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AGRICULTURAL MARKETING SERVICE

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Weekly Cotton Market Review

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Spot cotton prices were lower, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading slowed. Offerings were smaller in volume. Merchant demand was weak. Domestic and foreign mill buying was light. Growers were not interested in forward contracting 1982-crop cotton at current prices and booking was at a standstill. The crop made satisfactory progress except for portions of New Mexico, Oklahoma and on the Texas Plains where cool, damp weather slowed plant development. A small acreage was damaged by rain and hail in Missouri and South Carolina. In many areas of the Cotton Belt, plants will soon be squaring. Insect populations are low and generally under control. Stocks of cotton in the United States on August 1 are estimated at 6.5 million bales, the highest level since 1969.

Spot cotton prices dropped sharply. The average price for grade 41 staple 34, mike 35-49 cotton, in the designated markets declined from 61.03 cents per pound on Friday, June 11, to 59.90 cents on Monday. Prices moved slightly higher Tuesday then declined to 59.24 cents on Wednesday. The average price ended the week on Thursday, June 17, at 58.86 cents. This compares with 60.93 cents a week earlier and 78.64 cents on the corresponding Thursday last season. The New York October futures settlement price ended the week on Thursday at 65.03 cents per pound compared with 67.45 cents a week earlier. The December settlement price was 66.25 cents against 68.50 cents last Thursday.

Trading activity was light. Offerings in spot cotton markets were limited as the bulk of available supplies had either been sold or entered into the CCC loan program. Most growers with uncommitted cotton continued to reject prices offered. Merchants were not actively seeking cotton but some were covering nearby needs. Domestic mill buying continued at a low level, confined mostly to prompt needs but with some business in new-crop cotton. Export trading was slow and included both 1981 and 1982-crop cotton. Purchases reported by cotton exchanges in the designated markets totaled 43,300 bales in the week ended Thursday, June 17. This compares with 45,300 bales a week earlier and 32,100 bales in the corresponding week last season.

Textile mill report. The sluggish buying pace of domestic mills reflected a continuing depressed textile market plus the slowdown in purchases that normally occurs prior to summer holidays. A few mills bought a light volume to cover spot shortages and a small amount of new crop. Interest remained best for grades 51 and higher, medium staples, central and western growths. Blended and all-cotton yarn, underwear, flannel, velour and fabrics for sportswear represented the better selling items in an otherwise lackluster market. The rather dismal sales outlook and prevailing high costs of maintaining stocks of both raw materials and manufactured products prompted most mills to hold inventories at record low levels. Mills producing slower selling goods remain on production curtailment. Longer than usual closings during July were planned at some mills.

CCC loan entries of 1981-crop cotton totaled 6,062,300 running bales through June 2. Repayments had been made on 1,671,100 bales. Loans were outstanding on 4,391,200 bales, of which 2,214,900 were Form A (producer) and 2,176,300 were Form G (cooperative) loans. Entries of 1980-crop cotton totaled 2,328,100 bales, repayments were 2,209,700 and loans were outstanding on 117,900 bales. Loans remained outstanding on 47,300 bales of Form A and 70,600 of Form G.

The Nicaraguan government recently implemented a new export incentive program which grants favorable benefits to cotton producers who export, according to the Foreign Agricultural Service, USDA. According to the program, the government will pay for cotton in "dollar certificates", rather than at the less favorable official exchange rate. In addition, the program will eliminate export taxes on cotton. The multi-tier exchange rate system and the tax benefits are intended to increase production and foreign exchange earnings.

Korea reports demand for cotton textiles continues weak in both domestic sales and exports due to sluggish economic conditions, according to the Foreign Agricultural Service, USDA. Total 1981-82 cotton consumption is estimated at 1.55 million bales, slightly more than last year. Exports of all textile products were reported at \$1.8 billion during January-April, up two percent from last year. Mills reported increased cotton usage at expense of manmade fibers because of lower 1981-82 cotton prices. Reports indicate polyester fiber price was reduced from 72.00 to 68.00 cents per pound in early May.

World cotton production projected to match consumption in 1982-83. The world cotton outlook for 1982-83 is for a close balance between production and consumption with little change in stocks. Global output is projected at 67.7 (+ 3.5) million 480 pound net weight bales, slightly above last month's forecast, but five percent below 1981-82's record 70.9 million. Mill use also is projected at a record 67.7 (+ 1.8) million bales, slightly below the May assessment, but nearly 2.0 million above 1981-82. Thus, stocks at the end of the season are expected to total close to the beginning level of 27.6 million bales, the highest since 1975.

The U. S. cotton outlook for 1982-83 features prospects for sharply smaller production, larger disappearance, and a slight decline in stocks. Production still is projected at 12.5 (+ 1.5) million bales, about 3.0 million below last year reflecting likely smaller acreage and lower yields. Assuming some recovery in textile activity later in the season, mill use could rebound from 1981-82's depressed level and total about 5.7 (+ 0.6) million bales, marginally below last month's projection. Similarly, exports are expected to improve, increasing about a tenth to 7.3 (+ 1.5) million bales, also slightly below the May forecast. The brighter export outlook for next season reflects prospects for larger foreign consumption, smaller production in major foreign exporting countries, and the largest U. S. supply in 15 years. So, with expected disappearance slightly in excess of production, stocks may total around 6.2 (+ 2.0) million bales, down from the estimated beginning level of 6.5 million.

