

UNITED STATES DEPARTMENT OF AGRICULTURE

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Weekly Cotton Market Review

January 20, 1987

Spot cotton prices were steady, according to the Cotton Division, Agricultural Marketing Service, USDA. A light to moderate volume of cotton traded. Growers offered freely. Merchant demand was good and offerings traded readily. Domestic mill buying included purchases for both prompt and forward delivery. Export sales were light. With harvesting nearing completion in most of Oklahoma and west Texas, inclement weather brought field work to a halt late in the week. Upland cotton ginned prior to January 1 this season contained the smallest proportion of all white grades of any crop for this period since records began in 1972 and a record-high proportion of Light Spotted grades. World cotton production was revised downward from month-earlier projections, reflecting reductions primarily in China, India and Egypt.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 56.81 cents per pound during the week ended Friday, January 16. Prices ranged from a low of 56.52 cents on Monday to a high of 57.24 cents on Friday. A week earlier, prices averaged 56.78 cents and ranged from 56.29 to 57.21 cents. The New York March 1987 futures settlement price ended the week on Friday at 58.67 cents per pound compared with 57.67 cents a week earlier. The October 1987 settlement price was 56.50 cents against 56.42 cents last Friday and the December price was 56.00 cents compared with 55.90 cents a week ago.

Trading was light to moderate on spot cotton markets. Growers offered freely but supplies held by growers were light in some markets. Merchant demand was good and offerings traded readily. Domestic mill buying was moderate. Export sales included purchases by both Far Eastern and Middle Eastern mills. Purchases reported by cotton exchanges in the designated markets totaled 191,118 running bales during the week ended Friday, January 16. This compares with 297,283 bales reported a week earlier and 199,985 bales in the corresponding week last season. Trading was light to moderate in the southeastern markets. Grower-to-merchant activity slackened as supplies remaining at the grower level continued to diminish. Merchant demand was good and offerings traded readily. Prices paid for equities ranged from \$50 to \$65 per bale. Domestic mills were using large quantities of cotton and purchases included cotton for both prompt and deferred delivery. CCC cotton certificate prices dropped sharply and traded at around 80 percent of face value. Generics moved at par to about 105 percent. A light volume of cotton sold in the south central markets. Trading was mostly of CCC loan equities or between merchants. Some merchants were less eager to buy. Prices for equities ranged from \$40 to \$70 per bale. Domestic mills bought a light to moderate amount of cotton. Export trading was fairly active. CCC cotton certificates traded mostly at 80 to 85 percent of stated value and generics at 107 to 109 percent. In the southwestern markets, grower-to-merchant trading was light to moderate. Merchant demand was very good. CCC loan equities traded at \$25 to \$75 per bale, mostly \$35 to \$55. No export or domestic sales were reported. Grower-to-merchant trading remained fairly steady in the western markets. Merchant demand was good. CCC cotton certificates traded at 78 to 85 percent of par and generics moved at 100 to 106 percent of value. In California, grower offerings increased to a moderate level and traded readily. Grade 31 staple 35, mike 35-49, sold at around 82.00 to 83.50 cents per pound, UD, free on gin yard. Domestic mill purchases increased. Export trading was light and primarily with Far Eastern mills. A light volume of 1987 crop was booked at prices ranging from 65.00 to 66.50 cents per pound, UD, free on gin yard terms. In Arizona, trading slowed. Merchant demand remained very good. Growers offered a smaller volume of cotton. CCC loan equities in grade 32 netted growers about \$107 per bale. Grade 31 traded in a range of 68.25 to 69.25 cents per pound.

Textile mill report. Domestic mills continued to buy at a moderately active rate. A strong textile demand covering a wide range of products resulted in the use of larger than anticipated quantities of cotton. Fill-in buying continued as mills covered spot shortages. Purchases for spring through fall delivery continued and centered on central and western growths of the medium and lower grades. Supplies and offerings of lower grades were tightening and prices continued to strengthen. Mills reported orders for some finished goods spilling over into third quarter months. Most apparels and sales yarn continued to move readily, along with numerous products for the household. Items for industrial and automotive markets also remained in good demand.

World cotton supply and demand estimates. This season's global cotton production shortfall continues to widen, further trimming prospective ending stocks. The 1986-87 world crop is placed at 68.8 million 480 pound net weight bales, 1.6 million below month-earlier indications, reflecting reductions in China, India and Egypt. Strong cotton demand is lifting projected consumption 3 percent above 1985-86 to nearly 77 million bales. World exports may total a near-record 23 million bales, more than one-tenth above 1985-86. Ending stocks may drop below 40 million bales, down 18 percent from the beginning level, but still about 40 percent above the 1980-1984 average.

The U.S. outlook for 1986-87 remains basically unchanged from last month. While adverse weather reduced this year's crop about one-fourth to 9.8 million bales, competitive cotton prices are boosting projected total use this season by 65 percent. Mill use and exports are forecast at 7.0 million and 6.8 million bales, respectively. Thus, U.S. ending stocks are expected to be worked down nearly 4 million bales, to 5.5 million.

