

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE
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Weekly Cotton Market Review

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Spot cotton prices averaged slightly higher than the previous week, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading of 1984 and 1985-crop equities was light but increased for 1986 crop. Merchant demand was good. Domestic and foreign mill buying increased. The crop made good progress in most localities. Limited harvesting was reported in portions of California, Arkansas and Georgia and increased rapidly in central Texas. Harvesting neared completion in south Texas.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 26.98 cents per pound during the week ended Friday, August 22. Prices ranged from a low of 26.87 cents on Monday to a high of 27.12 cents on Friday. A week earlier, prices averaged 26.70 cents and ranged from 26.59 to 26.81 cents. The New York October 1986 futures settlement price ended the week on Friday at 33.78 cents per pound compared with 33.13 cents a week earlier. The December settlement price was 34.83 cents against 34.20 cents a week earlier.

Trading of 1984 and 1985-crop CCC loan equities was very light, restricted by the limited supply in growers' hands. Buying of 1986-crop equities was more active. Most merchants control adequate supplies but demand from some merchants and mills needing cotton was good for all qualities. Merchants were busy consolidating stocks, recording and arranging for later shipments. CCC cotton certificate trading was very active and prices strengthened. Certificates traded at prices ranging from 98 to 102 percent of face value. Domestic mill buying increased. Foreign mill demand was good and sales to both Far Eastern and European mills increased. Purchases reported by cotton exchanges in the designated markets totaled 93,900 bales in the week ended Friday, August 22. This compares with 189,400 bales reported a week earlier and 23,700 bales in the corresponding week last season.

Textile mill report. Domestic mill buying increased. Purchases were of central and western growths, grades 50 and higher, and Texas medium and lower grades in staples 32 and shorter. Shipment dates included cotton for both prompt and deferred delivery. Interest was increasing for new-crop cotton and inquiries were more numerous. Mill business remained good to excellent over a wide range of textile products. Apparels, yarns, underwear, household goods, athletic wear and products for industrial and automotive applications were selling readily. Reports indicated that some buyers have exerted pressure for lower prices. Mills continued to operate on full to extended work schedules.

NOTE: Portions of the narrative from this report are available on the USDA's Electronic Dissemination of Information System. If you are interested in receiving this information electronically, contact Russell Forte at 202-447-5505.

USDA extends date for requesting early upland cotton inventory protection certificate payments. The U.S. Department of Agriculture announced on August 20 the deadline for submitting requests for early payments under the Upland Cotton Inventory Protection Program has been extended to September 5.

Any person who owned free stocks of eligible raw upland cotton as of 12:01 a.m. on August 1, may request an early inventory protection payment. Persons who have already submitted requests for early payment may file a request for payment on additional pounds of eligible cotton not already claimed. Persons who have not requested an early payment have the opportunity to do so now. However, persons who have not submitted a request for final payment by August 31 may not submit a request for an early payment subsequent to that date.

Any request for an early payment must be accompanied by a cash deposit, bond, letter of credit or other security acceptable to the Commodity Credit Corporation in an amount equal in value to the quantity of eligible upland cotton to which a request has been made, multiplied by 40 cents per pound. The early payment rates announced on July 15 will still be in effect, they are:

	<u>Cents Per Pound</u>
Baled Upland Cotton Lint	30.0
Loose	25.5
Below Grade	21.0
Reprocessed Motes	10.5
Comber Noils	18.0
Spinnable Textile Waste:	
Containing 100 percent cotton	7.5
Containing 85-100 percent cotton	6.0

Requests for final payment must be submitted no later than August 31. Liquidated damages will be assessed for any quantity of upland cotton on which an early payment is made, but for which the early payment is not substantiated in the final payment request. The liquidated damages will equal 25 percent of the excess quantity of cotton claimed for payment multiplied by the early payment rate.

All inventory protection payments shall be made in the form of commodity certificates redeemable for upland cotton. It is estimated that the additional early payments may be made available in mid September. Final payments will not be made prior to mid October.

Instructions for filing additional claims will be mailed by USDA's Agricultural Stabilization and Conservation Service, Kansas City Management Office on August 22, 1986.

U.S. cotton use responding to lower prices. Although imports of cotton textiles remained high and cotton prices rose relative to man-made fibers, U.S. textile mills used more cotton in 1985-86 than any season since 1979-80, according to the "Cotton and Wool Situation and Outlook Report." Factors behind the rise in use included a strong consumer preference for natural fibers and the knowledge that cotton prices would drop sharply when the 1985 farm bill went into effect on August 1. Mill use for 1985-86 was an estimated 6.4 million bales, and it may total 6.8 million this season. The seasonally adjusted annual rate of use in June was 6.8 million bales, a nine-year high.

