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Weekly Cotton Market Review

(Week ended June 7)

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Trading remained slow on spot cotton markets, according to the Cotton Division, Agricultural Marketing Service, USDA. Prices were lower. Very little cotton remained at the grower level and offerings were light. Most merchants had needs fairly well covered and were not actively seeking cotton. Domestic mill buying was light and purchases were restricted to specific qualities needed for fill-ins. Export trading was slow but steady. Through the end of May, growers had forward contracted the largest percentage of their crop in eight years. The crop made favorable progress in most areas of the Cotton Belt. General rains greatly improved crop prospects in portions of the Texas Plains and Oklahoma and planting made good progress. Some fields still lacked enough moisture to assure germination of seed. The interest rate for CCC loans disbursed in June will be 11.375 percent. CCC sold 3,089 bales of the 110,122 bales offered June 5.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 79.22 cents per pound during the week ended Thursday, June 7. Prices ranged from a high of 80.68 cents on Friday to a low of 78.64 cents on Thursday. A week earlier, prices averaged 80.99 cents per pound, ranging from 80.46 to 81.61 cents. In the corresponding week a year ago, the average price was 70.61 cents. The New York July 1984 futures settlement price ended the week on Thursday at 82.95 cents per pound compared with 84.62 cents a week earlier. The October settlement price was 78.42 cents against 80.25 cents last Thursday and the December price was 75.22 cents compared with 77.08 cents a week earlier.

Trading on spot cotton markets was very limited. Supplies and offerings were light. Merchant demand was restricted mostly to cotton needed to cover nearby commitments. Some merchants traded a light volume among themselves as they matched stocks with orders. Domestic mill buying was slow. Export trading remained fairly steady. Far Eastern mills were the major buyers. Purchases were mostly for prompt or nearby shipment and included a small volume for forward delivery. Purchases reported by cotton exchanges in the designated markets totaled 26,200 bales in the week ended Thursday, June 7. This compares with 31,000 bales a week earlier and 115,300 bales in the corresponding week last season.

Textile mill report. Mill buying maintained the conservative pace of recent weeks. Purchases were mostly truckload lots of specific qualities needed to cover spot shortages. Cotton purchased earlier for some items that are now selling slower was shifted to other products. Tightening supplies of some qualities, strong asking prices and the spread between July and October futures prices remained factors in the market. Mills continued to fill orders but new business softened in some product areas. Denim and a few light-weight apparels, along with some yarns, continued to show market weakness. Sales of athletic goods, underwear, velour, shirting and sheeting were steady to good. Most mills were on regular work schedules but production was reduced in some plants outturning denim. Reports indicate that some mills will extend the July holidays.

Forward contracting 1984 crop. United States upland cotton growers had forward contracted about 22 percent of their expected plantings by the end of May. This was the largest percentage booked by the end of May since the 1976 crop and was up from 10 percent a year earlier and 5 percent two years ago. Contracting this season has been most active in southeastern states where 33 percent had been booked, up from 17 percent in 1983 and 10 percent in 1982. Growers in south central states had contracted 31 percent, up from 24 percent a year earlier and 11 percent two years ago. Western states' growers had booked 21 percent compared with 10 percent the previous year and 9 percent in 1982. In the southwestern states, 16 percent of the crop was under contract against 3 percent a year earlier and 1 percent two years ago. These estimates were based on the Crop Reporting Board's February planting intentions report and informal surveys made by the Cotton Division, Agricultural Marketing Service, USDA.

Foreign crop report. The Cotton Outlook of Liverpool reports that the world supply situation is exceptionally obscure for the time of year. June, the penultimate month of the international marketing season, normally provides opportunity to assess the Southern Hemisphere crops in the final stages of their harvest and to reach first conclusions as to the outcome of planting in the North. However, farmers in the central growing areas of South America have once again experienced grave difficulty. The Argentine is still receiving unwelcome rain and may in consequence grow less than 150,000 tons of lint, and there is wide division of opinion in Brazil as to whether the Southern outturn will yield as much as 460,000 tons. Although the weather is now favourable in Australia, the national estimate there has been scaled down to around 645,000 bales (of about 225 kilos), almost 100,000 below original expectations. South African forecasts have been reduced a little further, to around 171,600 bales (of 200 kilos)-which should prove close to the final figure. Most Central and West African producing countries enjoyed ideal conditions for conclusion of their harvests, and several have been important sources of supply to world markets over the past few weeks.

