

# UNITED STATES DEPARTMENT OF AGRICULTURE

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REFERENCE ROOM

## Weekly Cotton Market Review

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March 5, 1991

Spot cotton quotations for grade 41 staple 34, mike 35-49, in the designated markets averaged 80.61 cents per pound during the week ending Friday, March 1, according to the Cotton Division, Agricultural Marketing Service, USDA. Quotations averaged 112 points higher than the previous week. Daily average quotations ranged from a low of 79.92 cents on Tuesday, February 26, to a high of 81.49 cents on Friday, March 1. Spot cotton quotations averaged 79.49 cents a week earlier and 66.15 cents in the corresponding week last year. The New York May 1991 futures settlement price closed on Friday at 88.38 cents compared with 87.44 cents a week earlier. The July 1991 settlement price was 86.56 cents compared with 86.58 cents the previous week. Spot transactions reported in the designated markets totaled 13,847 bales during the week ending Friday, March 1. This compares with 38,518 bales reported during the previous week and 49,865 bales in the corresponding week last season.

Southeastern markets. Trading activity slowed. Supplies of free cotton continued to dwindle. Demand remained good for grades 51, 42 and higher, staples 34 and longer with strengths of 26 grams per tex and above. Cotton with low strengths and grades were discounted heavily. Growers offered freely. Mixed lots of mostly grades 41 and higher, staples 34 and longer, mike 35-49 brought 250 to 300 points off New York May futures, FOB trucks in Georgia. In Alabama and the Carolinas prices were mostly 400 to 450 points off, FOB warehouse. Prices on grades 51 and 42 sold at around 200 to 300 points lower than grade 41. High grade, high strength cotton brought premiums of 100 to 150 points. A few short lower strength staple lots traded at discounts of 200 to 300 points. Equities traded at 22 to 28 cents per pound. The volume of 1991 crop contracting was small.

South central markets. Activity was light. Demand remained best for grades 41 and higher, and weakest for low grade and low mike cotton. Grower held supplies were depleted. Supplies held by merchants were adequate enough to meet demand. Prices were steady. In the light volume of trading, mixed lots of mostly grades 41, staples 34 and longer, mike 35-49 sold at around 80 to 80.25 cents. Equity trading remained slow. A light volume of grade 41 equities traded at around 26 cents per pound. Domestic mills purchases were light to moderate and primarily for nearby through third quarter 1992 delivery. Export trading was slow.

Southwestern markets. Spot cotton trading slowed. Supplies were limited. Demand was light to moderate. Prices were steady to firm. Mixed lots brought around 2,200 to 2,700 points above CCC loan rates. A few current-crop equities traded at \$110 to \$135 per bale. Some buyers paid premiums of 25 to 50 points for cotton with 27 and higher strength readings and discounted strengths of 23 and lower by 25 to 100 points. Interest in forward contracting continued to increase and a moderate amount of acreage was contracted in south and central Texas areas. Prices for grade 41 staple 34, mike 35-49 contracts varied from 65 to 74.50 cents depending on dryland versus irrigated acreage and picker versus stripper harvested methods. A limited acreage was contracted in the west Texas and southwest Oklahoma under widely varying terms. Cotton planting activities expanded in south Texas.

Western markets. Trading was very slow in the San Joaquin Valley (SJV). Prices were slightly weaker. Grade 31 staples 35-37, mike 35-49 traded at around 87.55 cents per pound, UD, warehouse, charges paid. European mills purchased a small amount for prompt and nearby shipment. In the Desert Southwest (DSW), grower to merchant trading remained



slow. Grade 41, mike 35-49 brought around 80.75 cents of grades 62 and lower brought around 57.75 cents. Domestic mills purchased a moderate volume for prompt shipment. Far Eastern mills purchased a small volume of high grade California and Arizona growths for prompt shipment. In the SJV, growers forward contracted a light volume of 1991 crop at 1,000 to 1,200 points on the December futures market, basis grade 31 staple 35, mike 35-49. In Arizona, growers booked a moderate volume at 69.50 to 71 cents per pound, basis grade 31 staple 34. Trading in American Pima was slow. A small volume of grade 3 traded in Arizona at around \$1.16 per pound, and grade 4 brought 96 cents to \$1.00 per pound. A limited acreage of 1991 crop Pima was booked at \$1.10 per pound, basis grade 3.