An even greater expansion is likely in U.S. cotton exports this season as the new farm bill makes U.S. prices competitive in international markets. New-crop export sales were slightly over 3 million bales by August 1, well above 1985-86 estimated exports of about 2 million. Exports for 1986-87 are forecast at 6.3 million bales, which would give the United States a 29 percent share of world trade, compared with 10 percent last season and an average of 31 percent during 1980-1984.

Based on August 1 conditions, the 1986 U.S. cotton crop is forecast at 10.7 million bales, a fifth below 1985. Planted acreage was 9.5 million, about 1 million less than a year earlier. Participation in the 25 percent acreage reduction program is estimated at 91 percent. Program participation in all regions was up this year. The largest increase was in the far west, partly due to a portion of the 1986-87 Government payments being exempted from the payment limitation.

The average cotton yield in 1986 is forecast at 573 pounds per harvested acre, 9 percent less than last year, but near the previous five-year average. The largest yield reduction from 1985 is expected in the drought-stricken southeast, where a 40 percent drop from last year's record is likely. Production is also forecast to be sharply lower in the southwest, because of both a smaller acreage and yield, and in the far west, where acreage is down by a fourth from 1985.

The total U.S. cotton supply for 1986-87 could be nearly 20 million bales, about 2-1/2 million more than last season. With disappearance expected to easily exceed production, stocks at the end of 1986-87 could be about 7 million bales, compared with an estimated 1985-86 carryover of 9.3 million.

Future increases in domestic cotton mill use will likely come at the expense of man-made fibers. In July, polyester staple prices were quoted at 62 cents per pound at producing plants. Average spot market prices for the base quality of cotton fell from 66 cents per pound on July 31 to 26 cents the following day, when the new farm bill went into effect. A limiting factor in cotton mill use will continue to be the high level of textile imports, which currently account for nearly 40 percent of domestic cotton consumption.

There have been several recent developments with respect to textile imports: The Multifiber Arrangement (MFA) has been extended; the United States has negotiated bilateral agreements with several major exporting countries; and Congress did not override President Reagan's veto of more restrictive import legislation. Meanwhile, textile imports continue to pour into the United States. During January-June 1986, the raw cotton equivalent of U.S. imports was 2 million bales, 23 percent above the record pace of a year earlier.

World cotton prices have fallen by a third since last winter. Prices for U.S. cotton, once 25-30 cents above the world price, are now counted among the cheaper growths in international markets. The world price adjusted to the U.S. base quality at average producing location is currently around 23 cents a pound. Based on the adjusted world price (AWP) in effect on August 1, 1986, holders of free stocks of old-crop cotton were eligible for inventory protection certificates valued at about 40 cents a pound on average. Current values of the AWP would result in First Handler Certificate payment rates of about 21 cents a pound on the base quality. Although costly, the certificate programs are moving cotton from the loan programs into market channels, which should prevent what otherwise would have been a massive forfeiture of cotton to the Government.

World cotton production is expected to total about 75 million bales during 1986-87, down 5 percent from last season. Global cotton consumption is expected to reach 76 million bales this season, bringing current world production and demand in much closer balance. But stocks will remain extremely high at about 46 million bales, only 3 percent below stocks at the end of the 1985-86 season.

World cotton trade during 1986-87 will be encouraged by plentiful supplies and competitive prices. Current forecasts place 1986-87 global cotton exports at 22 million bales, up a tenth from a year earlier, with the United States accounting for the increase.

The man-made fiber industry performed rather sluggishly in the first half of 1986. Production, at 4.2 billion pounds, was up 2.6 percent from last year and total shipments of 4.1 billion pounds were up 1.7 percent.

TOTAL ACCUMULATED U.S. EXPORTS OF UPLAND COTTON BY COUNTRY OF DESTINATION, RANKED IN DESCENDING ORDER FOR MARKETING YEAR 1985-86, COMPARED WITH THE FOUR PREVIOUS MARKETING YEARS (1,000 Running Bales)

