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USDA

Weekly Cotton Market Review

Vol. 67, No. 39 May 1, 1986

Grower-to-merchant trading was a little more active on spot cotton markets, according to the Cotton Division, Agricultural Marketing Service, USDA. Both growers and merchants were more active traders following announcement of additional farm program details on April 24. Most trading was in CCC loan equities. Supplies were generally adequate to meet demand but some qualities were becoming very limited. Domestic mill buying remained slow for cotton for prompt and nearby delivery and moderate for forward delivery. Forward contracting of 1986-crop cotton by growers was restricted to a small volume in California's San Joaquin Valley, south Texas and the Mississippi Delta. Cooler temperatures and insufficient soil moisture continued to hamper planting in southeastern and south central states. Beneficial rains fell in parts of the Texas Plains and in Oklahoma but many growers would welcome additional moisture before planting dryland acreages. Portions of central and south Texas remain dry and while young cotton appears to be holding its own, rain is needed. Planting neared completion in Arizona and California. USDA announced on April 24 the formula for determining world price, adjusted to U.S. quality and location, and a price support loan rate of 55.00 cents per pound for the base quality of upland cotton.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 63.38 cents per pound during the week ended Thursday, May 1. Prices ranged from a low of 63.21 cents on Friday to a high of 63.71 cents on Wednesday. A week earlier, prices averaged 63.02 cents per pound and ranged from 62.85 to 63.21 cents. In the corresponding week a year ago, the average price was 60.17 cents. The New York July 1986 futures settlement price ended the week on Thursday at 65.87 cents per pound compared with 65.37 cents a week earlier. The October settlement price was 37.60 cents against 37.30 cents last Thursday and the December price was 37.73 cents compared with 37.60 cents a week earlier.

Trading increased on many spot markets following USDA's announcement of additional details on the 1986 cotton programs. The bulk of trading continued to be in CCC loan equities. Growers offered a little more freely at slightly higher prices and merchants were more willing buyers. Supplies and offerings were generally adequate for most buyers' needs but some qualities were becoming very limited in some markets. Domestic mills continued to buy a small volume for prompt and nearby needs, mostly to fill gaps in inventories or to cover ongoing sales of textile goods. Buying for fourth quarter and later delivery remained moderate. Some mills continued to buy CCC loan equities. Export trading was light although, foreign inquiries were fairly heavy. Both European and Far Easterns mills made limited purchases. Purchases reported by cotton exchanges in the designated markets totaled 132,600 bales in the week ended Thursday, May 1. This compares with 105,000 bales reported a week earlier and 45,900 bales in the corresponding week a year ago.

Textile mill report. Mill purchases for prompt shipment were light and intermittent. Forward buying was moderately active and largely for fourth quarter and later delivery. Interest remained best for central and western growths, grades 41 and lower. Prices were firm and many shippers were hesitant to make commitments on some qualities for deferred delivery. Mills continued to operate five and six-day work schedules with a few plants on seven days. Orders for new business were being booked over a fairly wide range of textile goods with some products sold into fourth quarter months. Athletic wear, yarns, underwear and most apparels continued to sell readily. Most other product sales were steady.

Prices received by farmers for upland cotton averaged 55.10 cents per pound in mid April, according to the Statistical Reporting Service, USDA. This compares with 55.00 cents for the entire month of March and 57.00 cents in April 1985. These prices include cotton delivered against forward contracts.

USDA ANNOUNCES ADDITIONAL PROVISIONS OF 1986 COTTON PROGRAMS

The U.S. Department of Agriculture announced on April 24 additional details of the 1986 upland and extra long staple cotton programs.

Additional 1986 upland cotton program provisions announced include:

-- A prevailing world market price, adjusted to U.S. quality and location (adjusted world price) of 33.62 cents per pound for Strict Low Middling 1-1/16 inch (micronaire 3.5 through 4.9) cotton at average U.S. location (base quality).

-- A price support loan rate of 55 cents per pound for the base quality.

