

UNITED STATES DEPARTMENT OF AGRICULTURE

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Weekly Cotton Market Review

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Spot cotton quotations for grade 41 staple 34, mike 35-49, in the designated markets averaged 70.08 cents per pound during the week ending Thursday, January 3, according to the Cotton Division, Agricultural Marketing Service, USDA. Daily average quotations ranged from a low of 69.79 cents on Wednesday, January 2, to a high of 70.36 cents on Thursday, January 3. Spot cotton quotations averaged 70.37 cents a week earlier and 63.21 cents in the corresponding week last year. The New York March 1991 futures settlement price closed on Thursday at 76.80 cents compared with 76.69 cents a week earlier. The May 1991 settlement price was 75.05 cents compared with 75.57 cents the previous week. Spot transactions reported in the designated markets totaled 45,205 bales during the week ending Thursday, January 3. This compares with 225,302 bales reported during the previous two week period and 58,291 bales in the corresponding week last season.

Southeastern markets. Merchant demand for cotton remained good, and growers offered cotton freely. Trading was fairly active, and most offerings moved easily into trade channels. Some growers rejected offers as futures prices moved lower. Grades 31, 41 and 32, staples 34 and longer, with strength readings of 26 or higher were in best demand. Prices paid for mixed lots of mostly grade 41 and higher, staples 34 and longer, mike 35-49 ranged from 300 to 400 points off New York March futures, FOB trucks in Georgia. In Alabama and the Carolinas prices were mostly 550 to 700 points off, respectively, FOB warehouse. Prices for grades 51 and 42 were 150 to 200 points lower than grade 41. Predominantly high grade, high strength lots with 27 and higher grams per tex were bringing premiums of 100 to 150 points. Cotton with strengths of 24 and lower were being discounted 200 to 300 points. CCC loan entries increased in areas where demand was weakest. Completion of the harvest was being delayed by inclement weather.

South central markets. Very little cotton traded during the abbreviated trading week. A large volume of farmer owned cotton was delivered to merchants under previously negotiated forward contracts that called for January 2, 1991 delivery. Merchants were not aggressively seeking additional cotton, and when they did purchase cotton, they paid lower prices. Demand remained best for grade 41 and higher grade cotton. In mixed lots, grade 41, staples 34 and longer, mike 35-49, moved at 650 to 750 points off NY March futures. Grades 50, 51, and 42 traded within a range of 950 to 1,100 points off March. Domestic mill purchases were light and primarily for April and later shipment. Far Eastern mills purchased a moderate volume of cotton primarily for second quarter and later delivery. Harvesting was virtually complete, and heavy rainfall prevented any fieldwork.

Southwestern markets. Spot cotton trading was slow to moderate. The supply of west Texas and Oklahoma growth cotton was heavy. Buyers accepted delivery of contracted cotton and actively sought cotton to fill commitments. Prices were mostly steady. Demand was moderately strong for most grades, but strongest for higher grades, staples 32 and longer. Buyers were inclined to refuse to bid on cotton in lots with more than fifty percent reductions. Mixed lots of mostly white grades 41 and higher, staples 32 and longer, generally brought 1,500 to 1,700 points above CCC loan rates. Some buyers paid premiums for cotton with 27 and higher strength readings and discounted strength readings of 23 and lower. "Average rule" cotton was discounted 250 to 400 points. Domestic and foreign mill inquiries were moderate. The harvest neared completion.

Western markets. Spot cotton trading was slow in the San Joaquin Valley. A small amount of cotton in mixed lots of grades 31 to 51, mike 35-49 traded. Grade 31 staple 35, brought 325 points on March futures, UD free terms. Mill interest was weak. Trading was more active in the Desert Southwest. Growers offered and sold a small volume. Some growers rejected merchant bid prices. Grade 31 staple 35, mike 35-49 traded at 75 to 77 cents per pound.

A large volume of low grades, staples 29 to 37, and various mike readings traded at 52 to 57 cents per pound. Far Eastern mills purchased a limited volume for prompt shipment. American Pima trading was slow. Prices were steady to stronger for grades 3 and higher, and weaker for grades 4 and lower. Mixed lots of grades 2 and 3, staple 46, mike 35-49 traded at around \$1.20 to \$1.22 per pound. A small volume of grade 4, mixed mike brought about 91 to 94 cents. Far Eastern mills purchased a small amount of Pima for prompt and nearby shipment.