Textile mill. Domestic mill buying slowed. A moderate volume of cotton with a wide range of qualities and delivery dates has been purchased in recent weeks. A few mills bought new-crop cotton for delivery through July 1992, while others covered a portion of needs through October-December 1991. Some mills requested delayed shipments on previously purchased cotton and some sellers agreed to delay shipments into the new crop. Many mills were fixing prices on cotton purchased earlier in the year. Mill business remained slow for most products. Military contracts were keeping many small mills operating at peak capacity, while others operated on reduced work schedules. Mill workweeks remained at mostly five to seven days.

Cotton Stocks To Plummet Despite Rise In Production. The 1990 U.S. cotton crop totaled an estimated 15.6 million bales, about one-third over last season, with upland production at 15.25 million bales and extra-long staple at 363,000 bales. Harvested area in 1990 was 11.7 million acres, 23 percent ahead of last season, reflecting the lower 12.5 percent Acreage Reduction Program (ARP) this season (25 percent last season) and a more normal abandonment rate of 6 percent (10 percent last season). Yield per harvested acre in 1990-91 is estimated at 640 pounds, up 26 pounds or 4 percent from last year. Final acreage, yield, and production data for 1990 will be released on May 9.

Domestic mill consumption of cotton in 1990-91 is estimated at 8.4 million bales, down 400,000 from last season in response to a smaller supply of cotton, a weaker economy, and more competitive polyester fiber prices. Seasonally adjusted annual rates of domestic mill consumption of cotton declined steadily from August's 8.7 million bale level to 8.2 million in November, before plummeting in December to 7.6 million with longer than usual seasonal plant shutdowns. For the first 5 months of the 1990-91 season, the seasonally adjusted annual rate has averaged 8.4 million bales.

U.S. 1990-91 cotton export prospects have risen substantially since early season expectations of only 6.8 million bales. In February, exports for the current season were projected at 8 million bales. Large sales to China and other Pacific Rim countries have boosted export prospects. At the end of January, first-half-season actual shipments were at their highest level since the 1979-80 season. Tight foreign stocks and competitive U.S. cotton prices are largely responsible for the larger exports this season.

U.S. 1990-91 ending stocks are projected to fall 700,000 bales from last season to 2.3 million. The U.S. ending stocks-to-use ratio in 1990-91 is estimated at 14 percent. These levels represent the lowest ending stocks and ending stocks-to-use in 66 years.

During the first half of the 1990-91 marketing year, cotton prices on the Northern European market averaged about 2 cents higher than a year earlier with the A-Index averaging nearly 83 cents per pound and the B-Index, 78 cents. U.S. quotes on the Northern European market were very competitive during the first 6 months of the season. Since February, however, U.S. quotes have risen sharply and have become less competitive. In late February, the adjusted world price (AWP) reached 69 cents per pound, compared with 61 cents a year ago. U.S. spot prices began the 1990-91 season close to 79 cents per pound, declined to near 70 cents in mid-November, and have rebounded to 81 cents in late February. This season's higher prices are attributable to tight stocks and continued strong demand.

The national average cotton price for calendar-year 1990 was 65.6 cents per pound (60.3 in 1989). Upland cotton producers who participated in the 1990 Acreage Reduction Program received a deficiency payment rate of 7.3 cents per pound (13.1 in 1989), the difference between the established target price and the calendar-year average price. The



7.3 cent rate was reduced to 6.785 cents under the Omnibus Budget Reconciliation Act of 1989. Some producers received an advance payment of 3.685 cents per pound, and were later paid 3.1 cents per pound. Those producers not receiving an advance payment received the full 6.785 cents. Both advance and final deficiency payments were reduced by 1.4 percent under the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings). Final deficiency payments of about \$185 million for 1990-crop upland cotton were made during February.