Country	1985-86		1984-85		1983-84		1982-83		1981-82	
	Exports	Rank	Exports	Rank	Exports	Rank	Exports	Rank	Exports	Rank
Japan	529.7	1	1,480.4	1	1,735.3	1	1,257.0	1	1,567.6	1
Korea	468.9	2	1,212.2	2	1,173.9	2	1,219.4	2	1,343.9	2
Egypt	132.5	3	119.6	11	-	-	-	-	-	-
Indonesia	97.1	4	252.0	6	342.9	4	234.4	4	260.2	5
Italy	87.2	5	318.1	4	259.9	6	105.9	9	111.6	10
Canada	84.9	6	198.1	7	220.1	9	230.8	5	165.7	7
Ireland	49.0	7	75.4	17	73.1	16	62.0	15	16.5	24
Taiwan	35.5	8	466.9	3	462.4	3	350.2	3	744.8	4
United Kingdom	33.1	9	66.7	19	62.3	18	41.8	20	35.4	19
Germany, Fed. Rep. of	32.2	10	153.0	8	169.4	10	111.5	8	104.8	11
Yugoslavia	27.4	11	139.1	9	102.1	15	38.9	22	-	-
Spain	22.2	12	109.4	13	103.3	14	59.8	16	52.7	15
Zaire	19.5	13	2.1	43	-	-	-	-	-	-
Thailand	16.5	14	135.3	10	229.9	8	174.4	6	161.0	8
Sweden	14.2	15	21.4	27	26.9	25	22.7	27	15.8	25
Switzerland	12.1	16	46.5	22	16.8	30	23.4	25	35.3	20
Greece	11.2	17	80.5	16	20.5	26	99.2	10	127.3	9
Ghana	10.8	18	8.3	33	14.5	34	5.7	36	2.8	32
Bangladesh	10.1	19	67.9	18	108.6	13	82.5	11	46.9	16
Malaysia	10.0	20	40.5	23	39.8	23	23.1	26	40.9	18
Norway	9.5	21	12.5	29	11.0	36	9.4	32	7.0	29
Argentina	9.5	22	5.1	35	0.6	47	0.1	42	-	-
Belgium	9.1	23	57.9	21	51.9	20	21.5	28	45.8	17
Philippines	8.8	24	58.7	20	54.6	19	67.9	14	57.4	13
France	8.3	25	117.8	12	130.7	11	47.5	18	54.6	14
Portugal	8.0	26	93.0	15	67.7	17	41.0	21	61.5	12
Finland	3.3	27	12.0	30	12.4	35	8.2	33	11.2	27
Denmark	3.1	28	4.8	36	4.5	40	2.4	38	2.6	33
Israel	2.9	29	40.0	24	15.6	32	5.1	37	28.2	21
Sri Lanka	2.2	30	4.0	39	1.0	45	-	-	0.7	36
Singapore	1.5	31	9.8	31	15.3	33	19.2	30	21.6	23
Morocco	1.1	32	16.7	28	20.0	27	23.5	24	23.4	22
Mexico	1.1	33	0.2	46	19.5	28	-	-	-	-
Tunisia	0.7	34	2.9	40	0.7	46	-	-	0.4	38
Australia	0.5	35	5.1	34	5.7	38	1.5	40	-	-
Hong Kong	0.3	36	107.7	14	252.1	7	143.9	7	242.4	6
Jamaica	0.3	37	-	-	0.1	50	0.1	43	0.4	37
Netherlands	0.1	38	9.0	32	2.2	42	2.3	39	3.3	30
Rep. of So. Africa	0.1	39	2.3	42	16.3	31	-	-	-	-
Trinidad	0.1	40	-	-	0.1	51	-	-	0.1	41
USSR	-	-	317.9	5	330.6	5	19.9	29	-	-
Ecuador	-	-	34.0	25	43.2	21	-	-	-	-
Nigeria	-	-	25.8	26	42.1	22	10.6	31	9.9	28
Hungary	-	-	4.2	37	5.1	39	-	-	11.5	26
China	-	-	4.1	38	10.9	37	6.9	34	831.1	3
Venezuela	-	-	2.4	41	1.7	44	0.5	41	-	-
Austria	-	-	0.7	44	-	-	-	-	3.0	31
Chile	-	-	0.3	45	0.6	48	-	-	0.8	35
Costa Rica	-	-	0.2	47	0.3	49	-	-	-	-
Uruguay	-	-	0.2	48	-	-	-	-	-	-
German Democratic Rep.	-	-	0.1	49	17.1	29	74.6	12	-	-
Pakistan	-	-	-	-	112.8	12	-	-	0.3	39
Brazil	-	-	-	-	33.1	24	-	-	-	-
Honduras	-	-	-	-	2.5	41	-	-	-	-
Bolivia	-	-	-	-	2.2	43	-	-	-	-
Czechoslovakia	-	-	-	-	-	-	72.6	13	-	-
Poland	-	-	-	-	-	-	57.4	17	-	-
Romania	-	-	-	-	-	-	42.8	19	-	-
Bulgaria	-	-	-	-	-	-	37.3	23	-	-
Colombia	-	-	-	-	-	-	5.8	35	-	-
El Salvador	-	-	-	-	-	-	-	-	1.0	34
Haiti	-	-	-	-	-	-	-	-	0.2	40
Total	1,774.5		5,943.0		6,446.1		4,864.6		6,251.5	
Unknown destinations	-		-		-		-		-	
Grand total ^{1/}	1,774.5		5,943.0		6,446.1		4,864.6		6,251.5	

^{1/} Totals may not add due to rounding.

Reprint of table prepared by Foreign Agricultural Service, USDA.