



Weekly Cotton Market Review
(Week ended June 14)

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Spot cotton prices dropped sharply, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading remained slow. Merchant demand was weak for the limited supplies remaining in growers' hands. Domestic mill purchases were very light. Export trading remained fairly active. The crop continued to make favorable progress in most areas of the Cotton Belt. Planting made rapid progress on the Texas Plains and in Oklahoma following recent rains. The world cotton outlook for 1984-85 indicates sharply larger production, moderately larger consumption and increasing stocks. Public comments are requested on the 1985 upland cotton program.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 76.33 cents per pound during the week ended Thursday, June 14. Prices ranged from a high of 77.80 cents on Friday to a low of 75.11 cents on Thursday. A week earlier, prices averaged 79.22 cents per pound, ranging from 78.64 to 80.68 cents. In the corresponding week a year ago, the average price was 69.70 cents. The New York July 1984 futures settlement price ended the week on Thursday at 79.17 cents per pound compared with 82.95 cents a week earlier. The October settlement price was 75.43 cents against 78.42 cents last Thursday and the December price was 73.90 cents compared with 75.22 cents a week earlier.

Trading remained slow on spot cotton markets. Growers were holding very little unsold cotton and offerings were limited. Merchant demand was very light. Domestic mill buying was slow and purchases were primarily for current needs. Export trading was fairly active and consisted of a moderate volume purchased by Far Eastern mills for both nearby and forward shipment. Purchases reported by cotton exchanges in the designated markets totaled 8,400 bales in the week ended Thursday, June 14. This compares with 26,200 bales a week earlier and 118,400 bales in the corresponding week last season.

Textile mill report. Most mills were out of the market. The wide spread between July and October futures encouraged mills to confine purchases to only their most pressing needs. Buying for deferred delivery was slow. A few mills inquired for and bought a small amount for November and later shipment. Cotton purchased for products now selling less readily was shifted to better selling goods at some mills. This often eliminated the need for additional purchases. Sales of textiles were fairly good, however; some lightweight apparel, denim, sheeting and selected yarns continued to show market weakness. Goods for the automotive trade, a number of industrials, materials for sportswear and underwear were fairly active sellers. Work schedules were five to six days per week at most mills. A few mills indicated shorter workweeks were planned for the summer months.

USDA request comments on 1985 upland cotton program. The U. S. Department of Agriculture is seeking public comments on some aspects of the 1985 upland cotton program prior to making decisions on the program. Decisions will be based on the public's recommendations, the most current data on U. S. and world crop conditions and supply and demand. The deadline for receiving comments is August 6.

USDA is asking for comments on the following:

-- the loan rate for the basic grade of upland cotton (Strict Low Middling 1-1/16 inch, micronaire 35 through 49) at average U. S. location. This base loan rate -- which

by law cannot be less than 55.00 cents per pound -- will be determined according to a statutory formula using domestic and world price data.

-- the established target price, which by law cannot be less than 81.00 cents per pound.

-- whether USDA should establish an acreage reduction program and, if so, the level of reduction and how acreage bases for the acreage reduction program would be established.

-- the appropriate national program acreage and voluntary reduction percentage if no acreage reduction program is announced.

-- whether USDA should establish a paid land diversion program and, if so, the percentage of the diversion and level of payment.

-- whether to require offsetting compliance if an acreage reduction program is established.

-- whether to permit haying and grazing of acreage conservation reserve land if an acreage reduction program is established.

-- whether binding contracts should be required for producers participating in any acreage reduction program.

-- the loan rate for seed cotton.

The current law requires USDA to implement at least a 5 percent land diversion program if U. S. cotton stocks on July 31, 1985 are projected to exceed 3.7 million bales. If a land diversion program is in effect, an acreage reduction program of not more than 20 percent may be established.

If a combined diversion program and acreage reduction program is implemented, any reduction above 25 percent must be under the land diversion program.

Further details concerning the 1985 upland cotton program were scheduled to appear in the June 6 Federal Register.