Textile mill report. Domestic mill buying continued at a seasonably slow level. Mills made a few inquiries and bought a small volume of cotton for delivery during January through March. Interest in second and third quarter 1991 was limited mostly to inquiries and very little was purchased. Merchants remained reluctant to sell forward cotton at an attractive basis. Reduced work schedules have reduced nearby needs. Some shipments of previous purchases have been delayed and a few have been cancelled. Best demand was for the medium and higher white and equivalent Light Spotted grades, staples 34 and longer, mike 35-49. Mill business was slow for most products. Inventories of finished goods were reduced by holiday cutbacks, but unsold goods at some plants were at excessive levels. Most mills were now back on regular work schedules of five to seven days.

Prices received by farmers for upland cotton averaged 67.30 cents per pound in mid December, according to the National Agricultural Statistics Service, USDA. This compares with 68.20 cents for the entire month of November and 61.90 cents in December 1989. These prices include cotton delivered against forward contracts.

1991 cotton program provisions. USDA announced some of the 1991 cotton program provisions on December 31. They are as follows:

- An acreage reduction program (ARP) for both upland and extra-long staple (ELS) of 5 percent.
- A signup to begin in early March with specific dates to be announced later.
- 1991 crop established "target" prices will be: 72.90 cents for Upland cotton and 99.60 cents for ELS cotton.
- An estimated deficiency payment rate of 10 cents per pound for upland cotton with an advance rate of 4 cents per pound. The advance rate is equal to 40 percent of the estimated deficiency payment rate and will be made in cash.
- A price support loan rate of 50.77 cents per pound for the base quality of upland cotton.
- An upland cotton base quality of Strict Low Middling 1-1/16 inch, micronaire 3.5 through 3.6 and 4.3 through 4.9, strength 24 through 25 grams per tex, at average location in the United States.
- A marketing loan program will be in effect for upland cotton. Under this program loan deficiency payments (difference between the loan rate and the level at which the loan may be repaid) will be available to producers who agree to forgo loan eligibility in return for such payments.
- Producers may plant crops other than the program crop (wheat, corn, grain sorghum, barley, oats, upland cotton and rice) on up to 25 percent of any participating program crop acreage base (CAB). This acreage will be known as "flex" acreage.
- Permitted crops on flex acreage are: (1) any program crop, (2) any oilseed, (3) any designated industrial or experimental crop, and (4) any other crop except any fruit or vegetable (including potatoes, dry edible beans, lentils and peas).
- The secretary may, however, prohibit the planting of any crop on flex acreage and is required to make available a list of any prohibited crops. A request for public comments will be published in the Federal Register at a later date with regard to what crops, if any, in addition to fruits and vegetables (including potatoes, dry edible beans, lentils and peas) should be prohibited from being planted on this acreage.
- The first 15 percent of the flex acreage will be known as "normal flex acreage" (NFA) and the other 10 percent will be known as "optional flex acreage" (OFA).
- The 1990 Act prohibits the planting on soybeans on OFA if the marketing year prices are estimated to be below 105 percent of the soybean price support level (\$5.27 per bushel). The estimated national average price for soybeans during the 1991-92 marketing year is estimated to exceed 105 percent of the soybean loan rate. Therefore, soybeans may be planted on the OFA.
- The maximum payment acreage (MPA) for each program crop will be the product of multiplying

the crop acreage base (CAB) established for a program crop by 85 percent (the other 15 percent is known as "normal flex acres" or "triple base") less the acreage which is required to be devoted to approved conservation uses under and acreage reduction program ("acreage conservation reserve" or ACR).

--As required by the 1990 Act, the amount of land (i.e., ACR) producers will be required to idle under the acreage reduction program (ACR) will be determined by multiplying the ARP percentage times the CAB established for a crop for a farm. Previously, the ACR was determined by multiplying the planted acreage of the program crop by a factor calculated by dividing the announced ARP requirement by the permitted acreage of the commodity.

--The 1990 Act requires a preliminary announcement of the ARP requirement for the 1991 crop of upland cotton as soon as practicable and a final ARP announcement no later than January 1, 1991. A separate announcement of a preliminary and final level of the upland cotton ARP was impracticable. Therefore this announcement reflects both the preliminary and final upland cotton ARP requirement.

