

# UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE  
COTTON DIVISION, MARKET NEWS BRANCH  
4841 SUMMER AVENUE, MEMPHIS, TENNESSEE 38122  
Telephone 901-521-2931



## Weekly Cotton Market Review **TEXAS TECH**

Vol. 68, No. 1

August 5, 1986

Trading of equities continued at a moderate level in south central and southwestern markets but was slow in other markets, according to the Cotton Division, Agricultural Marketing Service, USDA. Merchant demand continued good for unsold equities but supplies were extremely limited. Spot cotton prices reached the highest level of the marketing year. Domestic mill buying was fairly active. Foreign mill purchases were light. The crop made good progress in most of the western and southwestern states except in the Waco, Texas, area where high temperatures caused prospects to steadily decline. Hot, dry weather has placed the crop under stress in many areas of the south central and southeastern states. Severe drought conditions remain in the Carolinas. The interest rate for CCC loans disbursed in August will be 6.375 percent. The first production report for the 1986 crop is scheduled for release August 12. The adjusted world price for U.S. upland cotton was announced at 22.37 cents per pound on July 31.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 65.88 cents per pound on Monday, July 28. The average price on Tuesday of 65.94 cents was the highest price for the 1985-86 marketing year and remained at that level through Thursday, July 31. The lowest price for the season of 55.09 cents was reached on December 10, 1985. Beginning August 1, 1986, quotations were adjusted to more closely reflect the world value of cotton. After adjustments, the designated eight-market average was 25.94 cents per pound. The New York October 1986 settlement price ended the week on Friday, August 1, at 32.07 cents per pound compared with 31.88 cents a week earlier. The December settlement price was 32.90 cents against 32.78 cents a week earlier.

Trading was most active in the south central and southwestern markets. Supplies of grower-owned cotton were very limited. Demand remained good as merchants sought CCC loan equities before the August 1 inventory protection cut off. In the south central markets, 1984-crop equities traded at \$8 to \$12 per bale while 1985 crop brought mostly \$4 to \$25 per bale. Several merchants sought grades 40 and higher equities and prices were higher for these qualities. Equity trading was active in the southwestern markets and prices ranged from \$5 to \$30, mostly \$20 per bale. A very light volume of equities traded in both the southeastern and western markets. Domestic mill buying continued fairly active and included purchases for both prompt and forward delivery. Foreign mills, both Far Eastern and European, bought a light volume. Purchases reported by cotton exchanges in the designated markets totaled 141,400 bales in the week ended Friday, August 1. This compares with 153,000 bales reported a week earlier and 20,800 bales in the corresponding week last season.

Textile mill report. Domestic mills bought a fairly heavy volume of primarily central belt grades 41 and lower, for prompt and deferred delivery. A moderate volume of western and far western growths was purchased. Interest in 1986-crop cotton increased. Trading reflected a last minute flurry of activity as mills purchased just prior to August 1. Transactions involving inventory protection certificates were increasing with trading at par to five percent discount. Most mills continued to work with shippers on cotton owed from previous purchases. Mill sales of finished goods continued active. Yarns, household products, denim, printcloth and most other apparels remained in strong demand. Industrial and automotive items also moved readily. Mills' work schedules were mostly five to six days per week.

Prices received by farmers for upland cotton averaged 59.10 cents per pound in mid July, according to the National Agricultural Statistics Service, USDA. This compares with 56.40 cents for the entire month of June and 60.50 cents in July 1985. These prices include cotton delivered against forward contracts.



Foreign crop report. The Cotton Outlook of Liverpool reports that although international shipment values have weakened disturbingly over the past three months in response to the new U.S. Farm Programme, it cannot yet be said with any confidence that the intention to reduce plantings among farmers outside the United States is yet conspicuously evident. Indeed, any recent disinclination to sell appears to arise more from uncertainty over the weather or doubts over Government pricing intentions, than from any commitment to divert land to other crops.