Stocks may not vary much in foreign countries either. Production is projected at 55.2 (+ 2.4) million bales, the same as this season, as slightly higher prospective yields are expected to about offset smaller area. Mill use may total about 62.0 (+ 1.3) million bales, up from this season's 60.6 million, with about one-half of the increase originating in China. Foreign exports are expected to remain depressed. Ending stocks are projected at 21.3 (+ 2.2) million bales, fractionally above a year earlier.

The 1981-82 global cotton outlook remains basically unchanged with production and consumption still estimated at 70.9 and 65.8 million bales, respectively. However, estimated U. S. disappearance has been trimmed, reflecting more pessimistic export prospects. Recent sluggish sales and slow shipments prompted a slight downward revision to 6.7 million bales. Consequently, U. S. stocks this August 1 now are estimated at 6.5 million bales, up nearly 4.0 million from the beginning level, and the highest since 1969.

Cotton supply and use: U. S., major foreign importers and exporters, and world; marketing years 1980-81, 1981-82, and projected 1982-83 with probable variation 1/
June 11, 1982

Item	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Mill use	Exports	
<u>Million 480-pound bales</u>						
<u>1980-81</u>						
United States	3.0	11.1	<u>2/</u> 5.9	5.9		2.7
World less U. S.	19.2	54.5	20.4	59.7	14.2	19.8
Major importers <u>3/</u>	7.7	13.3	17.4	30.3	0.3	7.9
Major exporters <u>4/</u>	4.8	25.4	0.3	14.7	9.7	5.9
Others	6.7	15.7	2.7	14.8	4.3	6.0
World <u>5/</u>	22.2	65.6	20.5	65.6	20.1	22.5
<u>1981-82</u>						
United States	2.7	15.6	<u>2/</u> 5.3	6.7		6.5
World less U. S.	19.8	55.2	20.2	60.6	13.2	21.1
Major importers <u>3/</u>	7.9	14.5	17.1	31.0	0.3	8.2
Major exporters <u>4/</u>	5.9	24.7	0.3	15.0	9.0	6.6
Others	6.0	16.0	2.8	14.6	3.9	6.3
World <u>5/</u>	22.5	70.9	20.2	65.8	19.9	27.6
<u>1982-83</u>						
<u>United States</u>						
June projection	6.5	12.5	<u>2/</u> 5.7	7.3		6.2
Prob. variation		(+1.5)		(+0.6)	(+1.5)	(+2.0)
<u>World less U. S.</u>						
June projection	21.1	55.2	20.3	62.0	13.0	21.3
Prob. variation		(+2.4)	(+1.1)	(+1.3)	(+1.0)	(+2.2)
<u>World <u>5/</u></u>						
June projection	27.6	67.7	20.3	67.7	20.3	27.5
Prob. variation		(+3.5)	(+1.1)	(+1.8)	(+1.1)	(+3.2)

1/ Marketing year beginning Aug. 1. The "probable variation" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about two out of three that the outcome will fall within the implied ranges.

2/ Less than 50,000 bales.

3/ Includes Western Europe, Eastern Europe, Japan, PRC, Korea, Taiwan and Hong Kong.

4/ Includes the USSR, Pakistan, Egypt, Sudan, Turkey, Central America and Mexico.

5/ Total trade of individual countries, including intra-regional trade. World imports and exports may not balance due to cotton in transit and reporting discrepancies in some countries.

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.

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					9-market average	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement						
	Jul '82	Oct '82	Dec '82	Mar '83	May '83		
June 10	65.02	67.45	68.50	70.70	71.90	60.93	76.15
11	65.14	67.50	68.72	70.70	71.90	61.03	76.15
14	63.76	66.27	67.64	69.75	71.05	59.90	76.15
15	64.00	66.66	67.87	69.98	71.15	60.06	75.60
16	63.10	65.51	66.52	68.74	70.30	59.24	75.60
17	62.62	65.03	66.25	68.37	69.86	58.86	74.90

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

New Orleans futures contract settlement and designated spot market average for grade 41 staple 32 in cents per pound

Date	Grade 41 Staple 32					5-market average 1/
	Futures Settlement					
	Jul '82	Oct '82	Dec '82	Mar '83	May '83	
June 10	58.25	60.55	61.80	63.80	-	54.32
11	58.30	60.80	62.00	63.80	-	54.39
14	58.70	60.18	61.38	63.60	-	53.47
15	57.80	60.00	61.20	63.60	-	53.66
16	57.65	59.60	60.50	63.00	-	53.12
17	57.30	59.15	60.00	62.50	-	52.68

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

U. S. upland cotton export sales and exports, in running bales, for week and year, marketing years 1980-81 and 1981-82

Description	Marketing Year			
	1980-81		1981-82	
	Through June 11		Through June 10	
	Week	Marketing year	Week	Marketing year
Outstanding sales	-	864,300	-	1,201,300
Exports	76,500	5,195,100	132,100	5,553,000
Total export commitments	-	6,059,400	-	6,754,300
New sales	36,400	-	74,100	-
Buy-backs and cancellations	8,100	-	6,700	-
Net sales	28,300	-	67,400	-
Sales next marketing year	55,900	422,200	134,900	955,700

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

Upland cotton export sales. Renewed buyer interest during the week ended June 10 resulted in a net increase in sales of 67,400 running bales for the current marketing year and 134,900 bales for the next marketing year, according to the Foreign Agricultural Service, USDA. The major buyers in the 1982-83 marketing year were Japan 50,700 bales; South Korea 43,800 and Indonesia 19,600 bales. Exports continued at a good pace with 89 percent of the week's 132,100 bales bound for Asian destinations and eight percent to European destinations.