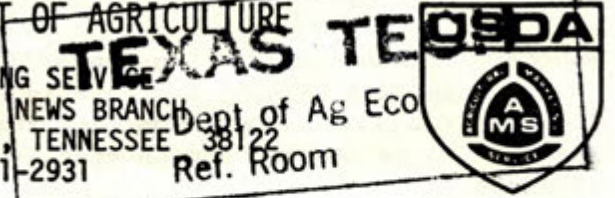


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Weekly Cotton Market Review

Vol. 67, No. 48

July 3, 1986

Spot cotton prices continued to strengthen slightly and again reached new seasonal highs, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading was moderately active and was confined mostly to CCC loan equities. Merchant demand was good and offerings traded readily. Supplies were limited in many markets. Domestic mill buying was light. Export trading was more active. Through the end of June, United States growers had booked about 3 percent of their 1986 crop. The interest rate for CCC loans disbursed in July will be 6.75 percent. USDA raised fees for cotton classing services.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 65.64 cents per pound during the week ended Wednesday, July 2. Prices ranged from a low of 65.59 cents on Friday to a high of 65.67 cents on Tuesday. A week earlier, prices averaged 65.59 cents per pound. In the corresponding week a year ago, the average price was 59.95 cents. The New York October 1986 futures settlement price ended the week on Wednesday at 31.86 cents per pound compared with 31.83 cents on Thursday a week earlier. The December settlement price was 32.11 cents against 32.32 cents last Thursday.

Trading of CCC loan equities was most active on southwestern and south central cotton markets. In southwestern markets, growers netted \$5 to \$25 per bale, mostly \$10 to \$15 for equities. In south central markets, 1984-crop equities traded at about \$8 to \$12 per bale and 1985 crop ranged from \$4 to \$25 per bale, depending on specific qualities. A very large volume of forward sales of 1986-crop equities traded at \$8.75 to \$11.00 per bale, with the buyer receiving the first handler certificate. Growers offered fairly readily but supplies were becoming very limited in some markets. Free cotton is nonexistent. Merchant demand was good. Some cotton that has been entered into the CCC loan reached expiration dates, forcing some equity redemptions, but most merchant-owned equities remained in the loan. Domestic mills purchased a light volume of cotton for both prompt and later delivery. Sales to foreign mills increased sharply and were destined to Far Eastern, European and Indonesian countries. Purchases reported by cotton exchanges in the designated markets totaled 211,300 bales in the week ended Wednesday, July 2. This compares with 274,300 bales reported a week earlier and 35,600 bales in the corresponding week last season.

Textile mill report. Domestic mill buying was very light as most mills were closed for the traditional Fourth of July holiday. Stocks at mills are fairly adequate to cover needs; however, purchases for fill-ins and additional buying may be necessary. Business remained good to excellent and reports indicated closings would be held to a minimum.

USDA raises fees for cotton classing services. The U.S. Department of Agriculture issued a final rule on June 19 raising the fees charged for cotton classing and other services.

According to USDA's Agricultural Marketing Service, the fee increase, effective July 1, is needed because the projected 1986 cotton acreage indicates a smaller crop.

Since there are substantial fixed costs in a classing operation, a smaller crop directly affects the per bale classing costs.

Fees charged producers for classing cotton are being increased to \$1.08 per bale for the 1986 crop, up from \$1.05. An additional fee for optional high volume instrument classing will be raised to 50 cents per bale and added to the fee of \$1.08 for manual classification. A discount of 5 cents per bale where fees are centrally billed through

voluntary agents will continue in effect.

USDA is also raising its fees to cover increased costs for other cotton classing services, cotton linters grading, and the supervision of cottonseed grading. In addition, fees will be raised for cotton standards, cotton linters standards, and calibration cotton standards.

Notice of the final rule was scheduled to be published June 19 in the Federal Register. Copies may also be obtained from John J. Korbol, Cotton Division, AMS, USDA, Washington, D.C. 20250; telephone (202) 447-2259.

Contracting of 1986-crop cotton. Forward contracting of the 1986-upland cotton crop remained very slow. Growers in the United States had booked about 3 percent of their expected acreage through the end of June, the same as the previous month, and compares with 5 percent booked through the same period last year and 21 percent two years ago. Forward contracting this season has been most active in the western states where growers had booked 17 percent of their expected acreage by the end of June. This was up from 4 percent through the same period last season but down from 20 percent two years ago. Southwestern states' growers had booked around 1 percent of their crop while growers in south central and southeastern states had contracted very little of their expected acreage. American Pima cotton growers had forward contracted about 15 percent of the 1986 crop through the end of June: 20 percent in Arizona, 2 percent in New Mexico, and 3 percent in Texas. These estimates were based on the Agricultural Statistics Board's March prospective plantings report and informal surveys made by the Cotton Division, Agricultural Marketing Service, USDA.

