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Weekly Cotton Market Review



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Spot cotton prices advanced to marketing year highs, according to the Cotton Division, Agricultural Marketing Service, USDA. The average price for grade 41 staple 34, mike 35-49, in the designated markets was 1.52 cents per pound higher than the previous week. Trading increased, following the release of specific details of the 1986 farm program. Merchant demand strengthened. Growers offered freely and merchants and mills purchased a sizeable volume of cotton. Foreign mill inquiries were more numerous and buying was more active. Forward contracting of the 1986 crop continued very slow. A small acreage was booked by growers in south Texas. Very little cotton remains to be ginned. Land preparation is well advanced in most areas of the Cotton Belt. Planting in south Texas is expected to begin soon.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 60.40 cents per pound during the week ended Thursday, February 20. Prices ranged from a low of 60.13 cents on Friday to a high of 60.69 cents on Thursday. A week earlier, prices averaged 58.88 cents per pound and ranged from 58.45 to 59.64 cents. In the corresponding week a year ago, the average price was 58.34 cents. The New York May 1986 futures settlement price ended the week on Thursday at 63.15 cents per pound compared with 63.95 cents a week earlier. The October settlement price was 45.67 cents against 47.15 cents last Thursday.

Trading increased sharply on spot cotton markets. Growers offered available supplies freely. Both 1984 and 1985-CCC loan equities netted growers \$5.00 to \$12.50 per bale. Merchant demand strengthened, following the release of specific details of the 1986 farm program. Trading between merchants who were attempting to fill future commitments was active. Domestic mills bought a sizeable volume of cotton. Purchases were primarily of San Joaquin Valley cotton for prompt through August delivery. Export trading was more active. Far Eastern and European mills bought a light to moderate volume of both old and new-crop cotton. Purchases reported by cotton exchanges in the designated markets totaled 99,600 bales in the week ended Thursday, February 20. This compares with 57,100 bales reported a week earlier and 113,400 bales in the corresponding week last season.

Textile mill report. Domestic mill inquiries and purchases increased sharply, following the announcement of additional provisions of the 1986 cotton program. Buying included a fairly wide range of qualities, mostly for prompt to nearby shipment. With inventories having reached low levels, mills were bringing stocks into line with anticipated needs. Work schedules of five to seven days continued, reflecting a strong demand for many textile products. New orders were being booked over a wide range of items with delivery extending into third quarter months. Most apparels, household products, yarns and industrial and automotive items continued to move readily. In recent months, a number of mills have merged or have sold plants to others.

Foreign crop report. The Cotton Outlook of Liverpool reports that on present indications the prospect of much cheaper U.S. prices during the early months of the 1986-87 marketing season will have a severe impact upon plantings in Latin America,

Australia and, to a lesser extent Turkey, but will be of only moderate influence elsewhere. China has for many months been embarrassed by the size of her domestic carryover, and has clearly been attempting to persuade her growers to produce food crops at the expense of cotton. If, as seems highly probable, her farmers plant just sufficient land to satisfy their procurement contracts with the provincial authorities, her output could well fall to below 21,000,000 bales. Little change can be expected in Russia, where official production targets have been established for some time, at very close to 1985-86 crop levels. On the Indian sub-continent, the success of cotton in the past two seasons has sustained official enthusiasm for the commodity. Pakistan, who grew about 5,300,000 bales this season, will aim to equal that figure in the next, and to increase staple lengths still further. India, for the first time emerging as a substantial exporter, will hope to grow at least 7,000,000 bales, and she too is improving lint quality. In Africa, availability of moisture is usually the limiting factor for plantings, but availability of finance may preclude increased sowings throughout the sub-Saharan region. Most Latin American growers plant later in the year, by which time the impact of U.S. competition may be severe. Mexico plants exceptionally early, and already has some cotton in the ground; she will almost certainly grow little more than her domestic needs. In Central America, recent poor yields and the high costs of insect control measures may well inhibit sowings significantly, particularly if the political situation remains tense.

For most growers in the Southern Hemisphere, planting decisions can be delayed until October. They will presumably depend principally upon how greatly the world value of cotton has been eroded by U.S. marketing arrangements. However, the fact that Brazilian domestic consumption is rising strongly at a time when the country's own crop has been a relative failure, may tend both to sustain her own sowings and to encourage planting in the neighbouring countries from whom Brazil may need to acquire supplementary supplies. Argentina and Paraguay will be particularly responsive to Brazilian needs. Australian growers can now produce about 1,000,000 bales of cotton each season, all but 1,000 of which are exported. Since the country operates no support scheme of any kind, growers are very vulnerable to a depression of world prices. As in the United States, farmers have been impoverished by the recent downturn of values. Unless Canberra can be persuaded to introduce a support mechanism, or the Australian dollar is again devalued, acreage might fall very sharply. To attempt a world forecast in the prevailing circumstances is unusually hazardous. Were plantings to be sustained in South Brazil and Australia, one would look for a world crop of rather more than 76,000,000 bales (including, say, 10,775,000 in the United States) compared with the figure of well over 80,000,000 that will probably be achieved in 1985-86.

