

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

COTTON DIVISION

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Weekly Cotton Market Review

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Growers and merchants showed increasing interest in buying and selling PIK entitlements, according to the Cotton Division, Agricultural Marketing Service, USDA. Growers booked a sizeable volume of 1982 entitlements and a lesser volume of earlier crop entitlements. Grower-to-merchant trading of 1982-crop spot cotton was limited but remained fairly steady. Demand was good for higher quality cotton which was in shortest supply. Domestic and foreign mill buying increased slightly. Forward contracting of 1983-crop cotton by growers was slow. Inclement weather continued to hamper the final stages of harvesting and preparations for the next crop. The 1982 cotton crop (lint and seed) was valued at 3.7 billion dollars. Ginnings prior to February 1 this season totaled 11,299,453 running bales, including 11,204,788 bales of upland and 94,665 bales of American Pima cotton.

Spot cotton prices were steady. The average price for grade 41 staple 34, mike 35-49 cotton, in the nine designated markets averaged 60.67 cents per pound on Thursday, February 10. This compares with an average of 60.41 cents per pound a week earlier and 56.63 cents on the corresponding Thursday last season. Prices ranged from a high of 60.67 cents to a low of 60.18 cents during the week ended Thursday, February 10 compared with a high of 57.59 and a low of 56.40 in the comparable week last season. The New York March 1983 futures settlement price ended the week on Thursday at 65.66 cents per pound compared with 65.39 cents a week earlier. The October settlement price was 66.85 cents against 66.85 cents last Thursday and the December price was 67.24 cents compared with 67.28 cents a week earlier.

Trading. Grower-to-merchant trading was slow but fairly steady. Demand was best for the higher white grades and supplies of these qualities were limited. Many growers had already sold their 1982 crop or had entered it into the CCC loan program. Domestic mill buying was light to moderate. Purchases included cotton for both nearby and forward delivery. Export trading was a little more active in some markets. Both European and Far Eastern mills made purchases. Purchases reported by cotton exchanges in the nine designated markets totaled 227,300 bales in the week ended Thursday, February 10. This compares with 236,900 bales a week earlier and 303,800 bales in the corresponding week last season.

PIK trading. In California's San Joaquin Valley, merchants offered 55.00 cents per pound for PIK's (limited to 50% of base acreage) with no crop years, location or growth restrictions. No PIK trading was reported in either Arizona or New Mexico. On the Texas Plains, some growers accepted bids of 45.00 cents per pound, basis grade 42 staple 32, mike 35-49, with 1983 CCC loan premiums and discounts. Oklahoma prices and terms were similar to the Texas Plains and some booking occurred. In the Hayti, Missouri area, growers booked a light volume of entitlements at 48.00 to 50.00 cents per pound for 1981 crop and 52.00 to 55.00 cents for 1982 crop. In the Memphis, Tennessee trade area, 1981 PIK's traded as low as 48.00 cents and 1982 PIK's brought up to 57.00 cents per pound. PIK interest continued high in Mississippi and a few thousand bales of PIK entitlements were traded. Merchants offered a variety of contracts but most trading centered around contracts calling for all 1982 PIK bales at 50.00 to 54.00 cents per pound of entitlement. Earlier crop PIK's were generally discounted two to three cents. Louisiana growers booked 1982 crop PIK's at 52.00 to 54.00 cents per pound. Most contracts were basis grade 41 staple 34, mike 35-49, with CCC loan premiums and discounts. In Alabama, merchants offered 50.00 to 55.00 cents per pound for PIK's and a few hundred bales were booked. No PIK trading was reported in Georgia, North Carolina and South Carolina.

Textile mill report. A few mills purchased a fairly heavy volume of both old and new-crop cotton, mostly for deferred delivery. Otherwise, trading consisted of a light to moderate volume for fill-ins. Some mills continued to inter-change growth areas and others have substituted qualities where supplies have tightened. Reports indicate that asking prices for better quality California cotton continued to strengthen. Interest in the PIK program remained strong and some mills reportedly were arranging to purchase grower entitlements. Shipments of cotton purchased earlier were arriving on an intermittent basis. Some mills expressed concern that spot shortages could become a problem if strike related interruptions in trucking persist. Sales of denim, print cloth, some bottomweights, underwear and athletic goods extended into the third quarter with mills producing these items on five and six day work weeks. Numerous industrials and some products for the household market continued to move sluggishly with shortened work weeks in effect.