World cotton production in 1990-91 is projected at 86 million bales, up nearly 8 percent from last season. Despite the large increase in production, consumption is expected to exceed production for the fifth straight year. Foreign cotton production in 1990-91 is projected at 70.4 million bales, 4 percent ahead of last year. Foreign consumption in 1990-91 is expected to fall slightly below last season's 78.5 million bales, ending a 6-year period of increase.

World ending stocks are projected to fall 1.1 million bales in 1990-91 to 22.7 million the fifth year of decline. Foreign ending stocks in 1990-91 are expected to decline about 400,000 bales to 20.4 million. World and foreign ending stocks-to-use ratios are expected to fall further this season to slightly more than 26 percent.

In 1991-92, U.S. cotton production is expected to increase from the current season's large outturn. The projected increase is attributable to the lower ARP (5 percent) and a likely shift to cotton of flexible base acreage from other crops. With larger acreage, average yields, and normal abandonment, production is likely to range between 15 and 19 million bales.

Forward contracting of 1991-crop cotton. United States upland cotton growers had forward contracted about 693,200 acres of the 1991 crop by February 28. This compares with 463,200 acres booked by the end of February last season. In the southeastern states, around 54,500 acres had been booked against 44,800 acres last year. Growers in the south central states had contracted around 109,400 acres, down from 167,200 acres a year ago. In the southwestern states, around 418,300 acres were under contract compared with 174,000 acres in 1990. Western states' growers had about 111,000 acres sold ahead, up from 77,200 acres the previous year. These estimates were based on informal surveys made by the Cotton Division, Agricultural Marketing Service, USDA.

Prices received by farmers for upland cotton averaged 66.80 cents per pound in mid February, according to the National Agricultural Statistics Service, USDA. This compares with 64.20 cents for the entire month of January and 61.00 cents in February 1990. These prices include cotton delivered against forward contracts.

Four months and older certificated stock, as of February 28, 1991

| Aging             | Delivery points |         |         |             |            |             |
|-------------------|-----------------|---------|---------|-------------|------------|-------------|
|                   | Galveston       | Memphis | Houston | New Orleans | Greenville | Total stock |
|                   | Bales           | Bales   | Bales   | Bales       | Bales      | Bales       |
| 4 Months          | 22              | 348     | -       | -           | -          | 370         |
| 5 Months          | -               | 4,755   | -       | -           | -          | 4,755       |
| 6 Months          | -               | -       | -       | -           | -          | 0           |
| 7 Months          | 79              | 43      | 7       | 29          | -          | 158         |
| 8 Months          | -               | -       | -       | -           | -          | 0           |
| 9 Months          | -               | -       | -       | -           | -          | 0           |
| 10 Months         | 4               | 1       | -       | -           | -          | 5           |
| 11 Months         | 9               | -       | -       | 3           | -          | 12          |
| 12 Months         | 4               | 53      | -       | 24          | -          | 81          |
| 13 Months         | 6               | 39      | -       | -           | -          | 45          |
| 14 Months         | 13              | 8       | -       | -           | -          | 21          |
| 15 Months         | 5               | 3       | 1       | -           | -          | 9           |
| 16 Months         | 111             | 47      | 4       | -           | -          | 162         |
| 17 Months         | 14              | -       | -       | -           | -          | 14          |
| 18 Months         | 9               | -       | -       | -           | -          | 9           |
| 19 Months         | 4               | -       | 1       | -           | -          | 5           |
| 20 Months         | -               | -       | -       | -           | -          | 0           |
| 21 Months         | 4               | -       | 4       | -           | -          | 8           |
| 22 Months         | 1               | 1       | 3       | -           | -          | 5           |
| 23 Months & older | 3               | 9       | 1       | -           | -          | 13          |
| Total             | 288             | 5,307   | 21      | 56          | 0          | 5,672       |