There are, of course, notable exceptions to this generalization. The exportable surpluses of Mexico and the Central American countries will be sharply reduced in the 1986-87 season, whatever the weather conditions, and sowings in Australia could well fall by at least 30 percent. Yet in Russia, China, Pakistan and India (all now major competitors for the U.S.) the emphasis at present is upon obtaining higher yields and retaining an established position in the market. Russia has maintained acreage, but is clearly once again concerned over the possibility that scarcity of water and inattention to agreed cultural practices will result in disappointing results from her principal producing republic, Uzbekistan. Forecasts of the Soviet outturn remain for the moment at a little above the 12,000,000 bales level achieved last year. In China, officials still express the hope that output will be close to 19,500,000 bales (against the 19,100,000 produced in 1985-86) even though greater attention is now being paid to raising quality at the expense of yield. However, water systems in the basin lands are said to be exceptionally full, so that heavy typhoon rain might bring disaster. Pakistan still seeks to emulate her success of last season, when 5,500,000 bales were grown. Planting was a little late in the all-important Punjab region; heavy rain has since caused some flooding, and the next few weeks will be critical. For India, the behaviour of the monsoon is usually a decisive factor. Copious rains have broken a long-established drought in Gujarat, suggesting that yields there will improve greatly. In other regions, moisture prospects appear satisfactory; despite bitter complaint over prices, plantings are apparently being maintained.

Among the most disturbing aspects of the present world cotton situation is the evidence that farmers in the more southern producing areas can find no more profitable crop to which to divert their land. Throughout Central and Southern Africa, plantings seem likely to hold up well unless financial resources are inadequate to provide essential inputs. In South America, booming domestic textile markets may encourage both Brazil and Argentina to support cotton prices much more effectively than one had earlier thought probable. Even in the Coastal region of Colombia, whose output is usually much dependent upon exports, sowings are unlikely to show substantial decline. The world at large has perhaps not yet experienced the full impact of cheaper prices upon national financial resources. But for the moment at least the disposition is to accept the consequences of continued production, rather than to risk the political disruption which might follow a wholesale retreat from cotton.

USDA announces prevailing world market price for upland cotton. The U.S. Department of Agriculture announced on July 31 the prevailing world market price, adjusted to U.S. quality and location (adjusted world price), for Strict Low Middling (SLM) 1-1/16 inch (micronaire 3.5-4.9) upland cotton (base quality) and the coarse count adjustment in effect from 12:01 a.m., EDT, Friday, August 1 through 12:00 midnight EDT, Thursday, August 7.

The adjusted world price is at average U.S. producing location (near Lubbock, Texas) and will be further adjusted for other qualities and locations. Such price will be used in determining First Handler and Inventory Protection Cotton Certificate payment rates. Based on data for the week ending July 31 the adjusted world price for upland cotton and the coarse count adjustment are determined as follows:

<u>Adjusted World Price</u>	
Northern Europe price . . . . .	36.49
 <u>Adjustments:</u>	
Average U.S. spot market location. . . . .	11.79
SLM 1-1/16 inch cotton . . . . .	1.80
Average U.S. location. . . . .	.53



Sum of adjustments. . . . .	-14.12
ADJUSTED WORLD PRICE. . . . .	22.37 cents/lb.
Course Count Adjustment	
Northern Europe price . . . . .	36.49
Northern Europe coarse count price. . . . .	-27.21
	9.28
Adjustment to SLM 1-inch cotton . . . . .	-5.95
COURSE COUNT ADJUSTMENT . . . . .	3.33 cents/lb.

The next adjusted world price and course count adjustment announcement will be made on August 7.

USDA announces payment rates for upland cotton certificates. Payment rates for cotton certificates issued under the Upland Cotton Inventory Protection Program were announced by the U.S. Department of Agriculture on July 31.