Except in Russia, where much doubt persists as to how much early plantings were damaged by inclement May weather, the Northern Hemisphere producing countries outside the United States appear to have had a favourable sowing season. China, now the world's largest producer by a margin of several million bales, appears to foresee a crop which will not fall far short of the record 4,640,000 tons of lint pressed from the 1983-84 outturn. Crop statisticians are still struggling to interpret production reports for the Northern Hemisphere last season. India, like Pakistan before her, is now seen to have been relatively slow to appreciate the degree of damage suffered by cotton in her more northern producing regions. These are the zones in which output of shorter staple varieties is concentrated. Conversely, the longer cottons in her southern regions have probably met with unexpected success. There is thus probably now an acute scarcity of shorter cottons in the country, and an over-supply of long. Whether growers of the latter will succeed in persuading Delhi of the wisdom of releasing export quotas for longer varieties may be critical to the behaviour of world prices in such styles over the next few months. Although still perplexed as to the reasons for a sudden fall in Russian ginning outturns over the past few seasons, importing countries have become resigned to the probability that Moscow will be a very modest source of offers in most descriptions for the foreseeable future. How successfully they can look to China as an alternative supplier is undoubtedly the most fundamental question with which the market is now confronted. Peking has announced outline details of sales totalling over 100,000 tons during May, and has again expressed a keen desire to increase exports. However, the import areas named have sought in vain to identify buyers in the volume suggested, and have in consequence questioned whether business has indeed been firmly concluded on such a scale.

Forward contracting of upland cotton by growers, as of June 1, crops of 1975-1984
and prospective plantings, 1984 crop 1/

State	Cotton crops												Prospective plantings 2/ 1,000 acres
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984			
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	
Alabama	*	55	5	7	10	14	7	9	16	27			300
Georgia	-	18	1	-	5	9	9	2	1	27			165
North Carolina	-	17	14	2	6	22	2	4	22	42			80
South Carolina	1	31	15	8	10	38	1	28	45	55			100
Southeastern states	*	40	7	5	9	18	6	10	17	33			645
Arkansas	2	73	14	17	11	41	13	9	22	33			525
Louisiana	-	51	6	25	8	34	9	4	18	23			640
Mississippi	2	61	19	27	32	56	22	17	27	30			1,000
Missouri	*	83	21	15	14	78	20	12	30	49			170
Tennessee	1	61	2	6	10	17	2	6	27	41			270
South Central states	1	65	14	21	19	46	15	11	24	31			2,605
Oklahoma	-	1	19	26	3	4	-	1	-	13			450
Texas	-	9	15	7	9	11	3	1	4	16			5,000
Southwestern states	-	9	16	8	8	11	2	1	3	16			5,450
Arizona	1	37	47	32	14	26	6	15	8	10			450
California	19	55	28	35	18	15	5	8	11	26			1,450
New Mexico	-	4	12	9	6	1	-	*	-	1			68
Western states	13	48	31	33	16	17	5	9	10	21			1,968
United States	2	36	17	16	12	19	6	5	10	22			10,668

1/ Contracting estimates for 1975 through 1980 based on April prospective plantings report; 1981 based on March; 1983 based on May; 1982 and 1984 based on February. Does not include cotton consigned to marketing organizations but does include cotton contracted with marketing organizations.

2/ February 1984, Crop Reporting Board, Statistical Reporting Service, USDA.

* Less than 0.5 percent.

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			
May 31	84.62	80.25	77.08	78.15	78.60	80.46	86.60	
June 1	84.91	80.45	77.42	78.65	79.15	80.68	86.30	
4	82.91	78.45	75.42	76.65	77.15	78.93	86.40	
5	83.12	78.26	75.05	76.16	77.10	79.02	85.55	
6	83.10	78.25	74.95	76.05	76.90	78.82	85.35	
7	82.95	78.42	75.22	76.45	77.10	78.64	85.15	

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 1982-83 and 1983-84

Description	Marketing Year			
	1982-83		1983-84	
	Through June 2		Through May 31	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	1,268,500	-	1,274,300
Exports	91,000	4,017,800	121,200	5,657,700
Total export commitments	-	5,286,300	-	6,932,000
New sales	49,600	-	32,900	-
Buy-backs and cancellations	11,100	-	28,500	-
Net sales	38,500	-	4,400	-
Sales next marketing year	60,500	1,444,300	47,000	1,288,600

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

Upland cotton export sales for the current marketing year resulted in a net increase of 4,400 running bales during the week ended May 31, according to the Foreign Agricultural Service, USDA. These sales were primarily the result of additional sales to Japan of 9,700 bales and Yugoslavia 6,400 bales and a net reduction of 10,000 bales for Pakistan. Sales for the 1984-85 marketing year totaled 47,000 bales and were primarily to Israel 15,800 bales, South Korea 10,100 bales, Thailand 7,300 and Bangladesh 5,000 bales. Weekly exports totaled 121,200 bales. Asian destinations accounted for 70 percent of the week's shipments, the USSR 15 percent, Western Europe 8 percent and Western Hemisphere 6 percent.