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Weekly Cotton Market Review

Vol. 66, No. 49

July 11, 1985

Limited supplies and very light offerings continued to restrict trading on spot cotton markets, according to the Cotton Division, Agricultural Marketing Service, USDA. Spot prices were fairly steady. Merchants have covered the bulk of their requirements and restricted buying to a very light volume of cotton to cover nearby commitments. Domestic and foreign mill buying was slow. Growers forward contracted a light volume of 1985-crop cotton in a few states. The crop continued to make favorable progress in most areas of the Cotton Belt. Relatively large production, weak demand and increasing stocks highlight the 1985-86 outlook for U.S. cotton. Cotton acreage for 1985 was estimated at 10.8 million acres, down 3 percent from 1984.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 59.81 cents per pound during the week ended Thursday, July 11. Prices ranged from a high of 59.93 cents on Tuesday to a low of 59.53 cents on Thursday. A week earlier, prices averaged 59.95 cents per pound and ranged from 59.73 to 60.21 cents. In the corresponding week a year ago, the average price was 70.69 cents. The New York October 1985 futures settlement price ended the week on Thursday at 60.45 cents per pound compared with 61.15 cents on Wednesday a week earlier. The December settlement price was 60.74 cents against 61.32 cents last Wednesday.

Trading on spot cotton markets remained slow. Grower-held supplies were at low levels but sufficient to meet the limited demand. Most merchants had nearby commitments covered and were not interested in trading. Domestic mill buying was light and primarily for prompt delivery. Export trading was slow. Far Eastern mills purchased a very small volume for prompt shipment. European mills bought a very light volume for prompt shipment and made a few inquiries for 1985-crop cotton for October and later shipment. Purchases reported by cotton exchanges in the designated markets totaled 19,000 bales in the week ended Thursday, July 11. This compares with 35,600 bales reported a week earlier and 32,600 bales in the corresponding week last season.

Textile mill report. Mill buying continued at a very low level with most mills' cotton needs covered through the summer and into the early fall. A few mills bought a light volume of Texas and California cotton and a small amount of central belt low grades. Prompt to nearby delivery was favored. Mill buying was influenced by pending farm legislation, rosy crop prospects and a lagging market for textile products. Most mills returned to presummer holiday work schedules and continued to fill orders already booked. Yarn and apparel sales were spotty. Goods for the household market held fairly steady while industrial and automotive items traded intermittently. Work schedules were primarily five days; although, most mills continue to adjust as needed to avoid inventory buildups in products affected by sluggish sales.

World cotton supply and demand estimates. Prospects for a further buildup in U.S. and world cotton stocks are in the offing for 1985-86. Despite the likelihood of sharply smaller production next season, global output well in excess of mill use is anticipated. Use is expected to gain modestly in line with the trend of recent years. However, most of the increase in global consumption will originate in major foreign cotton-producing countries. With stable import demand by major consuming countries, world trade next season may not match the 1984-85 level.

Relatively large production, weak demand, and increasing stocks highlight the 1985-86 outlook for U.S. cotton. Projected output may approach the 1984-85 level. However, total

use is expected to decline significantly next season. Exports may be down more than one-fourth as limited import demand abroad, large foreign supplies available for export, and noncompetitive U.S. prices severely hamper U.S. export sales. Continuing large textile imports are expected to pull U.S. mill use down slightly. Consequently, U.S. stocks are projected to increase sharply and total well above month-earlier indications.

In contrast, a more balanced cotton supply-demand picture is in prospect next season for foreign countries. Output is expected to decline moderately as smaller crops are projected for China, Australia, Mexico, Pakistan, Turkey, and Brazil. Soviet production may recover somewhat from 1984-85's nine-year low. Meanwhile, prospects for record foreign use and near-record exports will mitigate against a sharp buildup in foreign stocks.

Planted acreage of all cotton in the United States is expected to total 10.8 million acres, down 3 percent from 1984 plantings, according to the Crop Reporting Board, Statistical Reporting Service, USDA. Upland area is estimated at 10.7 million acres and American Pima at 88,000 acres. By June 2, about 88 percent of the intended acreage was planted and by June 23 planting was virtually completed.

In the southeastern states, growers planted 758,000 acres, up 11 percent from 1984. Planting started about on schedule but was very slow in Georgia until the last half of April, due to dry soils and low soil temperatures. Plantings in the other states were well ahead of normal.