Upland cotton: Twelve-month average price and producer marketings, United States, 1985

| Month | Average price <u>1/</u> | Marketings No. of bales <u>2/</u> | Month | Average price <u>1/</u> | Marketings No. of bales <u>2/</u> |
|----------|-------------------------|-----------------------------------|---------------------|-------------------------|-----------------------------------|
| | Cents per pound | 1,000 bales | | Cents per pound | 1,000 bales |
| January | 52.2 | 1,464 | August | 56.0 | 217 |
| February | 49.5 | 674 | September | 55.1 | 548 |
| March | 56.1 | 477 | October | 56.7 | 1,509 |
| April | 57.0 | 380 | November | 56.0 | 1,372 |
| May | 57.5 | 114 | December | 53.3 | 1,028 |
| June | 60.3 | 176 | Calendar | | |
| July | 60.5 | 140 | year avg. <u>3/</u> | 54.7 | 8,099 |

1/ Revised monthly prices. 2/ Expanded survey marketings based on sample of approximately 35 percent of the cotton buyers. 3/ Calendar year average price results from weighting monthly prices by monthly marketings.

Reprint of table prepared by the Statistical Reporting Service, USDA.

UPLAND COTTON BY STAPLE LENGTH
 OUTSTANDING EXPORT SALES AND ACCUMULATED EXPORTS
 MARKETING YEAR 1985-86, AS OF JANUARY 23, 1986
 (1,000 Running Bales)

| Region | Outstanding sales | Accumulated exports |
|--------------------------|-------------------|---------------------|
| <u>1-1/16" and over</u> | | |
| European Community | 74.2 | 123.7 |
| Other West Europe | 4.4 | 13.4 |
| Eastern Europe | 7.7 | 22.4 |
| Japan | 183.8 | 287.8 |
| Taiwan | 5.2 | 12.1 |
| Other Asia and Oceania | 140.2 | 294.8 |
| Korea | 97.6 | 222.7 |
| Hong Kong | - | - |
| Africa | 1.1 | 44.6 |
| Western Hemisphere | 5.0 | 55.5 |
| Unknown | 0.2 | - |
| Total | 421.8 | 854.2 |
| <u>1" up to 1-1/16"</u> | | |
| European Community | 12.0 | 44.2 |
| Other West Europe | 11.1 | 11.8 |
| Eastern Europe | 10.0 | - |
| Japan | 2.8 | 4.3 |
| Taiwan | 3.0 | 4.3 |
| Other Asia and Oceania | 43.5 | 121.8 |
| Korea | 23.3 | 92.4 |
| Hong Kong | 1.0 | 0.3 |
| Africa | 1.8 | 0.9 |
| Western Hemisphere | 4.8 | 17.9 |
| Total | 88.9 | 205.4 |
| <u>Under 1"</u> | | |
| European Community | 0.8 | 2.7 |
| Japan | 0.2 | 6.0 |
| Taiwan | 4.2 | 9.7 |
| Other Asia and Oceania | 4.1 | 15.2 |
| Korea | 1.8 | 14.9 |
| Hong Kong | - | - |
| Western Hemisphere | 0.1 | 7.4 |
| Total | 9.3 | 40.9 |
| <u>All upland cotton</u> | | |
| Total Known | 519.8 | 1,100.5 |
| Total Unknown | 0.2 | - |
| Known and Unknown | 520.1 | 1,100.5 |

Note: Data may not add due to rounding.

Reprint of table prepared by Foreign Agricultural Service, USDA.

Seven months and older certificated stock, March 1, 1986 ^{1/}

| Delivery point | 7-12 months | 13-18 months | 19-24 months | Over 24 months | Total |
|----------------|-------------|--------------|--------------|----------------|-------|
| | Bales | Bales | Bales | Bales | Bales |
| Charleston | - | - | - | - | - |
| Galveston | 567 | 98 | 15 | 74 | 754 |
| Greenville | 124 | - | - | - | 124 |
| Houston | 109 | - | - | - | 109 |
| Memphis | 146 | 4 | 4 | 4 | 158 |
| Mobile | - | - | - | - | - |
| New Orleans | - | - | - | - | - |
| Total | 946 | 102 | 19 | 78 | 1,145 |

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

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 | | | | | | Desig. 8- Mkt. Avg. | Grade 31 Staple 35 'A' Index ^{1/} |
|---------|--------------------|---------|---------|---------|---------|---------|------------------------|--------------------------------------------------|
| | Futures Settlement | | | | | | | |
| | Mar '86 | May '86 | Jul '86 | Oct '86 | Dec '86 | Mar '87 | | |
| Feb. 13 | 63.45 | 63.95 | 61.45 | 47.15 | 47.15 | 48.17 | 59.64 | 54.90 |
| 14 | 64.05 | 64.43 | 63.45 | 46.10 | 46.37 | 47.40 | 60.13 | 55.15 |
| 17 | H O L I D A Y | | | | | | | 55.15 |
| 18 | 63.05 | 63.80 | 64.13 | 46.50 | 46.85 | 47.85 | 60.27 | 55.25 |
| 19 | 62.80 | 63.56 | 63.82 | 46.60 | 46.90 | 47.85 | 60.49 | 54.95 |
| 20 | 62.35 | 63.15 | 63.68 | 45.67 | 46.05 | 47.05 | 60.69 | 54.95 |

^{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 February 14 | | Through February 13 | |
| | Week | Marketing Year | Week | Marketing Year |
| Outstanding sales | - | 2,520,300 | | |
| Exports | 160,500 | 3,287,800 | | |
| Total export commitments | - | 5,808,100 | | WILL BE RELEASED |
| New sales | 47,900 | - | | |
| Buy-backs and cancellations | 35,700 | - | | FEBRUARY 21, 1986 |
| Net sales | 12,200 | - | | |
| Sales next marketing year | 25,200 | 223,100 | | |

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