1983-84 World cotton area prospects. In view of relative stability in world prices of cotton and competing crops over the past year, estimates for 1983-84 point to foreign harvested cotton area remaining near 1982-83's 27.9 million hectares (about 68.9 million acres), according to the Foreign Agricultural Service, USDA.

In Mexico, it is anticipated that planted and harvested area will recover sharply from last year's low level. However, cotton plantings will depend, to a large extent, on the availability of water.

Once again, the political stability of the major cotton producing countries of Central America (El Salvador, Guatemala and Nicaragua) will largely determine government policy with respect to cotton production.

Little overall change is likely in South American cotton area, although plantings may decline slightly in Brazil. Indications also point to relatively stable cotton area in Europe.

Minor increases in cotton area are anticipated in Africa and Asia (excluding China), primarily reflecting larger area in Egypt and India, respectively. However, the area devoted to cotton production could swing upwards or downwards in Africa depending upon what happens in Sudan, and in Asia (excluding China) depending upon the cotton situation in Pakistan.

The Chinese have indicated that a concerted effort will be made to achieve increased cotton production through higher yields rather than through increased area. Thus, cotton area in China for the 1983-84 cotton season is expected to remain near last year's high level. In the Soviet Union, cotton area is also expected to stabilize at the level of the past two years. A slight decrease could occur if the decision is made to phase out cotton production in Kirgizia.

These estimates are based on special attache reports received in late December 1982 and early January 1983. Actual area could vary from these estimates for a number of reasons, including government policy, weather during planting and harvesting, and price changes for cotton and competing crops.

China's recently approved 5-year plan targets 1985 cotton production at 16.5 million bales, cotton yarn at 3.6 million tons, and cotton cloth at 15.3 billion square meters, according to the Foreign Agricultural Service, USDA.

The value of the 1982 cotton crop (lint and seed) was 3.7 billion dollars, according to a preliminary estimate by the Crop Reporting Board, SRS, USDA. This compares with 4.6 billion dollars for the 1981 and 1980 crops. The 1982 estimate does not include an allowance for unredeemed loans. The calculated average value of the 1982 cotton crop was \$377.00 per harvested acre compared with \$334.00 in 1981 and \$345.00 in 1980. The value of the cotton crop (lint and seed) was placed at over one billion dollars in California during 1982. The two previous years, both California and Texas showed a value of one billion dollars or more.

All Cotton: Season average price received by farmers
and value of production, by states, 1980-1982

State	Price per pound			Value of production ^{1/}		
	1980 2/	1981 2/	1982 3/	1980 2/	1981 2/	1982 3/
<u>Upland</u>		Cents			1,000 dollars	
Alabama	79.2	55.9	57.7	104,544	113,231	127,402
Arizona	74.2	56.0	60.6	482,241	418,253	334,512
Arkansas	76.7	56.8	58.2	163,463	164,675	148,061
California	77.8	63.6	62.4	1,161,025	1,079,165	913,536
Florida	85.0	55.8	54.5	3,060	5,705	4,892
Georgia	77.9	54.3	55.3	32,157	41,442	61,051
Louisiana	77.8	54.5	57.2	171,782	194,107	238,867
Mississippi	76.4	58.4	60.2	419,161	438,701	508,570
Missouri	72.7	56.0	63.0	61,766	45,158	63,504
Nevada	80.0	60.0	74.0	461	432	426
New Mexico	81.0	60.0	57.0	41,602	38,304	21,888
North Carolina	79.5	58.4	60.0	19,843	26,630	28,800
Oklahoma	76.6	41.1	49.4	75,374	86,803	59,280
South Carolina	79.6	57.7	59.5	29,420	45,421	44,268
Tennessee	78.3	53.1	58.8	75,168	80,287	97,655
Texas	68.5	46.5	51.5	1,091,616	1,259,964	667,440
Virginia	79.5	63.2	65.0	76	91	94
U. S.	74.4	54.0	58.1	3,932,759	4,038,369	3,320,246
<u>American Pima</u>						
Arizona	108.0	94.0	104.0	37,480	24,229	37,889
California ^{4/}	108.0			52		
New Mexico	105.0	103.0	100.0	3,427	3,906	4,656
Texas	108.0	103.0	105.0	12,960	8,899	11,088
U. S.	108.0	96.9	104.0	53,919	37,034	53,633
<u>All Cotton</u>	74.7	54.3	58.5	3,986,676	4,075,403	3,373,879

^{1/} Value based on a 480-pound net weight bale. ^{2/} Includes allowance for unredeemed loans. ^{3/} Average to January 1, 1983 with no allowance for unredeemed loans.