--For future crop years, the statutory dates for announcing ARP's are: Upland cotton a preliminary announcement by November 1, and the final announcement by January 1. No paid land diversion program will be offered for any program crop.

--Upland cotton producers may devote a portion or all of the maximum payment acreage up to 50 percent of such acreage to conservation uses if at least the other 50 percent of such acreage is planted to the program crop. The deficiency payments paid on the acreage devoted to conservation uses less an acreage equivalent to 8 percent of the MPA will be guaranteed at not less than the estimated deficiency payment rate. This program provision will be available to upland cotton producers each year through the 1995 crop.

--If producers are prevented from planting the acreage intended for upland cotton and devote this acreage to conservation uses, such acreage will also be eligible for the guaranteed payment if the total of prevented planted acreage plus actual upland cotton plantings are equal to or greater than 50 percent of the MPA for the crop.

--Farm program payment yields, except for ELS cotton, will be the same as those established for the 1990 crops. For the 1991 crop and subsequent years, irrigated yields will not be established on any acreage not irrigated prior to the 1991 crop year in accordance with the Statement of Managers accompanying the 1990 Act.

--All counties designated as suitable for growing ELS cotton during the 1990 marketing year are redesignated as eligible for the 1991 marketing year. Additional counties may be designated prior to the final date for enrolling in the 1991 ELS cotton program.

--Producers who certify that no acreage on the farm was planted to the program crop and that any fruit or vegetable planted on the farm was not in excess of normal plantings will have the entire program crop acreage base considered as planted for base retention purposes. This option will be available for nonparticipating program crops. This provision is known as "zero certification".

--The amount of regular deficiency payments and land diversion payments that a person is entitled to under one or more programs for wheat, feed grains, upland cotton, ELS cotton and rice may not exceed \$50,000, the same as for the 1990 crops.

--Also, the total amount of payments that a person is entitled to under one or more programs for wheat, feed grains, upland cotton, rice and oilseeds with regard to (1) any gain realized by a producer from repaying a loan for a commodity at less than the original loan level (i.e., "marketing loan gain") (2) any "Findley" emergency compensation payment for wheat and feed grains, and (3) any loan deficiency payment, will be limited to \$75,000. These payments are also included in an overall payment limitation of \$250,000 per person.

--Additional details of the 1991 cotton program will be announced later.

Forward contracting of 1990-crop cotton. Upland cotton growers in the United States booked about 35 percent of the 1990 crop through the end of December. This compares with 39 percent sold ahead the previous season and 16 percent booked two years ago. Since records began in 1970, forward contracting has ranged from a low of 9 percent in 1985 to a high of 75 percent in 1973. Contracting of the 1990 crop was most active in the western states (Arizona, California and New Mexico) where 64 percent of the crop was booked and least active in southwestern states (Oklahoma and Texas) where 26 percent was contracted. Growers in southeastern states (Alabama, Georgia, North Carolina and South Carolina) forward contracted 42 percent of their 1990 crop and in south central states (Arkansas, Louisiana, Mississippi, Missouri and Tennessee) growers booked 33 percent. These estimates were based on the Agricultural Statistics Board's December acreage for harvest report and informal surveys made by the Cotton Division, Agricultural Marketing Service, USDA.

Forward contracting of upland cotton by growers, by states and United States, crops of 1980-1990 1/

State	Cotton crops										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Alabama 2/	32	6	13	22	26	19	9	22	9	30	37
Georgia	14	10	7	18	31	8	4	35	6	44	41
North Carolina	43	8	17	28	36	-	-	45	4	48	45
South Carolina	57	24	39	62	53	20	-	44	1	54	52
Southeastern states	33	10	16	28	33	13	5	32	6	40	42
Arkansas	62	16	18	24	40	10	11	81	27	43	39
Louisiana	41	8	18	21	23	3	-	20	13	53	34
Mississippi	80	28	21	28	31	17	6	44	10	26	31
Missouri	79	26	25	38	53	*	25	93	7	62	64
Tennessee	46	9	28	33	35	4	2	67	*	25	14
South Central states	65	19	21	26	32	10	6	53	12	38	33
Oklahoma 3/	4	2	1	-	24	*	13	33	2	18	16
Texas	22	8	5	7	19	5	5	23	9	31	27
Southwestern states	20	7	4	7	19	4	6	24	9	30	26
Arizona	46	7	21	19	9	5	25	25	6	20	14
California	45	12	17	60	49	23	81	77	62	83	83
New Mexico	7	1	*	-	1	2	-	58	9	10	26
Western states	43	10	18	49	38	19	68	65	49	68	64
United States	35	10	12	21	27	9	15	39	16	39	35

1/ Contracting estimates do not include cotton consigned to marketing organizations but do include cotton contracted with marketing organizations. 2/ Includes Florida, 1984, 1987-1989 crops. 3/ Includes Kansas, 1990 crop. * Less than 0.5 percent.