Comments are to be sent to Director, Analysis Division, Room 3741-S, ASCS-USDA, P.O. Box 2415, Washington, D. C. 20013. Comments will be available for public inspection in that room during regular working hours.

World cotton output, use to rise in 1984-85; Chinese stocks revised sharply downward. The global cotton outlook for 1984-85 indicates sharply larger production, moderately larger consumption and increasing stocks. World output may expand nearly 6 million 480 pound net weight bales to a record 73.3 million, reflecting nearly a 50 percent recovery in U. S. production and slightly larger output abroad. Based on expectations for continued improvement in economic and textile activity in major foreign consuming countries, world mill use is projected at a record 70.5 million bales, up 2 million from this season's revised total. Ending stocks are placed at 28 million bales, 2.6 million above estimated August 1, 1984 stocks which have been revised down significantly from month-earlier indications. This season's estimated ending stocks of 25.4 million bales are down about 2 million from the previous estimate and reflect a sharp downward revision in Chinese stocks. Chinese consumption has been revised back to 1971-72, resulting in a current stock estimate of 7.2 million bales, compared with 9.2 million a month earlier.

Foreign cotton stocks in 1984-85 are projected to increase slightly more than 2 million bales to 24.8 million, with China again likely to account for most of the increase. Output could total about 61.8 million bales, up nearly 2 million from this season as both area and yields increase. Foreign use is projected at 64.8 million bales, up 2.2 million from 1983-84. Exports are expected to benefit from larger supplies, rising about 1.6 million bales above this season's depressed level.

Continuing tight supply-demand prospects highlight the 1984-85 U. S. cotton outlook. Supplies may total only about 14.4 million bales, down more than 1 million from this season, reflecting both small beginning stocks of 2.9 million bales and the projected crop of 11.5 million. Disappearance is placed at 11.3 million bales, 1.6 million below 1983-84. With smaller supplies available for export, coupled with expected sharply larger competitive supplies abroad next season and little improvement in world trade levels, U. S. exports may drop more than one-fifth to around 5.5 million bales. Mill use also could slip if the economy cools and textile imports continue to penetrate domestic markets; consumption may fall about 3 percent to 5.7 million bales. These prospective developments indicate that stocks will remain tight, perhaps increasing only slightly to 3.2 million bales.

World cotton supply and demand estimates for 1983-84 have been revised significantly from last month. In addition to moderately smaller global stocks stemming from the new Chinese data, world use now is placed at 68.5 million bales, 0.8 million below month-earlier indications. Chinese use this season is estimated at 16.7 million bales, 0.5 million below the previous forecast. The Pakistani consumption estimate also has been lowered because of limited supplies available for mill use. However, a slight upward revision in Pakistani production boosted the global 1983-84 production estimate 0.1 million bales to 67.7 million. Soviet imports were increased slightly to reflect additional information.

Cotton supply and use: World, United States, major exporters and importers; marketing years 1982-83, 1983-84, and projected 1984-85 ^{1/}
June 12, 1984

Region	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Mill use	Exports	
<u>Million 480 pound bales</u>						
<u>1982-83</u>						
<u>World</u> ^{2/}	26.4	67.5	19.1	67.9	18.5	26.4
<u>United States</u>	6.6	12.0	<u>3/</u>	5.5	5.2	7.9
<u>Total foreign</u>	19.8	55.5	19.1	62.3	13.3	18.5
Major exporters ^{4/}	5.5	23.1	0.4	15.6	8.5	4.8
Major importers ^{5/}	5.2	0.7	14.8	15.4	0.3	4.9
Others	9.1	31.7	3.8	31.3	4.5	8.8
<u>1983-84</u>						
<u>World</u> ^{2/}	26.4	67.7	18.9	68.5	18.9	25.4
<u>United States</u>	7.9	7.8	<u>3/</u>	5.9	7.0	2.9
<u>Total foreign</u>	18.5	59.9	18.9	62.6	11.9	22.5
Major exporters ^{4/}	4.8	22.3	0.6	15.2	7.4	5.0
Major importers ^{5/}	4.9	0.8	14.9	15.6	0.3	4.7
Others	8.8	36.7	3.4	31.8	4.3	12.8
<u>1984-85</u>						
<u>World</u> ^{2/}						
June projection	25.4	73.3	19.0	70.5	19.0	28.0
Prob. var. +/- ^{6/}		3.3	1.2	1.5	1.2	3.3
<u>United States</u>						
June projection	2.9	11.5	<u>3/</u>	5.7	5.5	3.2
Prob. var. +/- ^{6/}		1.5		0.5	1.4	+1.5/-1.0
<u>Total foreign</u>						
June projection	22.5	61.8	19.0	64.8	13.5	24.8
Prob. var. +/- ^{6/}		2.4	1.2	1.2	1.0	2.2