World market price, in cents per pound, adjusted to U.S. quality and location, for grade 41 staple 34, mike 35-49 upland cotton and the coarse count adjustment in effect from 12:01 a.m. Friday through 12:00 midnight Thursday

| Description             | 1991                 |           |            |            |          |
|-------------------------|----------------------|-----------|------------|------------|----------|
|                         | Feb. 1-7             | Feb. 8-14 | Feb. 15-21 | Feb. 22-28 | Mar. 1-7 |
|                         | Adjusted world price | 67.77     | 68.74      | 68.90      | 69.02    |
| Course count adjustment | 2.40                 | 2.76      | 3.12       | 2.73       | 2.15     |

Source: Agricultural Stabilization and Conservation 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 |         |         |         |         | 7 Mkt.: Average | Grade 31 : 'A' Index 1/2 | Coarse : 'B' Index 1/2 |
|---------|--------------------|---------|---------|---------|---------|-----------------|--------------------------|------------------------|
|         | Futures Settlement |         |         |         |         |                 |                          |                        |
|         | Mar '91            | May '91 | Jul '91 | Oct '91 | Dec '91 |                 |                          |                        |
| Feb. 25 | 86.35              | 87.24   | 86.08   | 73.12   | 68.27   | 81.10           | 85.55                    | 79.25                  |
| 26      | 85.15              | 85.59   | 84.51   | 72.10   | 67.86   | 79.92           | 85.50                    | 79.15                  |
| 27      | 85.65              | 86.12   | 84.82   | 72.05   | 67.85   | 80.16           | 84.90                    | 78.60                  |
| 28      | 87.10              | 87.43   | 85.98   | 72.77   | 68.13   | 80.38           | 85.10                    | 78.90                  |
| Mar. 1  | 88.10              | 88.38   | 86.56   | 72.87   | 68.37   | 81.49           | 85.70                    | 79.75                  |

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 1989-90 and 1990-91

| Description                 | Marketing Year      |                     |                     |                     |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
|                             | 1989-90             |                     | 1990-91             |                     |
|                             | Through February 22 | Through February 21 | Through February 22 | Through February 21 |
|                             | Week                | Marketing Year      | Week                | Marketing Year      |
| Outstanding sales           | -                   | 2,539,100           | -                   | 2,988,900           |
| Exports                     | 194,900             | 3,716,800           | 204,900             | 4,099,100           |
| Total export commitments    | -                   | 6,255,900           | -                   | 7,088,000           |
| New sales                   | 66,600              | -                   | 74,900              | -                   |
| Buy-backs and cancellations | 2,700               | -                   | 8,200               | -                   |
| Net sales                   | 63,900              | -                   | 66,700              | -                   |
| Sales next marketing year   | 21,700              | 364,800             | 52,300              | 487,300             |

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

NOTE: Data may not add due to rounding.

Upland cotton export sales. Sales of 66,700 running bales were above by two and one-third during the week ending February 21, according to the Foreign Agricultural Service, USDA. The major purchasers were South Korea with purchases of 40,400 bales and Japan 14,200 bales. Sales for the 1991-92 marketing year of 52,300 bales were mainly for Japan with purchases of 19,800 bales, Indonesia 10,200, South Korea 6,700, and Mexico 6,000 bales. Exports of 204,900 bales were off 19 percent from the previous week. Asian destinations accounted for 55 percent of the week's shipments; African 26 percent; West European 15 percent; and Western Hemisphere 4 percent.

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NOTE: Portions of the narrative from this report are available on the USDA's Electronic Dissemination of Information System. If you are interested in receiving this information electronically, contact Russell Forte at 202-447-5505.