Four months and older certificated stock, as of December 31, 1990

Aging	Delivery points						Total stock
	Galveston	Memphis	Houston	New Orleans	Greenville		
	Bales	Bales	Bales	Bales	Bales	Bales	
4 Months	-	4,758	-	-	-	4,758	
5 Months	79	132	7	29	-	247	
6 Months	-	-	-	-	-	0	
7 Months	-	-	-	-	-	0	
8 Months	4	1	1	-	-	6	
9 Months	13	-	-	3	-	16	
10 Months	5	143	-	24	-	172	
11 Months	6	39	-	-	-	45	
12 Months	12	8	1	-	-	21	
13 Months	7	3	1	-	-	11	
14 Months	125	47	4	-	-	176	
15 Months	16	-	-	-	-	16	
16 Months	9	-	-	-	-	9	
17 Months	4	-	1	-	-	5	
18 Months	-	-	-	-	-	0	
19 Months	4	-	4	-	-	8	
20 Months	1	1	3	-	-	5	
21 Months	1	-	-	-	-	1	
22 Months	2	-	-	-	-	2	
23 Months & older	2	1	1	-	-	4	
Total	290	5,133	23	56	0	5,502	

World market price, in cents per pound, adjusted to U.S. quality and location, for grade 41 staple 34, mike 35-49 upland cotton and the coarse count adjustment in effect from 12:01 a.m. Friday through 12:00 midnight Thursday

Description	1990-1991				
	Dec. 7-13	Dec. 14-20	Dec. 21-27	Dec. 28-Jan. 3	Jan. 4-10
Adjusted world price	66.86	67.80	68.24	68.91	68.48
Course count adjustment	0	1.29	1.25	1.52	1.91

Source: Agricultural Stabilization and Conservation 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					Grade 31 : 7 Mkt.: Average: 'A' Index 1/	Coarse Staple 35 : 'B' Index 1/
	Futures Settlement						
	Mar '91	May '91	Jul '91	Oct '91	Dec '91		
Dec. 31	H O L I D A Y					85.35	79.60
Jan. 1	H O L I D A Y					HOLIDAY	
2	75.80	74.19	73.58	67.58	64.52	69.79	84.30
3	76.80	75.05	74.50	67.63	64.60	70.36	83.30
4	C L O S E D					83.75	77.10

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 1989-90 and 1990-91

Description	Marketing Year			
	1989-90		1990-91	
	Through December 28		Through December 27	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	3,074,700	-	4,010,000
Exports	98,800	2,236,000	101,100	2,379,300
Total export commitments	-	5,310,700	-	6,389,300
New sales	101,900	-	116,900	-
Buy-backs and cancellations	2,600	-	13,300	-
Net sales	99,300	-	103,600	-
Sales next marketing year	500	207,700	2,900	89,800

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

NOTE: Data may not add due to rounding.

Upland cotton export sales. Sales of 103,600 running bales were down 35 percent, during the week ending December 27, according to the Foreign Agricultural Service, USDA. The major buyers were Mexico with purchases of 30,000 bales, Japan 17,800, South Korea 10,500, Spain 9,200, and Thailand 8,300 bales. Sales to Iraq decreased by 4,400 bales. Exports of 101,100 fell 46 percent below the previous week. Asian destinations accounted for 68 percent of the week's shipments; West European 20 percent; Western Hemisphere 9 percent; and East European 3 percent.

NOTE: Portions of the narrative from this report are available on the USDA's Electronic Dissemination of Information System. If you are interested in receiving this information electronically, contact Russell Forte at 202-447-5505.

SPOT COTTON QUOTATIONS - UPLAND

January 4, 1991

Spot quotations are in cents per pound for cotton equal to the Official Standards with mike readings of 35-49, net weight, in mixed lots, uncompressed, free of all charges in the 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.