Inventory protection certificates will be issued to anyone holding eligible free stocks of raw upland cotton as of 12:01 a.m. August 1. Eligible cotton includes all 1985 or prior crop U.S. raw upland cotton baled lint not under price support loan or in Commodity Credit Corporation inventory, including Below Grade, loose, reprocessed notes and certain spinnable textile waste.

Payment rates, by region of origin, in cents per pound, are:

	<u>Region 1 1/</u>	<u>Region 2 2/</u>	<u>Region 3 3/</u>
Baled Lint	39.18	41.43	40.73
Loose	33.30	35.22	34.62
Below Grade	27.43	29.00	28.51
Reprocessed Notes	13.71	14.50	14.26
Comber Noils	23.51	24.86	24.44
Spinnable Textile Waste:			
Containing 100% cotton	9.80	10.36	10.18
Containing 85-100% cotton	7.84	8.29	8.15

An additional coarse count adjustment of 3.33 cents per pound will be added to the payment rate for any grade of baled lint with a staple length 1 inch or shorter or for any staple length of baled lint with a grade which has a price support loan discount for grade and staple length of 8 cents per pound or higher.

The payment rates and course count adjustment are based on the adjusted world price for upland cotton announced July 31.

For example, if a textile mill had 1,000 bales of cotton from Region 2 eligible for inventory protection, it would receive a certificate valued at approximately \$200,000, which is exchangeable for upland cotton outstanding under price support loan or in CCC inventory.

Eligible persons have until August 31 to file applications for payment with supporting documentation. Individual producers should file with their local Agricultural Stabilization and Conservation Service office. All others should file with: Kansas City ASCS Management Office, Fiscal Division, P.O. Box 205, Kansas City, Missouri 64141, ATTN: Inventory Protection Payments.

- 1/ Includes cotton originating from Texas Plains, Western Oklahoma, Eastern New Mexico counties bordering the Texas Plains and Kansas.
- 2/ Includes cotton originating from Texas counties served by the Harlingen and Corpus Christi Agricultural Marketing Service Offices and Texas and Eastern Oklahoma counties served by Waco, Texas AMS office.
- 3/ Includes cotton originating from the Southeast, Mid-South, West Texas (El Paso), the remainder of New Mexico, Arizona and California.



Quality of early-ginned cotton in south Texas. In the Corpus Christi area, the predominant grade of cotton classed through July 31 this season was grade 31 at 42 percent. White grades 41 and higher made up 89 percent of classings and all white grades comprised 98 percent. Light Spotted grades made up 2 percent. The average staple length was 33.2 thirty-seconds inches. Staples 33 and 34, at 75 percent, accounted for the largest proportion of classings. Cotton in the mike 35-49 range made up 71 percent. Fiber strength averaged 23.0 grams per tex. Samples classed through July 31 totaled 49,290 bales. In the Harlingen area, grade 41 at 65 percent was the predominant grade of cotton classed. White grades 41 and higher made up 91 percent of classings and all white grades comprised 98 percent. Light Spotted grades made up 2 percent. The average staple length was 33.8 thirty-seconds inches. Staples 33 and 34, at 78 percent, accounted for the largest proportion of classings. Cotton in the mike 35-49 range made up 97 percent. Fiber strength averaged 23.3 grams per tex. Samples classed through July 31 totaled 70,750 bales.

QUALITY OF UPLAND COTTON CLASSED UNDER SMITH-DOXEY ACT BY MARKETING SERVICES OFFICES  
WEEK AND SEASON ENDED July 31, 1986

