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Dept of Ag Eco

Weekly Cotton Market Review
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Spot cotton prices strengthened, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading was more active. Grower-held supplies increased. Merchant demand was good and readily absorbed most offerings. Domestic and foreign mills bought a larger volume of cotton. Growers in several states forward contracted a limited volume of 1984-crop cotton. Rains and wet fields continued to interrupt harvesting in most areas. The October daily rate of cotton consumption was the largest daily rate for any month since November 1980. October exports decreased from a month earlier. U. S. ending stocks of cotton are expected to decline this season but rebound by August 1, 1985. Cotton ginned in the United States prior to November 15 totaled 4,643,843 running bales, down from 7,201,961 bales ginned through the same period in 1982.

Spot cotton prices trended higher. The average price for grade 41 staple 34, mike 35-49 cotton, in the designated markets ended the week on Thursday, December 1, at 73.12 cents per pound. This was up 113 points from 71.99 cents last Wednesday, and 1408 points higher than the average price of 59.04 cents on the corresponding Thursday last season. The New York March 1984 futures settlement price ended the week on Thursday at 79.79 cents per pound compared with 79.16 cents on Wednesday a week ago.

Trading on spot cotton markets was more active. Grower-held supplies increased as commitments made earlier were fulfilled. Merchant demand was good for most qualities, particularly those needed to fill prompt or nearby commitments. Domestic mills continued to buy cotton for fill-ins and a moderate volume was purchased for forward delivery. Export trading increased and consisted of mostly western growths. Most sales were made to Far Eastern mills although a moderate volume was sold to European mills. Delivery dates extended as far ahead as December 1984. Purchases reported by cotton exchanges in the designated markets totaled 243,500 bales in the week ended Thursday, December 1. This compares with 181,600 bales a week earlier and 233,100 bales in the corresponding week last season.

Textile mill report. A full textile market recovery was reflected in mill operations of five to seven days per week. Product sales remained fairly active. First and second quarters were mostly fully booked and some apparels, such as denim, were sold further ahead. Mills continued to report narrow profit margins and mild resistance to higher product prices. Denim, selected all-cotton yarns, underwear and athletic goods remained good sellers. Mill purchases of cotton were moderate in volume. Buying for fill-ins continued and a larger quantity was purchased for forward delivery. Interest strengthened for Texas lower grades. Supplies tightened and asking prices continued to increase. To hold down raw material costs, mills continued to seek cheaper priced cotton. Shipments of current crop and PIK cotton arrived at mills at a fairly steady rate.

Exports of cotton from the United States totaled 261,400 running bales during October, according to the Bureau of the Census. This was the lowest monthly level this marketing year which began August 1 and was the smallest volume shipped for any month since September 1981. A month earlier 321,700 bales were exported and 293,300 bales in October 1982. Shipments during the first three months this season totaled 965,900 bales. This compares with 985,700 bales exported through October last season and 706,000 bales shipped two years ago.

U. S. ending stocks expected to decline this season, rebound in next. While U. S. cotton supplies are tighter this season than in the past two, the outlook for 1984-85 is for production to exceed disappearance, according to the "Cotton and Wool Outlook and Situation Summary". Mill use in 1983-84 is estimated at 6 million 480 pound net weight bales, and exports are estimated at 5.6 million. With a supply of about 15.5 million bales this season, stocks could fall to near 4 million by August 1, 1984.

Disappearance may not continue to rise in 1984-85. A sustained large cotton textile trade deficit and competition with manmade fibers could limit further gains in mill use. Increasing foreign cotton production could pressure U. S. exports below this season's level. Combined with an expected 1984 U. S. crop of between 10.5 and 13 million bales, the reduced disappearance could cause ending stocks to rise in 1984-85.

Domestic cotton consumption, a measure that includes the cotton textile trade deficit, has been rising at seasonally adjusted annual rates since January 1982, and exceeded 8 million bales in August 1983. U. S. mill use has not improved as fast as domestic consumption, although it did reach a seasonally adjusted annual rate of 6.1 bales in August before declining to 5.95 million in September. The inventory rebuilding phase of the current mill-use recovery probably has ended.