-- Implementation of Plan A in order to make U.S. upland cotton competitive in the world markets.

-- Loan repayment rates equal to 80 percent of the loan rate for each quality of cotton.

-- A recourse seed cotton loan program for both upland and ELS cotton.

The loan rate of 55 cents per pound for the base quality is the minimum permitted by law. The schedule of premiums and discounts for other qualities will be issued soon.

Details of the world price formula were also announced. The adjusted world price of 33.62 cents per pound was determined in accordance with the announced formula. The adjusted world price announced is used only for the purpose of determining whether or not Plan A or Plan B is required to be implemented in order to make U.S. upland cotton competitive in world markets and, if so, the level of the loan repayment rate. If the adjusted world price is below the base loan rate, producers must be permitted to repay loans at a level less than the loan rate. Under Plan A, the loan repayment rate cannot be set at less than 80 percent of the loan rate. Once announced, the repayment rate will stay fixed for the entire crop year. Under Plan B, the loan repayment rate is set at the adjusted world price. The repayment rate will vary weekly as the adjusted world price varies. Since the adjusted world price is below the base loan rate, USDA is required to implement either Plan A or Plan B. Plan A is being implemented. The loan repayment rates will be equal to 80 percent of the loan rate for each quality of cotton.

Eligible producers who agree to forego loan eligibility will receive loan deficiency payments at a payment rate equal to the difference between the loan rate and the loan repayment rate. Payment will be made on the quantity of cotton otherwise eligible for loan but not to exceed a quantity determined by multiplying the individual farm program acreage by the farm program payment yield. Fifty percent of this payment will be paid in cash and 50 percent will be paid in commodity certificates redeemable in cotton.

A recourse loan program for upland and ELS seed cotton will again be offered. It is designed to help producers reduce harvesting, marketing and processing costs. The seed cotton will be adjusted to a lint basis and the loan rate applicable to lint cotton will be used. Recourse means the borrower is obligated to pay back the full dollar amount of the loan.

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USDA ANNOUNCES FORMULA FOR DETERMINING WORLD PRICE OF UPLAND COTTON

The formula the U.S. Department of Agriculture will use to determine the prevailing world market price, adjusted to U.S. quality and location, for upland cotton was announced on April 24.

These actions are required by the Agricultural Act of 1949, as amended by the Food Security Act of 1985. The adjusted world market price for upland cotton will be used under several provisions of the upland cotton program for the 1986 through 1990 crops.

The prevailing world market price for upland cotton will be determined as follows:

1. The prevailing world market price for upland cotton will be based upon the average of the quotations for the preceding Friday through Thursday for the five lowest-priced growths quoted for Middling (M) 1-3/32 inch cotton C.I.F. (cost, insurance, freight) Northern Europe (Northern Europe price).

If price quotations are not available for one or more days in the five-day period, the available quotations during the period will be used. If no price quotations are available during the Friday through Thursday period, the prevailing world market price will be based upon the best available information.

2. The Northern Europe price will be adjusted to average U.S. spot market location by deducting the average difference during the preceding 156-week period, excluding price quotations for June, July, and August of each year, between:

a. the average of the price quotations each Thursday for U.S. Memphis territory and California/Arizona M 1-3/32 inch cotton C.I.F. Northern Europe, and;

b. the average of the price quotations each Thursday in the designated spot markets for M 1-3/32 inch (micronaire 3.5 through 4.9) cotton.

3. The price derived in item 2 will be adjusted from M 1-3/32 inch to Strict Low Middling (SLM) 1-1/16 inch (micronaire 3.5 through 4.9) cotton by deducting the difference between the announced U.S. price support loan rates for M 1-3/32 inch (micronaire 3.5 through 4.9) and SLM 1-1/16 inch (micronaire 3.5 through 4.9) cotton.

4. The price derived in item 3 will be adjusted to average U.S. location by deducting the difference between the average loan rate for SLM 1-1/16 inch (micronaire 3.5 through 4.9) cotton in the spot markets and the announced U.S. loan rate for SLM 1-1/16 inch (micronaire 3.5 through 4.9) cotton at average U.S. location.