^{4/} No production estimates for 1981 and 1982.

Cottonseed: Season average price received by farmers,
and value of production, by states, 1980-1982

State	Price per ton			Value of production		
	1980	1981	1982	1980	1981	1982
		Dollars			1,000 dollars	
Alabama	116.00	83.00	66.50	11,682	12,284	11,039
Arizona	122.00	83.00	76.50 ^{1/}	71,126	52,373	37,332 ^{1/}
Arkansas	128.00	87.50	63.50	23,168	20,563	12,891
California	143.00	91.00	89.50	181,610	131,495	110,085
Florida	125.00	80.00	60.00	363	656	438
Georgia	125.00	97.00	66.50	3,750	6,014	5,520
Louisiana	125.00	75.50	64.50	22,000	21,669	21,414
Mississippi	132.00	86.00	63.50	57,948	51,772	43,053
Missouri	124.00	79.00	62.00	8,680	5,372	5,208
Nevada	128.00	95.00	90.00	64	57	45
New Mexico	124.00	87.00	103.00	5,580	5,742	3,811
North Carolina	117.00	83.00	56.00	2,223	2,822	2,016
Oklahoma	125.00	84.50	69.00	10,250	15,464	6,969
South Carolina	120.00	88.50	63.00	3,600	5,487	3,654
Tennessee	128.00	79.00	67.50	10,496	10,033	9,585
Texas	119.00	85.00	81.00	161,959	207,230	91,611
Virginia	117.00	83.00	55.50	12	8	6
U. S.	129.00	86.00	76.50 ^{1/}	574,511	549,041	364,677 ^{1/}

^{1/} U. S. average price substituted for Arizona to determine price and value because prices for a substantial portion of production remain unsettled.

Crop Reporting Board, SRS, USDA.

United States Department of Agriculture, Agricultural Marketing Service, Cotton Division

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						9-market average	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement							
	Mar '83	May '83	Jul '83	Oct '83	Dec '83			
Feb. 3	65.39	66.84	67.92	66.85	67.28	60.41	73.30	
4	65.55	67.02	68.10	67.05	67.36	60.53	73.35	
7	65.63	67.00	68.07	66.95	67.35	60.60	73.70	
8	65.32	66.66	67.77	66.74	67.07	60.44	73.75	
9	65.03	66.27	67.34	66.30	66.70	60.18	73.70	
10	65.66	67.04	68.15	66.85	67.24	60.67	73.65	

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

New Orleans futures contract settlement and designated spot market average for grade 41 staple 32 in cents per pound

Date	Grade 41 Staple 32						5-market average 1/
	Futures Settlement						
	Mar '83	May '83	Jul '83	Oct '83	Dec '83		
Feb. 3	57.00	59.50	60.60	-	57.75	54.15	
4	57.00	59.50	60.60	-	57.50	54.25	
7	57.00	59.50	60.60	-	57.50	54.30	
8	56.40	58.90	60.00	-	57.50	54.26	
9	56.00	58.50	59.60	-	57.50	54.04	
10	56.00	58.50	60.01	-	57.25	54.48	

1/ Greenville, Montgomery, Memphis, Dallas and Lubbock.

U. S. upland cotton export sales and exports, in running bales, for week and year, marketing years 1981-82 and 1982-83

Description	MARKETING YEAR			
	1981-82		1982-83	
	Through February 4		Through February 3	
	Week	Marketing year	Week	Marketing year
Outstanding sales	-	3,184,300	-	1,696,200
Exports	167,900	2,716,600	104,300	2,164,400
Total export commitments	-	5,900,900	-	3,860,600
New sales	81,700	-	81,300	-
Buy-backs and cancellations	12,300	-	5,400	-
Net sales	69,400	-	75,900	-
Sales next marketing year	12,800	127,000	27,000	105,200

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

Upland cotton export sales activity for 1982-83 delivery declined 14 percent from a week earlier and was 10 percent below the four week average, according to the Foreign Agricultural Service, USDA. Net sales totaled 75,900 running bales. The major buyers were South Korea 18,600 bales and Japan 16,500 bales. Sales for the 1983-84 marketing year totaled 27,000 bales, mostly as the result of sales to South Korea of 16,800 running bales. The week's exports of 104,300 bales was a marketing year high. Asian destinations accounted for 75 percent and European destinations 20 percent of the week's exports.