GRADE	Quality Designation	Corpus Christi		Harlingen	
		Week	Season	Week	Season
		Pct.	Pct.	Pct.	Pct.
White	11 & 21	1.0	0.9	0.2	0.2
	30	*	*	*	*
	31	40.1	41.6	19.6	21.8
	40	7.5	7.1	3.5	4.3
	41	40.2	38.9	66.4	64.8
	50	1.8	1.6	3.1	2.5
	51	6.7	7.1	4.8	4.0
	60 & 61	0.3	0.4	0.1	0.1
	70 & 71	-	*	*	*
Lt. Spotted	12 & 22	*	*	*	*
	32	0.7	0.9	0.4	0.5
	42	1.4	1.1	1.4	1.3
	52	0.2	0.3	0.4	0.3
	62	*	*	*	*
Spotted	13 & 23	-	-	-	-
	33	-	-	*	*
	43	*	*	*	*
	53	-	*	*	*
	63	*	*	-	*
TG 24-54 & YS	25-35	-	*	-	*
Light Gray	16-46	-	-	*	*
Gray	17-47	-	-	-	-
Below Grade	81-87 1/	*	*	*	*
Bark reduction		7.0	8.1	0.4	0.3
Grass reduction		0.9	0.9	1.8	1.5
Average Rule Used (ARU)		2.6	2.3	0.2	0.1
STAPLE	28 & shorter	-	*	-	-
	29	-	*	-	-
	30	*	0.1	0.1	0.1
	31	2.3	2.6	0.4	0.6
	32	15.3	15.4	3.6	4.7
	33	46.3	46.2	23.5	24.9
	34	29.1	28.9	55.6	53.5
	35	5.9	5.8	15.0	14.4
	36	0.7	0.5	1.7	1.7
	37	0.3	0.4	0.1	0.1
38 & longer	*	*	*	*	
Average staple		33.2	33.2	33.9	33.8
Percent tenderable 2/		54.6	53.2	88.7	88.5
SAMPLES CLASSED	Week :	34,226		47,761	
	Season:	49,290		70,750	

MIKE	Corpus Christi		Harlingen	
	Week	Season	Week	Season
	Pct.	Pct.	Pct.	Pct.
26 & below	*	0.1	*	*
27-29	1.4	1.6	0.1	0.1
30-32	9.0	9.7	1.2	0.9
33-34	18.0	17.7	2.3	1.7
35-49	71.6	71.0	95.6	96.5
50-52	*	*	0.8	0.7
53 & above	-	-	0.1	0.1
Average mike	36	36	42	42

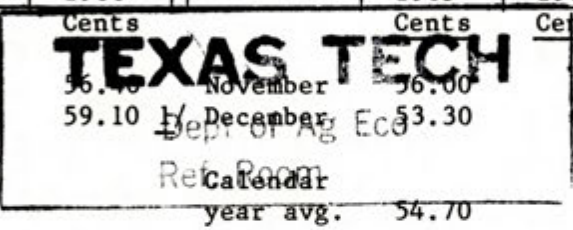
FIBER STRENGTH 3/	Corpus Christi		Harlingen	
	Week	Season	Week	Season
	Pct.	Pct.	Pct.	Pct.
17 & below	0.1	0.2	-	-
18-19	1.0	0.8	-	-
20-21	16.4	14.4	8.0	8.7
22-23	48.8	46.9	52.1	50.6
24-25	28.9	30.7	30.9	32.1
26-27	4.2	6.2	5.8	5.5
28-29	0.6	0.8	2.9	3.0
30-31	*	*	0.2	0.1
32 & above	-	-	-	-
Average strength	22.8	23.0	23.3	23.3

1/ Lower in grade than the lowest grades of the official standards. 2/ Tenderable for grade, staple and mike in settlement of New York No. 2 futures contracts. 3/ Fiber strength expressed in terms of 1/8" gage (grams per tex). \* Less than 0.05 percent.



Average prices received by farmers for upland cotton, in cents per pound, net weight, United States, calendar years, 1985-1986

Month	Year beginning January 1		Month	Year beginning January 1		Month	Year beginning January 1	
	1985	1986		1985	1986		1985	1986
	Cents	Cents		Cents	Cents		Cents	Cents
January	52.20	53.00	June	60.30	56.40	November	56.00	
February	49.50	55.40	July	60.50	59.10	December	53.30	
March	56.10	55.00	August	56.00				
April	57.00	56.40	September	55.10				
May	57.50	56.90	October	56.70				
						year avg.	54.70	



1/ Mid-month price.