Forward contracting of upland cotton by growers, as of July 1, crops of 1977-1986 and prospective plantings, 1986 crop ^{1/}

State	Cotton crops										Prospective plantings ^{2/} 1,000 acres
	1977 Pct.	1978 Pct.	1979 Pct.	1980 Pct.	1981 Pct.	1982 Pct.	1983 Pct.	1984 Pct.	1985 Pct.	1986 Pct.	
Alabama ^{3/}	6	7	12	15	7	12	23	26	21	-	320
Georgia	1	-	7	9	10	4	6	27	4	-	245
North Carolina	14	2	10	22	2	5	24	35	-	-	84
South Carolina	16	9	13	38	1	29	52	53	18	-	110

Southeastern states	7	5	11	18	6	12	23	31	12	-	759

Arkansas	17	18	14	41	13	11	21	36	8	*	465
Louisiana	6	25	11	36	9	4	19	23	2	-	580
Mississippi	22	31	40	59	20	19	26	28	15	*	1,000
Missouri	21	13	18	73	20	14	35	56	*	-	155
Tennessee	2	6	10	22	1	10	31	36	4	*	330

South central states	16	23	24	48	14	13	24	30	9	*	2,530

Oklahoma	19	25	3	4	-	1	-	14	-	*	360
Texas	18	7	11	14	3	2	4	15	3	1	4,400

Southwestern states	18	9	10	13	3	2	4	15	3	1	4,760

Arizona	49	33	17	27	7	19	11	4	4	5	260
California	27	35	22	16	5	11	11	27	4	20	1,210
New Mexico	20	10	6	3	1	*	-	1	1	-	68

Western states	32	33	20	18	5	13	11	20	4	17	1,538

United States	19	16	14	21	6	7	11	21	5	3	9,587

^{1/} Contracting estimates for 1977 through 1984 based on June planted acreage report; 1985 based on February prospective plantings; 1986 based on March. Estimates do not include cotton consigned to marketing organizations but do include cotton contracted with marketing organizations.

^{2/} March 1986, Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

^{3/} Includes Florida, 1984 crop.

* Less than 0.5 percent.

Prices received by farmers for upland cotton in mid June and the entire month of May averaged 56.90 cents per pound, according to the National Agricultural Statistics Service, USDA. This compares with 60.30 cents in June 1985. These prices include cotton delivered against forward contracts.

Average prices received by farmers for upland cotton, in cents per pound, net weight, United States, calendar years, 1985-1986

Month	Year beginning January 1		Month	Year beginning January 1		Month	Year beginning January 1	
	1985	1986		1985	1986		1985	1986
	Cents	Cents		Cents	Cents		Cents	Cents
January	52.20	53.00	June	60.30	56.90 ^{1/}	November	56.00	
February	49.50	55.40	July	60.50		December	53.30	
March	56.10	55.00	August	56.00				
April	57.00	56.40	September	55.10		Calendar		
May	57.50	56.90	October	56.70		year avg.	54.70	

^{1/} Mid-month price.

Source: National Agricultural Statistics 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						8-Mkt. Average	Grade 31 Staple 35 'A' Index ^{1/}	Coarse Count 'B' Index ^{1/}
	Futures Settlement								
	Jul '86	Oct '86	Dec '86	Mar '86	May '87				
June 26	67.75	31.83	32.32	33.06	33.82	65.59	39.40	30.90	
27	68.40	31.85	32.33	33.05	33.82	65.59	39.20	30.90	
30	68.75	32.20	32.46	33.25	33.93	65.63	39.20	30.90	
July 1	69.05	32.53	32.79	33.67	34.35	65.67	39.20	30.75	
2	69.02	31.86	32.11	32.82	33.60	65.67	38.90	30.40	
3	CLOSED							38.70	30.15

^{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 June 27		Through June 26	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	758,000	-	176,500
Exports	76,200	5,655,500	13,600	1,750,500
Total export commitments	-	6,413,500	-	1,927,000
New sales	7,400	-	6,100	-
Buy-backs and cancellations	6,100	-	7,500	-
Net sales	1,300	-	-1,400	-
Sales next marketing year	22,100	696,600	226,800	1,963,000

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

Upland cotton export sales for the current marketing year resulted in a net decrease of 1,400 running bales during the week ended June 26, according to the Foreign Agricultural Service, USDA. Major reductions for Japan of 6,400 bales were partially offset by increases to Greece of 1,800 bales, South Korea 1,700 and Italy 1,200 bales. Sales for the 1986-87 marketing year totaled 226,800 bales and were primarily to South Korea of 70,200 bales, Taiwan 53,200 and Japan 39,500 bales. Exports for the week totaled 13,600 bales. Asian destinations accounted for 90 percent, West European 9 percent and Western Hemisphere 1 percent.

SPOT COTTON QUOTATIONS - UPLAND

Spot prices are for cotton equal to the Official Standards with mike readings of 35 thru 49, net weight, in mixed lot uncompressed, free of all charges in 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.