SPOT COTTON QUOTATIONS - UPLAND

March 1, 1991

Spot quotations are in cents per pound for cotton equal to the Official Standards with mike readings of 35-49, net weight, in mixed lots, uncompressed, free of all charges in the 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.

| SOUTHEAST |       |       |       | NORTH DELTA |       |       |       | SOUTH DELTA |       |       |       | DESERT SOUTHWEST |       |       |       |       |
|-----------|-------|-------|-------|-------------|-------|-------|-------|-------------|-------|-------|-------|------------------|-------|-------|-------|-------|
| Grade     |       | :     |       | Grade       |       | :     |       | Grade       |       | :     |       | Grade            |       | :     |       |       |
| 31        | 41    | 51    | 42    | 31          | 41    | 51    | 42    | Staple      | 31    | 41    | 51    | 42               | 21    | 31    | 41    | 32    |
| 82.63     | 81.38 | 78.63 | 79.13 | 81.63       | 80.38 | 77.38 | 77.63 | 33          | 81.63 | 80.38 | 76.38 | 77.08            | 80.38 | 80.38 | 78.38 | 78.38 |
| 84.63     | 84.13 | 81.63 | 82.38 | 84.38       | 83.13 | 79.88 | 80.13 | 34          | 84.13 | 83.13 | 79.13 | 79.83            | 84.38 | 84.38 | 82.38 | 82.38 |
| 84.88     | 84.38 | 81.88 | 82.63 | 84.98       | 83.88 | 80.48 | 80.73 | 35          | 84.23 | 83.23 | 79.23 | 79.93            | 84.48 | 84.48 | 82.48 | 82.48 |
| 85.03     | 84.53 | 82.03 | 82.78 | 85.08       | 83.98 | 80.58 | 80.83 | 36          | 84.33 | 83.33 | 79.33 | 80.03            | 84.48 | 84.48 | 82.48 | 82.48 |

| EAST TEXAS-OKLAHOMA |       |       |       | WEST TEXAS |       |       |       | SAN JOAQUIN VALLEY |       |       |       |       |   |
|---------------------|-------|-------|-------|------------|-------|-------|-------|--------------------|-------|-------|-------|-------|---|
| Grade               |       | :     |       | Grade      |       | :     |       | Grade              |       | :     |       | Grade |   |
| 31                  | 41    | 32    | 42    | 31         | 41    | 32    | 42    | Staple             | 21    | 31    | 41    | 51    |   |
| 67.15               | 67.00 | 65.55 | 64.30 | 67.05      | 66.55 | 66.05 | 64.05 | 29                 | -     | -     | -     | -     | - |
| 68.25               | 67.75 | 67.05 | 65.10 | 67.80      | 67.55 | 67.55 | 64.85 | 30                 | -     | -     | -     | -     | - |
| 71.15               | 69.75 | 69.30 | 67.35 | 71.15      | 70.15 | 69.80 | 67.60 | 31                 | -     | -     | -     | -     | - |
| 73.30               | 72.00 | 71.55 | 68.85 | 73.45      | 72.45 | 72.05 | 68.60 | 32                 | -     | -     | -     | -     | - |
| 75.80               | 74.80 | 74.00 | 70.75 | 75.45      | 74.30 | 74.50 | 71.00 | 33                 | -     | -     | -     | -     | - |
| 78.10               | 76.50 | 77.30 | 71.95 | 77.85      | 76.50 | 77.30 | 71.70 | 34                 | 85.63 | 85.38 | 84.63 | 81.88 | - |
| 78.40               | 77.50 | 77.80 | 72.85 | 78.65      | 77.85 | 77.80 | 72.80 | 35                 | 87.38 | 87.13 | 86.38 | 82.88 | - |
| 78.50               | 78.35 | 77.90 | 72.85 | 78.65      | 77.95 | 77.90 | 73.05 | 36                 | 87.48 | 87.23 | 86.48 | 82.88 | - |
| 78.50               | 78.35 | 77.90 | 72.85 | 78.65      | 77.95 | 77.90 | 73.05 | 37                 | 87.58 | 87.33 | 86.58 | 82.88 | - |

