yarns, household and most industrial items sold readily. Mills' work schedules were mostly five to six days per week, with some plants operating seven days.

World cotton supply and demand estimates. Increased consumption and trade prospects highlight this month's changes in the cotton outlook. Low prices are giving cotton a distinct price advantage over man-made fibers. Global consumption has been revised up 1 percent to a record 76 million bales and world trade is projected at about 22 million, 2 percent above July indications. With this month's global production forecast unchanged at about 75 million bales, 1986-87 ending stocks may total slightly below both month-earlier indications and their beginning level.

U.S. and foreign textile mills are expected to use nearly 60 percent more U.S. cotton in 1986-87. While domestic consumption is projected to rise 6 percent to 6.8 million bales, U.S. exports are expected to more than triple to 6.3 million, moderately above month-earlier prospects. With U.S. production forecast down one-fifth at 10.7 million bales, stocks may be worked down to 6.9 million bales, nearly 2.5 million below beginning stocks.

In contrast, foreign cotton stocks may expand further during 1986-87. Large stocks in relation to use are particularly evident in Brazil, China, India and Pakistan, countries which generally harvested large crops in 1985-86 and which have shown little inclination to substantially reduce production in 1986-87. With intensifying U.S. competition, export prospects for these countries are dampened, and total foreign exports are expected to decline more than 2 million bales. The U.S. share of world trade is projected at nearly 29 percent, up from 10 percent in 1985-86 but still below the 31-percent share of 1980-1984.

All cotton production in the United States was forecast at 10.7 million 480 pound net weight bales, a decrease of 21 percent from the 1985 crop, according to the Agricultural Statistics Board, NASS, USDA. The forecast was for 10.5 million bales of upland and 199,000 bales of American Pima. Excluding the 1983 PIK crop, the 1986 crop is the lowest since 1976.

Planted area of 9.59 million acres is 10 percent lower than last year and growers expect to harvest 8.94 million acres, down 13 percent from last year. Expected yield per harvested acre is 573 pounds, 57 pounds below last year's record high yield.

In Texas and Oklahoma, upland production was forecast at 3.16 million bales, a decrease of 25 percent from last year. The crop in the Delta states (Arkansas, Louisiana, Mississippi, Missouri and Tennessee) was forecast at 3.50 million bales, 6 percent below last year. Growers in the western states (Arizona, California and New Mexico) expect to harvest 3.09 million bales of upland cotton, 25 percent below last year. Production in the southeastern states (Alabama, Georgia, North Carolina and South Carolina) was forecast at 700,000 bales, down 42 percent from last year.

Cottonseed production for 1986, based on a three year average lint-seed ratio, was forecast at 4.21 million tons, 20 percent below the 1985 production of 5.28 million tons.

The Bureau of the Census reported 146,608 running bales ginned prior to August 1 compared with 69,955 to the same date last year and 162,769 in 1984.

Four months and older certificated stock, September 1, 1986 ^{1/}

Delivery point	4-10 months	11-16 months	17-22 months	Over 22 months	Total
	Bales	Bales	Bales	Bales	Bales
Charleston	-	-	-	-	-
Galveston	26,046	800	96	33	26,975
Greenville	60	41	16	-	117
Houston	4,776	7	-	-	4,783
Memphis	2,291	138	33	13	2,475
Mobile	-	-	-	-	-
New Orleans	-	-	-	-	-
Total	33,173	986	145	46	34,350

^{1/} Based on Cotton Division records as of August 15, 1986.

Cotton supply and use: World, United States, major exporters and importers;
marketing years 1984-85, 1985-86, and 1986-87 ^{1/}
August 12, 1986

Region	Supply			Use		Ending stocks	
	Beginning stocks	Production	Imports	Mill use	Exports		
<u>Million 480 pound bales</u>							
<u>1984-85</u>							
World	24.98	86.90	20.49	69.92	20.24	41.86	
United States	2.78	12.98	0.02	5.54	6.22	4.10	
Total foreign	22.20	73.92	20.46	64.38	14.03	37.76	
Major exporters ^{2/}	12.03	52.69	1.13	31.75	9.04	24.77	
China	7.77	28.70	0.10	15.50	1.20	19.77	
Pakistan	0.09	4.63	0.03	2.26	1.26	1.05	
USSR	2.34	10.76	0.82	9.65	2.92	1.36	
Major importers ^{3/}	4.51	0.98	15.82	16.33	0.56	4.41	
Japan	0.67	-	3.12	3.19	-	0.61	
<u>1985-86 (Estimated)</u>							
World	41.86	78.76	20.82	74.02	19.97	47.11	
United States	4.10	13.43	0.03	6.41	1.97	9.26	
Total foreign	37.76	65.33	20.79	67.61	18.01	37.85	
Major exporters ^{2/}	24.77	44.71	1.00	34.25	12.19	23.76	
China	19.77	19.10	0.10	17.50	2.40	18.97	
Pakistan	1.05	5.70	-	2.35	3.00	1.24	
USSR	1.36	12.11	0.65	9.70	3.00	1.41	
Major importers ^{3/}	4.41	1.16	15.95	16.50	0.57	4.43	
Japan	0.61	-	2.94	2.97	-	0.58	
<u>1986-87 (Projected)</u>							
World							
July	47.3	75.3	21.6	75.3	21.6	46.9	
August	47.11	75.14	22.00	75.98	22.09	45.83	
United States							
July	9.4	10.7	^{4/}	6.8	6.0	7.4	
August	9.26	10.68	^{4/}	6.81	6.31	6.88	
Total foreign							
July	37.9	64.6	21.6	68.5	15.6	39.5	
August	37.85	64.47	21.99	69.17	15.78	38.95	
Major exporters ^{2/}							
July	24.0	44.3	1.2	34.4	10.3	24.5	
August	23.76	43.91	1.34	34.47	10.49	23.76	
China	July	19.2	19.7	0.1	17.5	2.1	19.3
August	18.97	19.70	0.10	17.50	2.20	18.97	
Pakistan	July	1.4	5.3	-	2.5	2.0	2.1
August	1.24	5.30	-	2.50	2.50	1.38	
USSR	July	1.2	12.2	0.7	9.8	3.0	1.3
August	1.41	12.00	0.80	9.80	2.90	1.51	
Major importers ^{3/}							
July	4.3	1.1	16.7	16.9	0.6	4.6	
August	4.43	1.14	16.94	17.17	0.63	4.71	
Japan	July	0.6	-	3.0	-	0.6	
August	0.58	-	3.00	3.00	-	0.58	

^{1/} Marketing year beginning August 1. Totals may not add and trade and stocks may not balance due to rounding, a small quantity destroyed, and other factors. ^{2/} Australia, China, Central America, Egypt, Mexico, Pakistan, Sudan, Turkey and the USSR. ^{3/} Eastern Europe, Western Europe, Japan, Hong Kong, Republic of Korea and Taiwan. ^{4/} Less than 50,000 bales.

Source: United States Department of Agriculture

