

UNITED STATES DEPARTMENT OF AGRICULTURE  
**TEXAS TECH** AGRICULTURAL MARKETING SERVICE  
COTTON DIVISION  
Dept of Ag 6601 SUMMER AVENUE, MEMPHIS, TENNESSEE 38122  
Ref. Room Telephone 901-521-2934



## Weekly Cotton Market Review

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Spot cotton prices remained fairly steady, according to the Cotton Division, Agricultural Marketing Service, USDA. Supplies were large and fully adequate to meet demand. Offerings increased but many growers refused to sell at bid prices and eligible cotton was entering the CCC loan. Merchants bought primarily to cover existing commitments. Domestic mill buying was steady with continued interest in California and Texas Plains cotton. Export trading remained slow. More favorable weather allowed harvesting and ginning to increase rapidly on the Texas Plains and in Oklahoma. Harvesting was in late stages in most other areas of the Cotton Belt. The average staple length of cotton ginned in the United States prior to November 1 this season was the second longest average since records began in 1938.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 55.85 cents per pound during the week ended Thursday, November 21. Prices ranged from a low of 55.52 cents on Friday to a high of 56.15 cents on Thursday. A week earlier, prices averaged 56.10 cents per pound and ranged from 55.81 to 56.25 cents. In the corresponding week a year ago, the average price was 60.05 cents. The New York March 1986 futures settlement price ended the week on Thursday at 61.98 cents per pound compared with 61.75 cents a week earlier.

Trading was moderately active on spot cotton markets. Supplies were rapidly reaching a peak as harvesting moved slowly toward completion in many areas. Growers were not reluctant to offer but many refused bid prices. Most eligible cotton was entering the CCC loan or being held for higher prices. Merchants were unwilling to buy cotton not needed to fill commitments. Domestic mill buying was steady with most purchases for prompt through July 1986 delivery. Export trading was slow. Limited purchases were made by both Far Eastern and European mills, mostly for delivery in early 1986. Purchases reported by cotton exchanges in the designated markets totaled 98,500 bales in the week ended Thursday, November 21. This compares with 69,900 bales reported a week earlier and 115,400 bales in the corresponding week last season.

Textile mill report. Mills operated five to six-day work schedules during recent weeks with some plants on seven days. This reflects the continuing upturn in textile business. Mills producing all-cotton sales-yarn and selected popular apparel fabrics, such as denim, report good demand with sales booked well ahead. Numerous other items were traded into first and, to a lesser degree, second quarter months. As mills used up more costly cotton, it was reported that profits were showing some improvement. Mills were covering spot shortages or ongoing product sales but overall buying was slow. Offerings of San Joaquin Valley growth were at competitive prices and mill buying was increasing. Texas cotton was also receiving more interest. Mills needing cotton immediately because of slow deliveries were buying at southeastern country points for gin direct shipment.

U.S. cotton stocks up, exports to decline. Americans will be using more cotton in 1985-86 as cotton's share of the apparel market rises from 39 percent last year to 42 percent this year, according to the "Cotton and Wool Outlook and Situation Summary." Consumer preference for natural fibers and lower cotton prices are helping mill use to rise from 5.5 million 480 pound net weight bales in 1984-85 to an estimated 5.75 million this season.

Textile imports in 1985 are about the same as in 1984. Consequently, continued increases in retail sales are benefiting U.S. mills. The slowdown in import growth resulted from excessive retail inventories a year ago, when this year's imports were being ordered.

Inventories in relation to sales have now been worked down, and imports are likely to rise. However, growth in U.S. cotton's market share will probably offset increased competition from imports.

U.S. cotton delivered to Northern Europe is over 40 percent more expensive than cotton of comparable quality from most other countries. U.S. exports normally account for 10 percent of foreign mill use, but may account for only 5 percent this year as exports are forecast to drop to 3.5 million bales. Higher quality and GSM-102 credit guarantees are helping U.S. exports from falling further.

U.S. cotton farmers are achieving their fourth record yield in 7 years, and 1985-86 production is forecast at 13.9 million bales, while U.S. stocks will total nearly 9 million bales by the end of this season. As much as two-thirds of these stocks might eventually be forfeited to the CCC. Farm prices are hovering around 56 cents a pound, compared with an average 58 cents during 1984-85 and 66 cents in 1983-84.

Foreign production in 1985-86 is estimated at 68 million bales compared with 74 million last season. Production is forecast lower than 1984 in almost every Western Hemisphere country except the United States. However, production in Europe, Africa, and the Soviet Union is forecast higher by a combined 1.3 million bales - almost equal to the decline in the Western Hemisphere.