Acreage in the Delta states is estimated at 2.70 million acres, up 1 percent from last year. Planting was well ahead of normal in this region and by May 26 planting was 98 percent completed compared with the average of 90 percent. As of June 25, the crop was in mostly good condition.

Oklahoma and Texas upland acreage is estimated at 5.37 million acres, 7 percent below 1984. Planting was well ahead of normal. Moisture conditions in Texas have been extremely favorable in most areas; however, localized heavy rains caused some replanting.

Upland growers in the western states planted 1.84 million acres, 4 percent less than last year. Planting progressed about normal except in New Mexico where it was well ahead of normal. As of June 25, the crop was in mostly good to excellent condition.

American Pima acreage is estimated at 88,000 acres, compared with 80,100 acres planted last year.

Cotton acreage planted and harvested, crops of 1982-1984, and planted, crop of 1985

State	1982		1983		1984		1985	
	Planted	Harvested	Planted	Harvested	Planted	Harvested	February prospective	Planted
<u>Upland</u>	<u>1,000 acres</u>							
Alabama	287.0	285.0	219.0	215.0	309.0	307.0	300.0	295.0
Arizona	471.0	470.0	291.0	284.0	430.0	429.0	380.0	410.0
Arkansas	410.0	390.0	320.0	290.0	470.0	465.0	475.0	490.0
California	1,380.0	1,370.0	960.0	950.0	1,410.0	1,400.0	1,350.0	1,350.0
Florida	16.0	15.0	12.5	12.0	17.5	17.0	22.0	22.0
Georgia	163.0	158.0	120.0	115.0	175.0	172.0	230.0	250.0
Kansas	0.5	0.4	0.4	0.4	0.8	0.5	2.0	1.0
Louisiana	605.0	595.0	420.0	410.0	650.0	645.0	620.0	640.0
Mississippi	1,000.0	990.0	687.0	675.0	1,045.0	1,032.0	1,050.0	1,100.0
Missouri	154.0	151.0	108.0	93.0	164.0	162.0	160.0	155.0
Nevada	0.7	0.7	-	-	-	-	-	-
New Mexico	79.0	68.0	56.0	47.0	77.0	69.0	77.0	75.0
North Carolina	71.0	70.0	60.0	59.0	97.0	96.0	100.0	89.0
Oklahoma	480.0	450.0	320.0	300.0	425.0	375.0	370.0	370.0
South Carolina	97.0	95.0	69.0	69.0	104.0	104.0	115.0	124.0
Tennessee	260.0	255.0	220.0	215.0	340.0	325.0	340.0	310.0
Texas	5,800.0	4,300.0	4,000.0	3,550.0	5,350.0	4,700.0	5,300.0	5,000.0
Virginia	0.3	0.3	0.4	0.4	1.0	1.0	1.1	1.3
U.S.	11,274.5	9,663.4	7,863.3	7,284.8	11,065.3	10,299.5	10,892.1	10,682.3
<u>American Pima</u>								
Arizona	41.8	41.6	29.5	29.3	50.5	50.3	35.0	60.0
New Mexico	9.5	9.4	11.1	11.1	10.0	10.0	10.0	9.0
Texas	19.6	19.5	22.4	22.3	19.6	19.3	20.0	19.0
U.S.	70.9	70.5	63.0	62.7	80.1	79.6	65.0	88.0
U.S. all cotton	11,345.4	9,733.9	7,926.3	7,347.5	11,145.4	10,379.1	10,957.1	10,770.3

Source: Crop Reporting Board, Statistical Reporting Service, USDA

Cotton supply and use: World, United States, major exporters and importers; marketing years 1983-84, 1984-85, and 1985-86 ^{1/} July 10, 1985