Foreign stocks are projected to decline nearly 5 million bales during 1986-87, with China accounting for most of the reduction. Although China's stocks remain large, supplies available for export are highly uncertain, prompting a downward revision in the forecast of 1986-87 exports. Other foreign exports also are projected down this season primarily reflecting strong U.S. competition. The U.S. share of world trade is placed at 29 percent, compared with 10 percent in 1985-86 and 31 percent during 1980-1984.

Quality of ginnings. Upland cotton ginned in the United States prior to January 1 this season contained the smallest proportion (52 percent) of all white grades of any crop for this period since records began in 1972 and a record-high proportion (43 percent) of Light Spotted grades. The average staple length was 34.7 thirty-seconds inches, up slightly from 34.6 last year. Cotton with mike 35-49 accounted for 79 percent of ginnings, the smallest proportion since 1981 and compares with 86 percent a year ago. Fiber strength averaged 26.2 grams per tex, up from 25.5 the previous year.

Four months and older certificated stock, February 1, 1987 1/

Delivery point	4-10 months	11-16 months	17-22 months	Over 22 months	Total
	Bales	Bales	Bales	Bales	Bales
Charleston	-	-	-	-	-
Galveston	8,723	1,146	80	57	10,006
Greenville	145	-	1	-	146
Houston	-	164	2	-	166
Memphis	3,882	2	150	9	4,043
Mobile	-	-	-	-	-
New Orleans	-	-	-	-	-
Total	12,750	1,312	233	66	14,361

1/ Based on Cotton Division records as of January 15, 1987.

Cotton supply and use: World, United States, major exporters and importers;
marketing years 1984-85, 1985-86, and 1986-87 1/
January 15, 1987

Region	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Mill use	Exports	
Million 480 pound bales						
1984-85						
World	25.02	88.12	20.62	69.86	20.46	43.09
United States	2.78	12.98	0.02	5.54	6.22	4.10
Total foreign	22.25	75.13	20.60	64.32	14.24	38.99
Major exporters 2/	12.06	53.81	1.22	31.64	9.10	26.05
China	7.77	28.70	0.19	15.50	1.26	19.80
Pakistan	0.09	4.63	0.03	2.26	1.26	1.05
USSR	2.34	11.88	0.82	9.50	2.92	2.62
Major importers 3/	4.52	0.98	15.82	16.34	0.56	4.42
Japan	0.67	-	3.13	3.19	-	0.61
1985-86 (Estimated)						
World	43.09	78.94	21.41	74.50	20.44	48.23
United States	4.10	13.43	0.03	6.40	1.96	9.35
Total foreign	38.99	65.50	21.38	68.10	18.48	38.88
Major exporters 2/	26.05	44.63	0.91	34.15	12.64	24.52
China	19.80	19.00	4/	17.50	2.90	18.30
Pakistan	1.05	5.70	4/	2.34	3.15	1.10
USSR	2.62	12.10	0.65	9.60	3.00	2.76
Major importers 3/	4.42	1.16	16.36	16.77	0.68	4.47
Japan	0.61	-	3.05	3.15	-	0.52
1986-87 (Projected)						
World						
December	48.30	70.45	22.70	77.08	23.02	41.03
January	48.23	68.82	22.75	76.83	23.03	39.65
United States						
December	9.35	9.79	0.01	7.01	6.75	5.48
January	9.35	9.79	0.01	7.01	6.76	5.49
Total foreign						
December	38.95	60.65	22.69	70.07	16.27	35.55
January	38.88	59.04	22.74	69.82	16.27	34.17
Major exporters 2/						
December	24.63	40.66	1.36	34.41	10.89	21.05
January	24.52	39.44	1.56	34.31	10.84	20.08
China	Dec. 18.40	17.20	-	17.50	2.75	15.25
China	Jan. 18.30	16.00	4/	17.50	2.50	14.21
Pakistan	Dec. 1.10	5.54	4/	2.50	2.70	1.28
Pakistan	Jan. 1.10	5.54	4/	2.50	2.70	1.28
USSR	Dec. 2.76	11.20	1.00	9.70	2.80	2.46
USSR	Jan. 2.76	11.20	1.00	9.70	2.80	2.46
Major importers 3/						
December	4.46	1.14	17.32	17.57	0.76	4.60
January	4.47	1.14	17.16	17.44	0.76	4.58
Japan	Dec. 0.52	-	3.10	3.10	-	0.52
Japan	Jan. 0.52	-	3.10	3.10	-	0.52

1/ Marketing year beginning August 1. Totals may not add and trade and stocks may not balance due to rounding, a small quantity destroyed, and other factors.

2/ Australia, China, Central America, Egypt, Mexico, Pakistan, Sudan, Turkey and the USSR. 3/ Eastern Europe, Western Europe, Japan, Hong Kong, Republic of Korea, and Taiwan. 4/ Less than 5,000 bales.