The adjusted world price for upland cotton will be determined weekly and will be announced by the USDA as soon as possible after 4:00 p.m. Eastern time each Thursday beginning July 3, 1986, continuing through the last Thursday of July 1991. In the event that Thursday is not a workday, the determination will be announced the next workday.

The adjusted world price will be subject to further adjustments for any grade of upland cotton with a staple length of 1 inch or shorter or for any staple length of upland cotton with a grade which has a price support loan discount for grade and staple length of 8 cents per pound or higher.

Grade and staple length must be determined by an official classification issued by USDA's Agricultural Marketing Service. This adjustment will be determined by deducting from the adjusted world price (1) the difference between the Northern Europe price and the average of the quotations for the corresponding Friday through Thursday for the three lowest-priced growths of the growths quoted for "coarse count" cotton C.I.F. Northern Europe (Northern Europe coarse count price), minus (2) the difference between the announced U.S. price support loan rates for M 1-3/32 inch (micronaire 3.5 through 4.9) and SLM 1 inch (micronaire 3.5 through 4.9) cotton. In determining the Northern Europe coarse count price, if price quotations are not available for one or more days in the five-day period, the available quotations during the period will be used. If price quotations for three growths are not available for any day in the five-day period, that day will not be taken into consideration. If price quotations for three growths are not available for at least three days in the five-day period, that week will not be taken into consideration, in which case the adjustment in effect for the latest available week will apply. The additional adjustment will not be made if the amount of the adjustment is less than 1 cent per pound.

The value of other qualities at each warehouse location will be based upon the adjusted world price, further adjusted by the premiums and discounts for grade and staple, discounts for micronaire, and location differentials applicable to each warehouse location as announced under the upland cotton price support loan program.

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		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	55.10 1/	September	55.10		Calendar		
May	57.50		October	56.70		year avg.	54.70	

1/ Mid-month price.

Source: Statistical Reporting Service, USDA

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							Grade 31 Staple 35
		Futures Settlement						Desig. 8- Mkt. Avg.	'A' Index 1/
		May '86	Jul '86	Oct '86	Dec '86	Mar '87	May '87		
Apr.	24	65.35	65.37	37.30	37.60	38.66	39.55	63.21	47.50
	25	65.75	65.40	36.06	36.38	37.45	38.40	63.21	47.50
	28	66.05	65.64	36.35	36.51	37.55	38.35	63.27	47.10
	29	65.65	65.73	36.83	37.10	37.90	38.70	63.30	47.10
	30	66.80	66.87	38.83	39.10	39.90	40.70	63.71	46.80
May	1	66.07	65.87	37.60	37.73	38.62	39.40	63.39	46.75

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 1984-85 and 1985-86

Description	Marketing Year			
	1984-85 Through April 25		1985-86 Through April 24	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	1,519,200	-	300,000
Exports	70,200	4,760,100	46,000	1,608,900
Total export commitments	-	6,279,300	-	1,908,900
New sales	48,200	-	11,600	-
Buy-backs and cancellations	15,000	-	3,500	-
Net sales	33,200	-	8,100	-
Sales next marketing year	42,900	477,100	83,500	778,600

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

Upland cotton export sales for the current marketing year resulted in a net increase of 8,100 running bales during the week ended April 24, according to the Foreign Agricultural Service, USDA. The major buyers were Japan with 7,500 bales and Thailand with 2,000 bales. Net sales for the 1986-87 marketing year totaled 83,500 bales and were primarily to South Korea, 58,300 bales; Taiwan, 16,700 bales; and Indonesia, 9,300 bales. Sales to Japan for 1986-87 declined by 10,300 bales. Weekly exports totaled 46,000 bales, up 79 percent from the previous week. African destinations accounted for 64 percent of the week's shipments, Asian 32 percent and West European 4 percent.