Region	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Mill use	Exports	
Million 480 pound bales						
1983-84						
World	25.23	67.86	20.43	69.02	19.29	24.79
United States	7.94	7.77	0.01	5.93	6.79	2.78
Total foreign	17.29	60.09	20.41	63.10	12.50	22.01
Major exporters ^{2/}	6.72	43.53	1.34	31.38	8.17	11.92
China	3.02	21.30	0.25	16.00	0.80	7.77
Pakistan	0.15	2.19	0.28	2.03	0.38	0.09
USSR	1.85	12.28	0.78	9.40	3.20	2.31
Major importers ^{3/}	4.68	0.84	15.54	16.09	0.60	4.36
Japan	0.63	-	3.34	3.30	-	0.67
1984-85 (Estimated)						
World	24.79	85.01	20.14	69.69	20.85	38.95
United States	2.78	12.98	0.02	5.30	6.40	4.10
Total foreign	22.01	72.02	20.11	64.39	14.45	34.84
Major exporters ^{2/}	11.92	52.67	1.23	32.35	9.36	23.71
China	7.77	27.90	0.10	16.50	1.20	17.87
Pakistan	0.09	4.63	-	2.27	1.17	1.12
USSR	2.31	11.70	0.90	9.50	3.10	2.31
Major importers ^{3/}	4.36	0.97	15.39	16.04	0.57	4.10
Japan	0.67	-	3.08	3.12	-	0.62
1985-86 (Projected)						
World						
June	39.1	75.7	20.6	70.8	20.7	42.7
July	38.95	77.97	20.32	71.12	20.44	44.70
United States						
June	4.1	12.0	^{4/}	5.0	5.0	6.2
July	4.10	12.50	^{4/}	5.00	4.75	6.96
Total foreign						
June	35.1	63.7	20.6	65.8	15.7	36.6
July	34.84	65.47	20.31	66.13	15.69	37.74
Major exporters ^{2/}						
June	-	-	-	-	-	-
July	23.71	46.74	1.08	33.50	10.22	26.80
China						
June	17.87	22.50	0.10	17.00	1.50	21.17
July	-	-	-	-	-	-
Pakistan						
June	-	-	-	-	-	-
July	1.12	4.00	-	2.40	1.30	1.24
USSR						
June	-	-	-	-	-	-
July	2.31	12.30	0.75	9.70	3.30	2.36
Major importers ^{3/}						
June	-	-	-	-	-	-
July	4.10	1.17	15.65	16.23	0.62	4.07
Japan						
June	-	-	-	-	-	-
July	0.62	-	3.05	3.08	-	0.60

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 50,000 bales.

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							Designated 8-Market Avg.	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement								
	Jul '85	Oct '85	Dec '85	Mar '86	May '86	Jul '86			
July 4	H O L I D A Y								62.00
5	C L O S E D								62.00
8	61.44	61.30	61.50	62.40	62.65	62.58	59.89	61.90	
9	62.17	61.27	61.43	62.20	62.53	62.48	59.93	61.75	
10	-	61.20	61.46	62.30	62.56	62.45	59.88	61.60	
11	-	60.45	60.74	61.56	61.92	61.72	59.53	61.60	

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

Chicago futures contract settlement and designated spot market average for grade 42 staple 31 in cents per pound

Date	Grade 42 Staple 31						Designated 5-Market Average 1/
	Futures Settlement						
	Jul '85	Oct '85	Dec '85	Mar '86	May '86		
July 4	H O L I D A Y						
5	C L O S E D						
8	56.90	-	51.80	53.25	-	-	50.65
9	56.90	-	51.72	53.00	-	-	50.73
10	-	-	51.75	52.70	-	-	50.69
11	-	-	51.30	52.25	-	-	50.89

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

U.S. upland cotton export sales and exports, in running bales, for week and year, marketing years 1983-84 and 1984-85

Description	Marketing Year			
	1983-84		1984-85	
	Through June 28		Through June 27	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	912,900	-	758,000
Exports	92,900	6,084,100	76,200	5,655,500
Total export commitments	-	6,997,000	-	6,413,500
New sales	29,500	-	7,400	-
Buy-backs and cancellations	70,200	-	6,100	-
Net sales	-40,700	-	1,300	-
Sales next marketing year	143,500	1,725,300	22,100	696,600

Description	Marketing Year			
	1983-84		1984-85	
	Through July 5		Through July 4	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	976,200	-	702,100
Exports	68,300	6,152,400	47,800	5,700,100
Total export commitments	-	7,128,600	-	6,402,200
New sales	137,100	-	3,000	-
Buy-backs and cancellations	5,500	-	11,100	-
Net sales	131,600	-	-8,100	-
Sales next marketing year	77,700	1,803,000	9,800	706,500

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

Upland cotton export sales for the current marketing year resulted in a net decrease of 8,100 running bales during the week ended July 4, according to the Foreign Agricultural Service, USDA. Major reductions were by West Germany of 3,700 bales, Ireland 1,600 and unknown destinations 1,100 bales. Sales for the 1985-86 marketing year totaled 9,800 bales and were primarily to South Korea with 4,200 bales, Spain 2,800, Indonesia 2,000 and Portugal 900 bales. Exports for the week totaled 47,800 bales. Asian destinations accounted for 81 percent of the week's shipments, and Western Europe 17 percent.