Prices received by foreign countries are declining. Responses of producers will be key factors in determining whether U.S. exports in 1985-86 and beyond are able to rebound from the loss of market share this season. The centrally planned economies, as well as Egypt, Sudan, Pakistan, and India, have in the past demonstrated almost no response to lower prices. Still, some countries, notably Australia, Turkey, and countries in the Western Hemisphere, will probably react to lower prices by planting less cotton. However, because foreign beginning stocks in 1986-87 will rise to about 43 million bales, production will have to drop 7 percent to 63 million bales to hold supplies even.

Higher prices for Egyptian extra long staple cotton are helping boost U.S. exports of ELS. Exports are forecast at 100,000 bales. Mill use could fall to 47,000 bales. Consequently, ending stocks of ELS are expected to remain about unchanged for 1985-86, even though production is estimated at 148,000 bales.

Quality of ginnings. The average staple length of upland cotton ginned prior to November 1 this season was 35.0 thirty-seconds inches. This was down from 35.4 thirty-seconds inches a year earlier but was the second longest average for this period since records began in 1938. Grade 41 was the predominant grade and made up 36 percent of ginnings. Average mike was 43 against 42 the previous year. Average fiber strength in grams per tex was 24.8, down from 25.8 in 1984. American Pima cotton ginned prior to November 1 this season contained a smaller proportion of higher grades than last season. Grade 4 was the predominant grade both years, accounting for 65 percent of ginnings this season, down from 75 percent in 1984. The average staple length was 46.0 thirty-seconds inches, the same as the previous year. Average mike was 43 compared with 41 a year ago.

Grade and staple of American Pima cotton classed in the United States prior to November 1, 1985 1/

Grade	Staple					All staples
	40 and shorter	42	44	46	48 and longer	
01	-	-	-	-	-	-
02	-	-	-	0.2	-	0.2
03	-	-	0.4	10.6	-	11.0
04	-	-	0.7	63.4	0.3	64.5
05	-	-	0.1	22.3	0.3	22.8
06	-	-	0.2	1.3	-	1.5
07	-	-	*	0.1	-	0.1
08	-	-	-	-	-	-
09	-	-	-	*	-	*
10	-	-	-	-	-	-
All grades	-	-	1.4	97.9	0.7	100.0

1/ Ginnings, Bureau of the Census, 18,475 running bales.  
\* Less than 0.05 percent.

Average grade . . . . . 4.1  
Average staple . . . . . 46.0  
Percent grade reductions . . . 2.2

United States: Percentage distribution of grade, staple, mike and fiber strength for upland cotton classed prior to November 1, 1985 <sup>1/</sup>

Grade	Staple														All staples
	26 and shorter	28	29	30	31	32	33	34	35	36	37	38	39	40 and longer	
White:															
11	-	-	-	-	-	*	*	*	*	*	-	-	-	-	*
21	*	*	*	*	*	*	*	0.1	0.5	0.8	*	-	-	-	1.4
30	-	-	*	*	*	*	*	*	*	*	*	-	-	-	0.1
31	*	*	*	*	0.1	0.2	0.6	3.7	7.3	10.5	0.3	*	*	*	22.8
40	-	*	*	*	*	*	0.1	0.9	2.1	1.3	0.1	*	*	*	4.5
41	*	*	*	*	0.1	0.2	0.8	6.8	18.1	9.2	0.6	*	*	*	35.8
50	-	*	*	*	*	*	*	0.3	1.9	1.1	0.1	*	*	*	3.5
51	-	*	*	*	*	0.1	0.2	0.9	3.2	1.8	0.2	*	*	*	6.2
60	-	-	-	*	*	*	*	*	*	*	*	*	-	-	*
61	-	*	*	*	*	*	*	*	0.1	*	*	*	-	-	0.2
70	-	-	-	-	-	*	*	*	*	*	*	-	-	-	*
71	-	-	-	*	*	*	*	*	*	*	*	-	-	-	*
Lt. Spotted:															
12	-	-	-	-	-	-	-	*	*	*	-	-	-	-	*
22	-	*	*	*	*	*	*	*	*	*	*	-	-	-	0.1
32	*	*	*	*	0.2	0.3	0.4	1.0	1.6	1.0	0.1	*	*	*	4.5
42	*	*	*	0.1	0.2	0.4	0.7	2.9	7.0	3.7	0.4	*	*	*	15.5
52	-	*	*	*	0.1	0.2	0.3	0.7	1.9	1.2	0.1	*	*	*	4.5
62	-	-	*	*	*	*	*	0.1	0.1	0.1	*	*	-	-	0.4
Spotted:															
13	-	-	-	*	*	*	*	*	*	*	*	-	-	*	*
23	-	-	*	*	*	*	*	*	*	*	*	-	-	*	*
33	-	*	*	*	*	*	*	*	*	*	*	-	-	*	0.1
43	-	*	*	*	*	*	*	0.1	0.1	0.1	*	*	*	*	0.3
53	-	*	*	*	*	*	*	*	0.1	*	*	*	-	*	0.2
63	-	-	-	*	*	*	*	*	*	*	*	-	-	-	*
Tinged:															
24	-	-	-	-	-	*	-	*	*	*	*	-	-	-	*
34	-	-	*	*	*	*	*	*	*	*	*	-	-	*	*
44	*	*	*	*	*	*	*	*	*	*	*	-	-	*	*
54	*	*	-	*	*	*	*	*	*	*	*	-	-	-	*
Stained:															
25	-	-	-	-	-	-	-	*	*	*	-	-	-	-	*
35	-	-	-	-	*	-	-	*	*	*	-	-	-	*	*
Lt. Gray:															
16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	*	*	*	*	*	*	-	-	-	-	*
36	-	-	-	*	*	*	*	*	*	*	*	-	-	*	*
46	-	-	-	-	*	*	*	*	*	*	*	-	-	*	*
Gray:															
17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	*	*	*	-	-	-	-	*
37	-	-	-	-	*	*	*	*	*	*	-	-	-	-	*
47	-	-	-	*	*	*	*	*	*	*	-	-	-	-	*
Below Grade <sup>2/</sup>	*	*	*	*	*	*	*	*	*	*	*	-	-	-	0.1
All grades	*	*	*	0.2	0.8	1.5	3.3	17.5	44.0	30.9	1.8	*	*	*	100.0