Source: National Agricultural Statistics Service, USDA

New York futures contract settlement, designated spot market average for grade 41 staple 34 and 'A' and 'B' Index cotton prices in cents per pound

Date	Grade 41 Staple 34					8-Mkt. Average	Grade 31 Staple 35 'A' Index 1/	Coarse Count 'B' Index 1/
	Futures Settlement							
	Oct '86	Dec '86	Mar '87	May '87	Jul '87			
July 28	30.97	31.95	32.98	33.80	34.70	65.88	36.60	27.25
29	30.83	31.75	32.55	33.40	34.12	65.94	36.40	27.10
30	32.58	33.67	34.30	35.13	35.60	65.94	36.40	27.10
31	32.13	32.95	33.80	34.40	35.02	65.94	36.50	27.10
Aug. 1	32.07	32.90	33.93	34.55	35.00	25.94	36.50	27.10

1/ C.I.F. Northern Europe price furnished by Cotton Outlook of Liverpool.

U.S. upland cotton export sales and exports, in running bales, for week and year, marketing years 1984-85 and 1985-86

Description	Marketing Year			
	1984-85		1985-86	
	Through July 25		Through July 24	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	505,700	-	180,600
Exports	55,500	5,896,300	3,100	1,770,800
Total export commitments	-	6,402,000	-	1,951,400
New sales	4,800	-	13,600	-
Buy-backs and cancellations	6,300	-	300	-
Net sales	-1,500	-	13,300	-
Sales next marketing year	22,700	733,700	206,200	2,681,600

Source: Export Sales Reporting Division, Foreign Agricultural Service, USDA

Upland cotton export sales for the current marketing year resulted in a net increase of 13,300 running bales during the week ended July 24, according to the Foreign Agricultural Service, USDA. Major buyers were Ireland with 5,200 bales and West Germany with 3,100 bales. Sales of 206,200 bales for 1986-87 delivery were primarily to Taiwan of 67,700 bales, South Korea 34,500, Japan 26,800, Italy 15,000 and Nigeria 10,500 bales. Exports for the week totaled 3,100 bales, the smallest volume of the marketing year. Asian destinations accounted for 63 percent of the week's shipments and West European 37 percent.



August 1, 1986

SPOT COTTON QUOTATIONS - UPLAND

Spot prices are in cents per pound for cotton equal to the Official Standards with mike readings of 35 thru 49, net weight, in mixed lots, uncompressed, free of all charges in warehouse in the market. Quotations are the average value of spot cotton in each market and may or may not represent actual trades in each quality.

Staple	GREENVILLE, SC				MONTGOMERY, AL				GREENWOOD, MS				MEMPHIS, TN			
	Grade				Grade				Grade				Grade			
	41	51	42	52	41	51	42	52	31	41	51	42	41	51	42	52
33	24.50	21.25	23.25	16.75	23.57	20.07	22.07	16.57	23.30	23.10	20.15	21.20	24.35	20.40	21.45	14.95
34	27.00	23.00	24.25	17.25	25.57	21.57	23.07	17.57	25.55	25.25	21.75	22.60	26.50	22.00	22.85	14.95
35	27.50	23.25	24.50	17.50	25.67	21.67	23.17	17.57	26.05	25.70	21.95	22.85	26.95	22.20	23.10	15.00
36	27.70	23.35	24.60	17.60	25.77	21.77	23.27	17.57	26.15	25.85	22.10	23.00	27.10	22.35	23.25	15.00