Retail sales at apparel and accessory stores increased about 3 percent in deflated dollars between January and September 1983. Meanwhile, mill use rose about 10 percent and domestic consumption advanced about 16 percent, indicating that U. S. inventories of textiles and apparel have been growing. Following the five recessions prior to 1980, the recoveries in mill use lasted an average of 14 months, and the average seasonally adjusted increase between the trough and peak in mill use was about 20 percent. The current recovery in mill use has lasted 15 months and has seen an 18.5 percent increase in cotton consumption.

Cotton's share of total fiber mill use declined to 22.9 percent during third-quarter 1983, and is expected to average about 23 percent for the year. Cotton's market share seemed to stabilize around 24 percent during 1978-82. However, increased demand for nonapparel textiles and rising cotton prices relative to polyester are contributing to a continued erosion of cotton's share.

Prospects for U. S. cotton exports have strengthened since September on reports of production difficulties in the Soviet Union, Pakistan and Egypt. U. S. exports are now expected to total about 5.6 million bales in 1983-84, about 400,000 more than a year earlier.

World cotton stocks are expected to fall about 4.1 million bales in 1983-84 to under 25 million. World production is estimated at 65.3 million bales, 2.4 million less than in 1982-83, while world consumption may rise by about 1.7 million bales to 69.3 million.

The November Crop Production report placed the 1983 U. S. cotton crop at 7.5 million bales, down 37 percent from last season. Over the previous 10 years, the November forecast has differed from actual production by an average of about 300,000 bales. While this season's overall supply should be adequate, shortages of high grade and medium-short staple cotton could develop.

Ending stocks of extra long staple cotton (ELS) are expected to decline both this season and next. Mill use of ELS is estimated at 75,000 bales and exports are put at 25,000 bales in 1983-84. The 1983 crop is estimated at 79,000 bales.

The 1984 upland cotton program will require a 25 percent acreage reduction to be eligible for target price (81 cents a pound) and loan rate (55 cents, base quality) protection. The 1984 acreage base will be the average of acres planted and considered planted to upland cotton in 1982 and 1983. Participation in the 1984 program will probably not match the 78 percent compliance of 1982. However, the 1984 program will be attractive to most growers, and participation could equal 55 to 75 percent of the base.

The recovery in manmade fiber production seemed to slow during the third quarter of 1983 and output totaled about 2.4 billion pounds. While this was 22 percent above a year earlier, it represented only a 0.4 percent increase over the second quarter. Staple production was 1.13 billion pounds and filament production equaled 1.26 billion in the third quarter. At 78 cents per pound in early November, polyester prices were 6 cents higher than two months earlier.

Domestic mill consumption of cotton averaged 22,900 running bales per day in the four weeks ended October 29, according to the Bureau of the Census. This was the largest October daily rate since 1980 and the largest daily rate for any month since November 1980. Mills used 22,400 bales per day a month earlier and 20,800 bales in October last season. Domestic mills consumed 457,700 bales during October, bringing usage for the first 13 weeks this marketing year (August-October) to 1,470,000 bales. Through October last year (13 weeks), mills used 1,275,700 bales and two years ago (13 weeks) used 1,394,300 bales.

Consumption of manmade fibers by domestic mills with cotton system spindles totaled 150.2 million pounds (about 312,800 bales of 480 pounds) in the four weeks ended October 29, according to the Bureau of the Census. This brought consumption for the first 13 weeks (August-October) this season to 477.9 million pounds (about 995,700 bales). August-October consumption last season (13 weeks) totaled 408.4 million pounds (about 850,900 bales).

Stocks of cotton at mills totaled 568,800 running bales on October 29, according to the Bureau of the Census. This was the smallest end-of-October stocks at mills since records began in 1912 and compares with 638,800 bales a month earlier and 611,200 bales at the end of October last year. At the October daily rate of consumption, mill stocks were equivalent to about five weeks' supply. Cotton in public storage totaled 6,430,900 running bales on October 29. This was up from 5,814,000 bales a month earlier but down from 7,574,500 bales at the end of October 1982.