Staple :	GREENVILLE, SC				MONTGOMERY, AL				GREENWOOD, MS				MEMPHIS, TN			
	Grade				Grade				Grade				Grade			
	41	51	42	52	41	51	42	52	31	41	51	42	41	51	42	52
	Cents				Cents				Cents				Cents			
33 :	63.00	59.75	61.75	55.25	63.50	60.00	62.00	56.50	65.20	64.50	60.35	61.10	64.25	58.40	60.50	55.00
34 :	65.50	61.50	62.75	55.75	65.50	61.50	63.00	57.50	66.70	66.00	62.00	62.50	65.50	61.50	62.75	56.00
35 :	66.00	61.75	63.00	56.00	65.60	61.60	63.10	57.50	66.95	66.25	62.10	62.60	65.75	61.75	63.00	56.00
36 :	66.20	61.85	63.10	56.10	65.70	61.70	63.20	57.50	67.05	66.35	62.20	62.70	65.75	61.75	63.00	56.00

Staple :	DALLAS, TX				LUBBOCK, TX				PHOENIX, AZ				FRESNO, CA			
	Grade				Grade				Grade				Grade			
	31	41	32	42	41	51	42	52	31	41	32	42	31	40	41	32
	Cents				Cents				Cents				Cents			
29 :	54.80	54.00	54.35	53.70	55.45	53.65	54.15	51.00	-	-	-	-	-	-	-	-
30 :	56.40	55.60	55.85	54.90	57.05	54.95	54.85	52.05	-	-	-	-	-	-	-	-
31 :	58.55	57.70	58.00	56.75	58.90	57.00	56.45	53.20	-	-	-	-	-	-	-	-
32 :	60.15	59.20	59.60	57.95	60.65	57.40	57.65	53.40	-	-	-	-	-	-	-	-
33 :	62.90	61.50	61.40	59.10	63.25	58.40	58.10	53.90	65.35	61.35	61.35	57.10	-	-	-	-
34 :	65.20	63.75	63.55	60.35	65.50	59.80	61.35	54.90	68.35	64.35	64.35	60.10	70.50	69.75	69.25	69.25
35 :	-	-	-	-	-	-	-	-	68.45	64.45	64.45	60.10	72.25	71.50	71.00	71.00
36 :	-	-	-	-	-	-	-	-	-	-	-	-	72.35	71.60	71.10	71.00
37 :	-	-	-	-	-	-	-	-	-	-	-	-	72.45	71.70	71.20	71.00

MIKE DIFFERENCES

MIKE RANGES :	Points per pound									
	GVL	MTG	MEM	GRNW	DAL	LUB	PHOE	FRES	8 MARKET AVERAGE	
26 & Below :	-1000	-1200	-1000	-1000	-850	-850	-1100	-1000	-1000	
27 thru 29 :	-800	-800	-800	-800	-500	-500	-800	-700	-713	
30 thru 32 :	-500	-500	-550	-500	-300	-200	-600	-400	-444	
33 thru 34 :	-200	-300	-200	-200	-200	-150	-300	-200	-219	
35 thru 49 :	0	0	0	0	0	0	0	0	0	
50 thru 52 :	-150	-150	-125	-125	-115	-200	-150	-50	-133	
53 & Above :	-250	-250	-250	-225	-225	-300	-200	-100	-225	

SPOT COTTON QUOTATIONS - AMERICAN PIMA 1/

Staple :	Grade	03	04	05	Mike ranges	Points per pound
	Cents					
44 :		93.00	85.00	53.50	26 & Below	-2000
					27 thru 29	-1550
46 :		93.50	85.50	53.75	30 thru 32	-1250
					33 thru 34	-450
					35 & Above	0

1/ Arizona, New Mexico and Texas.

LANDED MILL PRICES - GROUP 201 MILL POINTS

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

Staple :	SOUTHEASTERN GROWTHS				MEMPHIS TERRITORY GROWTHS				CALIFORNIA (SJV) GROWTHS			TEXAS OKLAHOMA GROWTHS			
	Grade				Grade				Grade			Grade			
	31	41	51	42	31	41	51	42	31	41	51	41	51	32	42
	Cents				Cents				Cents			Cents			
29 :	-	-	-	-	-	-	-	-	-	-	-	61.00	58.50	61.25	.50
30 :	-	-	-	-	-	-	-	-	-	-	-	62.00	59.75	62.25	60.00
31 :	-	-	-	-	-	-	-	-	-	-	-	64.75	62.25	65.00	62.25
32 :	-	-	-	-	-	-	-	-	-	-	-	66.50	63.75	66.75	64.00
33 :	71.75	70.75	66.75	67.75	72.25	71.50	67.50	68.50	-	-	-	68.25	65.00	68.50	65.00
34 :	74.00	72.50	68.25	69.75	74.50	73.00	68.75	70.25	76.50	75.25	72.25	70.00	66.75	70.00	66.75
35 :	74.25	72.75	68.50	70.00	74.75	73.50	69.25	70.75	78.25	77.00	75.00	-	-	-	-
36 :	-	-	-	-	-	-	-	-	78.25	77.00	75.00	-	-	-	-