^{1/} Marketing year beginning August 1. ^{2/} World imports and exports may not balance due to differences in marketing years, cotton in transit and reporting discrepancies in some countries. Total trade of individual countries, including intra-regional trade. ^{3/} Less than 50,000 bales. ^{4/} Includes Australia, Central America, Egypt, Mexico, Pakistan, Sudan, Turkey and the USSR. ^{5/} Includes Eastern Europe, Western Europe, Japan, Hong Kong, Republic of Korea and Taiwan. ^{6/} The "probable variation" reflects the root mean square error and/or standard error of estimate from trend and reflects analyst's judgment. Chances are about 2 out of 3 that the outcome will fall within the implied ranges.

NOTE: Totals may not add and stocks may not balance due to rounding, a small quantity of cotton destroyed, and differences unaccounted.

Source: United States Department of Agriculture

Seven months and older certificated stock, July 1, 1984 ^{1/}

Delivery point	7-12 months	13-18 months	19-24 months	Over 24 months	Total
	Bales	Bales	Bales	Bales	Bales
Charleston	-	-	-	-	-
Galveston	3,380	364	99	214	4,057
Greenville	-	23	75	-	98
Houston	-	-	-	-	-
Memphis	2,141	1,104	-	347	3,592
Mobile	-	-	-	-	-
New Orleans	1	-	-	-	1
Total	5,522	1,491	174	561	7,748

^{1/} Based on Cotton Division records as of June 14, 1984.

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					8-Market Average	Grade 31 Staple 35 'A' Index ^{1/}
	Futures Settlement						
	Jul '84	Oct '84	Dec '84	Mar '85	May '85		
June 7	82.95	78.42	75.22	76.45	77.10	78.64	85.15
8	81.95	77.19	75.15	76.30	76.80	77.80	85.15
11	79.95	76.14	74.42	75.77	76.40	76.05	85.15
12	80.07	76.75	74.53	75.80	76.35	75.95	84.40
13	81.17	77.40	75.25	76.64	77.30	76.72	84.40
14	79.17	75.43	73.90	75.25	75.70	75.11	84.60

^{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 1982-83 and 1983-84

Description	Marketing Year			
	1982-83		1983-84	
	Through June 9		Through June 7	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	1,186,200	-	1,155,300
Exports	118,100	4,135,900	139,400	5,797,100
Total export commitments	-	5,322,100	-	6,952,400
New sales	58,100	-	43,000	-
Buy-backs and cancellations	22,300	-	22,600	-
Net sales	35,800	-	20,400	-
Sales next marketing year	108,900	1,553,100	70,500	1,359,100

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

Upland cotton export sales for the current marketing year resulted in a net increase of 20,400 running bales during the week ended June 7, according to the Foreign Agricultural Service, USDA. Increases for Japan of 16,400 bales and South Korea of 11,300 bales were partially offset by reductions for Pakistan of 10,900 bales. Sales for the 1984-85 marketing year totaled 70,500 bales. Major buyers were Japan with 21,900 bales and France 13,200 bales. Weekly exports amounted to 139,400 bales. Asian destinations accounted for 76 percent of the week's shipments, Western Europe 12 percent and the USSR 9 percent.