Prices received by farmers for upland cotton averaged 66.70 cents per pound in mid-November, according to the Statistical Reporting Service, USDA. This compares with 64.10 cents for the entire month of October and 59.90 cents in November 1982. These prices include cotton delivered against forward contracts. The parity price for upland cotton announced November 30, was 120.00 cents per pound, the same as a month earlier and compares with 119.00 cents in November last season.

The average net weight per bale of 1983-crop cotton ginned in the United States prior to November 1 was 497.9 pounds. This weight was calculated from state average bale weights and ginnings released by the Bureau of the Census. To convert 1983-crop running bales to 480 pound net weight bales, multiply by 1.04. To convert 480 pound net weight bales to running bales, multiply by 0.96.

Average net weight per bale of cotton ginned prior to November 1,
by specified states, crops of 1980 to 1983

State	Crop Year			
	1983	1982	1981	1980
	Pounds	Pounds	Pounds	Pounds
Alabama	508.1	504.9	510.8	501.1
Arizona	498.1	495.7	495.0	492.8
Arkansas	490.0	491.0	490.0	494.0
California	500.0	499.2	496.6	495.5
Florida	508.5	513.0	494.6	503.1
Georgia	505.4	511.4	504.7	493.3
Louisiana	490.9	489.7	493.7	491.3
Mississippi	500.2	511.6	498.7	499.6
Missouri	490.2	493.2	494.8	484.0
New Mexico	493.5	494.9	487.3	489.2
North Carolina	488.0	505.8	501.9	495.2
Oklahoma	502.9	480.0	479.5	476.7
South Carolina	508.2	521.3	510.0	506.0
Tennessee	495.2	505.1	498.2	488.7
Texas	499.0	497.8	498.9	494.6

Source: Bureau of the Census.

Average prices received by farmers for upland cotton, in cents per pound, net weight, United States, calendar years, 1982-1983

Month	Year beginning January 1		Month	Year beginning January 1		Month	Year beginning January 1	
	1982	1983		1982	1983		1982	1983
	Cents	Cents		Cents	Cents		Cents	Cents
January	50.30	56.00	June	58.10	61.10	November	59.90	66.70 1/
February	49.10	56.40	July	59.90	64.60	December	57.30	
March	50.40	59.90	August	52.80	66.30			
April	54.30	59.70	September	55.50	63.10	Calendar		
May	55.80	61.70	October	59.80	64.10	year avg.	55.20	

1/ Mid-month price.

Source: Statistical Reporting Service, USDA.

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

Date	Grade 41 Staple 34					8-Market Average	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement						
	Dec '83	Mar '84	May '84	Jul '84	Oct '84		
Nov. 24	HOLIDAY						89.05
25	76.35	79.45	80.70	81.60	76.43	72.24	89.05
28	76.67	79.64	80.75	81.52	76.36	72.44	88.95
29	77.13	80.13	81.25	81.95	76.55	73.22	89.00
30	76.30	79.68	80.98	81.79	76.20	72.88	89.30
Dec. 1	76.50	79.79	81.02	81.75	76.20	73.12	89.20

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 1982-83 and 1983-84

Description	Marketing Year			
	1982-83		1983-84	
	Through November 25		Through November 24	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	1,976,800	-	3,177,500
Exports	75,400	1,237,600	97,400	1,306,300
Total export commitments	-	3,214,400	-	4,483,800
New sales	46,800	-	161,400	-
Buy-backs and cancellations	7,900	-	11,900	-
Net sales	38,900	-	149,500	-
Sales next marketing year	-	30,200	14,500	181,000

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

Upland cotton export sales during the week ended November 24 resulted in a net increase of 149,500 running bales, according to the Foreign Agricultural Service, USDA. This was 14 percent below a week earlier but 21 percent greater than the four-week average. Principal buyers were Japan with 63,600 bales, West Germany 16,100, Taiwan 14,300 and South Korea 12,100 bales. Weekly exports of 97,400 bales were 8 percent less than the previous week but 14 percent above the four-week average. Asian destinations accounted for 76 percent and European destinations 18 percent of the week's shipments.