Mike	26 and below	27-29	30-32	33-34	35-49	50-52	53 and above	Average mike
Percent	0.2	0.7	2.1	2.3	87.3	6.1	1.3	43

Fiber strength	1/8" gage (grams per tex)									Average strength
	17 and below	18-19	20-21	22-23	24-25	26-27	28-29	30-31	32 and above	
Percent	0.1	1.4	8.2	21.4	30.3	20.3	12.3	5.0	1.0	24.8

<sup>1/</sup> Ginnings, Bureau of the Census, 6,235,058 running bales.  
<sup>2/</sup> Lower in grade than the lowest grades of the official standards.  
 \* Less than 0.05 percent.

Average staple. . . . . 35.0  
 Percent tenderable. . . . . 68.3  
 Percent Average Rule Used (ARU) . . . . . 1.4  
 Percent grade reductions. . . . . 4.4

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						Designated 8-Market Avg.	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement							
	Dec '85	Mar '86	May '86	Jul '86	Oct '86	Dec '86		
Nov. 14	60.79	61.75	62.50	61.63	55.30	53.00	55.81	48.20
15	60.19	61.27	62.08	61.10	55.05	52.60	55.52	48.20
18	60.77	61.54	61.94	61.21	54.80	52.44	55.69	48.20
19	61.39	61.91	62.28	61.40	54.90	52.50	55.92	48.20
20	61.31	61.71	62.27	61.40	54.72	52.38	55.95	48.15
21	61.55	61.98	62.40	61.05	54.60	51.85	56.15	48.15

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

Chicago futures contract settlement and designated spot market average for grade 42 staple 31 in cents per pound

Date	Grade 42 Staple 31					Designated 5-Market Average 1/
	Futures Settlement					
	Dec '85	Mar '86	May '86	Jul '86	Oct '86	
Nov. 14	55.20	55.20	-	-	-	50.85
15	55.20	55.20	-	-	-	50.59
18	55.90	55.90	-	-	-	50.75
19	55.90	55.90	-	-	-	50.98
20	55.90	55.90	-	-	-	50.91
21	55.90	55.90	-	-	-	51.02

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

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		1985-86	
	Through November 8		Through November 7	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	3,374,100	-	784,500
Exports	100,200	1,134,400	67,400	618,400
Total export commitments	-	4,508,500	-	1,402,900
New sales	139,000	-	38,100	-
Buy-backs and cancellations	9,800	-	7,000	-
Net sales	129,200	-	31,100	-
Sales next marketing year	-	34,700	-	13,100

Description	Marketing Year			
	1984-85		1985-86	
	Through November 15		Through November 14	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	3,481,700	-	778,600
Exports	111,300	1,245,700	40,600	659,000
Total export commitments	-	4,727,400	-	1,437,600
New sales	226,600	-	36,800	-
Buy-backs and cancellations	7,600	-	2,100	-
Net sales	219,000	-	34,700	-
Sales next marketing year	6,700	41,400	1,200	14,300

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

Upland cotton export sales during the week ended November 14 totaled 34,700 running bales, according to the Foreign Agricultural Service, USDA. The predominant buyers were Japan with 21,500 bales and South Korea 9,400 bales. Exports for the week totaled 40,600 bales, 40 percent below the previous week. Asian destinations accounted for 66 percent of the week's shipments, West European 19 percent and Western Hemisphere 15 percent.