Staple	DALLAS, TX				LUBBOCK, TX				PHOENIX, AZ				FRESNO, CA			
	Grade				Grade				Grade				Grade			
	31	41	32	42	41	51	42	52	31	41	32	42	31	40	41	32
29	15.05	14.30	14.40	13.45	14.20	12.65	13.35	10.80	-	-	-	-	-	-	-	-
30	16.80	16.05	16.10	14.75	15.95	13.90	14.65	11.95	-	-	-	-	-	-	-	-
31	18.90	18.10	18.15	16.60	18.00	15.70	16.50	12.90	-	-	-	-	-	-	-	-
32	20.40	19.50	19.60	17.65	19.40	16.50	17.55	13.05	-	-	-	-	-	-	-	-
33	22.70	21.50	21.40	18.60	21.40	17.45	18.50	14.00	26.05	24.85	24.75	21.95	-	-	-	-
34	24.95	23.65	23.50	20.00	23.55	19.05	19.90	14.00	28.30	27.00	26.85	23.35	30.25	29.50	29.00	29.00
35	-	-	-	-	-	-	-	-	28.80	27.45	27.30	23.60	32.00	21.25	30.75	30.75
36	-	-	-	-	-	-	-	-	-	-	-	-	32.10	31.35	30.85	30.75
37	-	-	-	-	-	-	-	-	-	-	-	-	32.20	31.45	30.95	30.75

MIKE DIFFERENCES

MIKE RANGES	Points per pound										8 MARKET AVERAGE
	GVL	MTG	MEM	GRNW	DAL	LUB	PHOE	FRES			
26 & Below	-1000	-1200	-1035	-1035	-960	-960	-1035	-1000	-1028		
27 thru 29	-800	-800	-760	-760	-665	-665	-760	-700	-739		
30 thru 32	-500	-500	-485	-485	-410	-410	-485	-400	-459		
33 thru 34	-200	-300	-220	-220	-205	-205	-220	-200	-221		
35 thru 49	0	0	0	0	0	0	0	0	0		
50 thru 52	-150	-150	-120	-120	-120	-120	-120	-50	-119		
53 & Above	-250	-250	-215	-215	-225	-225	-215	-100	-212		

SPOT COTTON QUOTATIONS - AMERICAN PIMA 1/

Staple	Grade			Mike ranges	Points per pound
	03	04	05		
	Cents per pound			26 & Below	-2000
44	91.50	83.50	53.50	27 thru 29	-1550
				30 thru 32	-1250
46	92.00	84.00	53.75	33 thru 34	-350
				35 & Above	0

1/ Arizona, New Mexico and Texas.

LANDED MILL PRICES - GROUP 201 MILL POINTS

Prices are in cents per pound for even running lots, with mike readings of 35 thru 49, net weight, prompt shipment, delivered, brokerage included. Prices for group 200 mill points are slightly higher. Prices for Alabama, Georgia and east Tennessee mills are slightly lower.

Staple	SOUTHEASTERN GROWTHS				MEMPHIS TERRITORY GROWTHS				CALIFORNIA (SJV) GROWTHS			TEXAS OKLAHOMA GROWTHS			
	Grade				Grade				Grade			Grade			
	31	41	51	42	31	41	51	42	31	41	51	41	51	32	42
29	-	-	-	-	-	-	-	-	-	-	-	23.50	22.25	23.75	22.50
30	-	-	-	-	-	-	-	-	-	-	-	25.50	23.75	25.75	24.00
31	-	-	-	-	-	-	-	-	-	-	-	27.50	25.50	27.50	25
32	-	-	-	-	-	-	-	-	-	-	-	29.00	26.50	29.25	27.00
33	33.75	32.75	29.75	31.50	34.00	33.00	29.75	31.50	-	-	-	31.25	27.75	31.00	28.25
34	34.75	33.75	30.75	32.50	35.00	34.00	30.75	32.50	40.00	38.50	37.00	33.25	29.25	33.25	29.75
35	35.25	34.25	31.25	33.00	35.50	34.50	31.25	33.00	41.50	40.00	38.25	-	-	-	-
36	-	-	-	-	-	-	-	-	41.75	40.25	38.25	-	-	-	-