MIKE DIFFERENCES - POINTS PER POUND

| SOUTH-EAST | NORTH DELTA | SOUTH DELTA | EAST TX-OK | MIKE RANGES | WEST TEXAS | DESERT SW | SJV   | AVG   |
|------------|-------------|-------------|------------|-------------|------------|-----------|-------|-------|
| -1250      | -1215       | -           | -1300      | 26 & Below  | -1300      | -2200     | -     | -1453 |
| -800       | -840        | -840        | -650       | 27-29       | -650       | -1500     | -1500 | -969  |
| -500       | -525        | -525        | -400       | 30-32       | -400       | -900      | -950  | -600  |
| -250       | -230        | -230        | -175       | 33-34       | -175       | -450      | -350  | -266  |
| 0          | 0           | 0           | 0          | 35-49       | 0          | 0         | 0     | 0     |
| -200       | -155        | -155        | -225       | 50-52       | -225       | -200      | -100  | -180  |
| -250       | -240        | -240        | -300       | 53 & Above  | -          | -250      | -     | -256  |

SPOT QUOTATIONS - AMERICAN PIMA

| Staple | Grade           | Grade  | Grade  | Grade  | Grade | Grade | Grade | Mike ranges | Points per pound |       |
|--------|-----------------|--------|--------|--------|-------|-------|-------|-------------|------------------|-------|
| :      | 01              | 02     | 03     | 04     | 05    | 06    | :     | :           | :                |       |
| :      | Cents per pound |        |        |        |       |       |       | :           | 26 & Below       | -3100 |
| :      |                 |        |        |        |       |       |       | :           | 27-29            | -2275 |
| 44     | 119.25          | 119.00 | 116.00 | 99.50  | 68.00 | 54.00 | :     | 30-32       | -1200            |       |
| :      |                 |        |        |        |       |       |       | :           | 33-34            | -300  |
| 46     | 119.75          | 119.50 | 116.50 | 100.00 | 68.00 | 54.00 | :     | 35 & Above  | 0                |       |

LANDED MILL QUOTATIONS - GROUP 201 MILL POINTS

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

| SOUTHEASTERN GROWTHS |       |       |       | DELTA GROWTHS |       |       |       | TEXAS-OKLAHOMA GROWTHS |       |       |       | CALIFORNIA (SJV) GROWTHS |       |       |       |
|----------------------|-------|-------|-------|---------------|-------|-------|-------|------------------------|-------|-------|-------|--------------------------|-------|-------|-------|
| Grade                |       | :     |       | Grade         |       | :     |       | Grade                  |       | :     |       | Grade                    |       | :     |       |
| 31                   | 41    | 51    | 42    | 31            | 41    | 51    | 42    | Staple                 | 41    | 51    | 32    | 42                       | 31    | 41    | 51    |
| -                    | -     | -     | -     | -             | -     | -     | -     | 29                     | 81.00 | 77.75 | 81.00 | 78.50                    | -     | -     | -     |
| -                    | -     | -     | -     | -             | -     | -     | -     | 30                     | 82.75 | 80.25 | 82.75 | 80.75                    | -     | -     | -     |
| -                    | -     | -     | -     | -             | -     | -     | -     | 31                     | 84.25 | 81.50 | 84.25 | 82.25                    | -     | -     | -     |
| -                    | -     | -     | -     | -             | -     | -     | -     | 32                     | 85.75 | 82.50 | 85.75 | 83.00                    | -     | -     | -     |
| 91.50                | 90.25 | 88.25 | 88.75 | 92.00         | 90.75 | 88.50 | 89.00 | 33                     | 87.75 | 83.75 | 87.75 | 84.25                    | -     | -     | -     |
| 92.50                | 91.00 | 89.25 | 89.75 | 93.00         | 91.50 | 89.50 | 90.00 | 34                     | 90.25 | 85.50 | 90.25 | 86.00                    | 95.00 | 93.75 | 90.75 |
| 93.00                | 91.75 | 89.75 | 90.25 | 93.50         | 92.25 | 90.00 | 90.50 | 35                     | -     | -     | -     | -                        | 96.50 | 95.25 | 92.00 |
| -                    | -     | -     | -     | -             | -     | -     | -     | 36                     | -     | -     | -     | -                        | 96.75 | 95.50 | 92.00 |