SOUTHEAST				NORTH DELTA				SOUTH DELTA				DESERT SOUTHWEST			
Grade				Grade				Grade				Grade			
31	41	51	42	31	41	51	42	31	41	51	42	21	31	41	32
69.80	68.55	65.80	66.30	68.05	66.80	64.30	64.55	68.30	67.05	63.55	64.25	72.55	72.55	71.30	71.30
71.80	71.30	68.80	69.55	70.80	69.55	66.80	67.05	70.80	69.80	66.30	67.00	76.55	76.55	75.30	75.30
72.05	71.55	69.05	69.80	71.40	70.30	67.40	67.65	70.90	69.90	66.40	67.10	76.65	76.65	75.40	75.40
72.20	71.70	69.20	69.95	71.50	70.40	67.50	67.75	71.00	70.00	66.50	67.20	76.65	76.65	75.40	75.40

EAST TEXAS-OKLAHOMA				WEST TEXAS				SAN JOAQUIN VALLEY			
Grade				Grade				Grade			
31	41	32	42	31	41	32	42	21	31	41	51
57.40	57.00	57.05	56.55	57.30	56.70	56.75	56.60	29	-	-	-
58.15	57.75	57.80	57.10	58.05	57.70	58.20	57.90	30	-	-	-
60.40	60.00	59.55	58.85	60.40	59.80	59.65	58.95	31	-	-	-
61.55	61.00	60.05	59.10	61.45	60.50	60.65	59.40	32	-	-	-
64.10	62.45	62.25	61.00	63.20	62.55	63.70	61.50	33	-	-	-
66.35	65.00	64.05	61.80	66.00	65.00	65.00	62.10	34	77.80	77.55	76.55
66.65	65.25	66.30	63.10	66.30	64.75	65.25	62.40	35	79.55	79.30	78.30
66.75	66.10	66.40	63.10	66.40	64.85	65.35	62.40	36	79.65	79.40	78.40
66.75	66.10	66.40	63.10	66.40	64.85	65.35	62.40	37	79.75	79.50	78.50

MIKE DIFFERENCES - POINTS PER POUND

SOUTH-EAST	NORTH DELTA	SOUTH DELTA	EAST TX-OK	MIKE RANGES	WEST TEXAS	DESERT SW	SJV	AVG
-1250	-1215	-	-950	26 & Below	-950	-2100	-	-1293
-800	-840	-840	-400	27-29	-450	-1400	-1700	-919
-500	-525	-525	-200	30-32	-175	-800	-1150	-554
-250	-230	-230	-100	33-34	-100	-350	-450	-244
0	0	0	0	35-49	0	0	0	0
-200	-155	-155	-250	50-52	-250	-100	-100	-173
-250	-240	-240	-400	53 & Above	-	-150	-	-256

SPOT QUOTATIONS - AMERICAN PIMA

Staple	01	02	03	04	05	06	Mike ranges	Points per pound
							26 & Below	-3100
							27-29	-2275
44	122.75	122.50	119.50	95.50	57.00	51.00	30-32	-1200
							33-34	-300
46	123.25	123.00	120.00	96.00	57.00	51.00	35 & Above	0

LANDED MILL QUOTATIONS - GROUP 201 MILL POINTS

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

SOUTHEASTERN GROWTHS				DELTA GROWTHS				TEXAS-OKLAHOMA GROWTHS				CALIFORNIA (SJV) GROWTHS			
Grade				Grade				Grade				Grade			
31	41	51	42	31	41	51	42	Staple	41	51	32	42	31	41	51
-	-	-	-	-	-	-	-	29	69.00	66.00	69.00	66.50	-	-	-
-	-	-	-	-	-	-	-	30	71.00	68.25	71.00	68.75	-	-	-
-	-	-	-	-	-	-	-	31	72.25	69.75	72.25	70.25	-	-	-
-	-	-	-	-	-	-	-	32	73.75	70.50	73.75	71.00	-	-	-
79.25	77.75	75.50	76.50	79.75	78.25	75.75	76.75	33	76.00	71.75	76.00	72.25	-	-	-
80.25	78.50	76.50	77.50	80.75	79.00	76.75	77.75	34	78.25	73.50	78.25	74.25	86.25	85.00	83.00
80.75	79.25	77.00	77.50	81.25	79.75	77.25	77.75	35	-	-	-	-	87.75	86.50	84.25
-	-	-	-	-	-	-	-	36	-	-	-	-	88.00	86.75	84.25