Source: United States Department of Agriculture

United States: Percentage distribution of grade, staple, mike, and fiber strength for upland cotton classed prior to January 1, 1987 1/

Grade	Staple														All staples
	26 and shorter	28	29	30	31	32	33	34	35	36	37	38	39	40 and longer	
White:															
11	-	-	-	-	*	*	*	*	*	*	*	-	-	-	*
21	*	-	-	*	*	*	*	0.1	0.8	1.0	*	*	-	-	1.9
30	-	-	-	*	-	*	*	*	*	*	*	*	-	-	*
31	*	*	*	*	*	0.2	0.8	1.9	10.1	11.2	0.3	*	*	*	24.5
40	-	-	*	*	*	*	0.1	0.2	0.4	0.7	*	*	*	*	1.4
41	*	*	*	*	*	0.2	1.4	4.9	7.8	4.5	0.4	0.1	*	*	19.4
50	-	*	*	*	*	*	0.1	0.2	0.4	0.2	*	*	*	*	0.9
51	-	*	*	*	*	0.1	0.3	0.8	1.3	0.7	0.1	*	*	*	3.4
60	-	-	*	*	*	*	*	*	*	*	*	*	-	-	*
61	-	-	*	*	*	*	*	0.1	0.1	*	*	*	*	*	0.3
70	-	-	-	-	-	-	-	*	*	*	-	-	-	-	*
71	-	-	*	*	*	*	*	*	*	*	*	*	*	-	*
Lt. Spotted:															
12	-	-	-	-	-	-	-	-	*	*	*	-	-	-	*
22	-	*	*	*	*	*	*	*	*	*	*	*	*	-	0.1
32	*	*	*	*	0.1	0.2	0.6	1.3	2.6	1.2	0.1	*	*	*	6.0
42	*	*	*	0.1	0.3	0.8	2.3	6.0	9.0	4.1	0.5	0.1	*	*	23.1
52	*	*	*	0.1	0.4	0.9	1.8	2.6	3.0	1.4	0.3	*	*	*	10.4
62	*	*	*	0.1	0.2	0.4	0.8	0.9	0.5	0.2	0.1	*	*	*	3.2
Spotted:															
13	-	-	-	-	*	-	*	*	*	*	-	-	-	-	*
23	-	-	*	*	*	*	*	*	*	*	*	*	-	-	*
33	*	*	*	*	*	*	*	*	*	*	*	*	*	-	0.2
43	*	*	*	*	0.1	0.2	0.3	0.3	0.3	0.1	*	*	*	*	1.2
53	*	*	*	*	0.2	0.3	0.5	0.4	0.3	0.1	*	*	*	*	1.8
63	*	*	*	*	0.1	0.2	0.3	0.3	0.2	*	*	*	*	*	1.2
Tinged:															
24	-	-	-	*	-	-	*	*	*	*	-	-	-	-	*
34	-	-	*	*	*	*	*	*	*	*	*	*	-	*	*
44	*	*	*	*	*	*	*	*	*	*	*	*	-	*	0.1
54	*	*	*	*	*	*	0.1	*	*	*	*	*	*	-	0.2
Stained:															
25	-	-	-	-	-	*	-	*	*	*	-	-	-	-	*
35	-	-	*	*	*	*	*	*	*	*	-	-	-	*	*
Lt. Gray:															
16	-	-	-	-	-	-	-	-	*	-	-	-	-	-	*
26	-	-	-	-	*	*	*	*	*	*	*	-	*	-	0.1
36	-	-	-	-	*	*	*	*	*	*	*	-	-	*	0.1
46	-	-	-	-	*	*	*	*	*	*	*	-	-	-	*
Gray:															
17	-	-	-	-	-	-	-	*	*	*	*	-	-	-	*
27	-	-	-	-	-	-	-	*	*	*	*	-	-	-	*
37	-	-	-	-	-	-	-	*	*	*	*	-	-	-	*
47	-	-	-	-	*	-	*	*	*	*	-	-	-	-	*
Below Grade 2/	*	*	*	*	0.1	0.1	0.2	0.2	0.1	*	*	*	*	*	0.6
All grades	*	*	0.1	0.4	1.5	3.7	9.6	20.2	37.0	25.6	1.8	0.3	*	*	100.0

Mike	26 and below	27-29	30-32	33-34	35-49	50-52	53 and above	Average mike
Percent	1.1	2.8	4.0	3.4	79.1	6.9	2.7	42

Fiber strength	1/8" gage (grams per tex)									Average strength
	17 and below	18-19	20-21	22-23	24-25	26-27	28-29	30-31	32 and above	
Percent	*	0.2	2.0	11.0	28.6	27.2	20.3	9.4	1.6	26.2

1/ Ginnings, Bureau of the Census, 8,418,742 running bales. Average staple..... 34.7
 2/ Lower in grade than the lowest grades of the official standards. Percent tenderable..... 48.6
 * Less than 0.05 percent. Percent Average Rule Used (ARU)..... 1.7
 Percent grade reductions..... 9.9