

# UNITED STATES DEPARTMENT OF AGRICULTURE

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## Weekly Cotton Market Review

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Spot cotton prices were steady, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading remained slow. Grower-held cotton was offered with caution and at higher prices. Merchants were selective in buying as needs were fairly well covered. Domestic mill buying increased for prompt delivery. Export trading remained slow. Rain slowed harvesting in the southeastern states. Favorable weather allowed fields to dry and harvesting to resume over most of the south central states. Weather conditions were favorable in the southwestern states. Harvesting and ginning were at peak levels in the western states. Harvesting is over 70 percent completed in most areas and many modules of seed cotton remained in fields and on gin yards. Upland cotton ginned prior to October 1 this season contained a smaller percentage of all white grades than the previous year and the largest proportion of Light Spotted grades for this period on record. The interest rate for CCC loans disbursed in November will remain at 5.75 percent.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 45.38 cents per pound during the week ended Friday, October 31. Prices ranged from a high of 45.49 cents on Monday to a low of 45.02 cents on Friday. A week earlier, prices averaged 45.31 cents and ranged from 44.92 to 45.56 cents. The New York December 1986 futures settlement price ended the week on Friday at 46.21 cents per pound compared with 44.78 cents a week earlier. The October 1987 settlement price was 48.50 cents against 47.95 cents a week earlier.

Trading remained slow on spot cotton markets. Although an increasing amount of the crop has been harvested, many growers remained undecided about selling. Most merchants' stocks were adequate to cover commitments and demand weakened. Bid prices were often rejected. CCC generic certificate trading was fairly active early in the week at prices of 118 to 136 percent of face value but trading slowed sharply the latter part of the week. Cotton certificates traded slowly at prices ranging from 96 to 104 percent of value. Domestic mill purchases for prompt delivery increased. A light to moderate volume was bought for January 1987 and later delivery. Foreign mills, primarily Far Eastern, bought a very light volume for prompt through December shipment. Trading in the southeastern markets was slow. Merchants traded among themselves in an effort to balance stocks with orders. Supplies of grower-owned cotton were not being readily offered as growers tried to make the most advantageous marketing decisions. A light volume of CCC loan equities sold at \$30 to \$45 per bale. Trading remained extremely slow in the south central markets. Supplies of grower-controlled 1986-crop cotton were rapidly increasing. Merchant demand was best for CCC loan equities. Merchants bid \$20 to \$29 per bale for equities while growers were asking \$35 to \$40 per bale. Selected lots of cotton, staples 35 and longer, traded at \$40 to \$45 per bale equity. Grower sales remained slow to inactive in the southwestern markets. Merchants were holding adequate stocks to cover previous sales and were not willing to pay the higher asking prices for old-crop equities and grower-owned supplies of new-crop cotton. Light trading was reported in the western markets. New-crop supplies gradually increased. Most growers devoted full attention to the harvest and very little cotton was offered. Prices for grade 31 staple 35, mike 35-49, ranged from 74.00 to 75.75 cents per pound. Mixed lots of grades 31 and higher sold at 500 to 550 points on December futures and grade 41 at even to 50 on December. Merchants contracted a light volume of 1986 crop from growers. Purchases

reported by cotton exchanges in the designated markets totaled 60,000 bales in the week ended Friday, October 31. This compares with 133,300 bales reported a week earlier and 76,400 bales in the corresponding week last season.

Textile mill report. Mill demand for cotton needed to cover spot shortages strengthened and buying was more active for prompt delivery. Central belt growth, grades 51 and higher, received the most interest and a moderately large volume was purchased. Cotton for deferred delivery was bought in light to moderate quantities. Mills continued to report problems with shipment delays. Textiles remained in good demand and mills remained on full work schedules outturning orders booked into early next year.

USDA announced additional 1987 upland cotton program provisions. The U.S. Department of Agriculture announced on October 31 a loan level of 52.25 cents per pound for the base quality of 1987-crop upland cotton (Strict Low Middling (SLM) 1-1/16 inch, micronaire 3.5 through 4.9, at average U.S. location).

Other provisions announced include:

- Plan B marketing loan program.
- No paid land diversion program.
- A recourse loan program for upland seed cotton.

On October 30, the adjusted world market price for SLM 1-1/16 inch cotton (micronaire 3.5 through 4.9) was 37.44 cents per pound. Since the adjusted world market price is below the 1987 crop loan rate, Plan B will be in effect for the 1987-crop of upland cotton.

As previously announced, a 25 percent upland cotton acreage reduction program will be in effect. Other 1987 upland cotton program provisions will be announced later.

Turkey abolishes cotton export tax. The Turkish government has lifted the tax it has collected from cotton and yarn exports, according to the Foreign Agricultural Service, USDA. Turkey was led to take this action because its cotton prices have been higher than those in international markets, despite the devaluation of the Turkish Lira. Formerly, cotton exports and yarn exports were subject to a 0.1 cent per kilogram and a 1.0 cent per kilogram export tax, respectively. This action will make Turkish exports more competitive in world markets. In 1985-86, Turkish exports totaled 365,000 bales.

Prices received by farmers for upland cotton averaged 45.40 cents per pound in mid October, according to the National Agricultural Statistics Service, USDA. This compares with 47.40 cents for the entire month of September and 56.70 cents in October 1985. These prices include cotton delivered against forward contracts.

Average prices received by farmers for upland cotton, in cents per pound, net weight, United States, calendar years, 1985-1986

Month	: Year beginning :		Month	: Year beginning :		Month	: Year beginning	
	: January 1 :			: January 1 :			: January 1	
	: 1985 :	: 1986 :		: 1985 :	: 1986 :		: 1985 :	: 1986
	Cents	Cents		Cents	Cents		Cents	Cents
January	52.20	53.00	June	60.30	56.40	November	56.00	
February	49.50	55.40	July	60.50	58.60	December	53.30	
March	56.10	55.00	August	56.00	47.20			
April	57.00	56.40	September	55.10	47.40	Calendar		
May	57.50	56.90	October	56.70	45.40	1/ year avg.	54.70	

1/ Mid-month price.

Source: National Agricultural Statistics Service, USDA

Ginnings. Upland cotton ginned prior to October 1 this season totaled 2,407,280 running bales compared with 2,430,799 bales a year earlier. American Pima ginnings totaled 511 bales, according to the Bureau of the Census. Ginnings through September this season were equivalent to about 25 percent of the expected 1986 crop. About 19 percent of the 1985 crop was ginned through September last year.

Quality of ginnings. Upland cotton ginned in the United States prior to October 1 contained a smaller percentage of all white grades than the previous year and the largest proportion of Light Spotted grades for this period on record. The average staple length was 34.1 thirty-seconds inches, down from 34.4 a year ago. Cotton with mike 35-49 accounted for 82 percent of ginnings, up slightly from 81 percent a year ago. Average fiber strength in grams per tex was 24.8, the strongest since records were established in 1980.

Grade. Grade 41 was the predominant grade of upland cotton ginned prior to October 1 this season. This quality accounted for 33 percent of ginnings, the smallest proportion since the crop of 1974, and compares with 42 percent last year. White grades 31 and higher made up 12 percent this season against 22 percent a year ago. Grades 41 and higher accounted for 46 percent, down sharply from 72 percent in 1985. All white grades made up 55 percent of ginnings. This was the smallest proportion in all white grades since records began in 1938 and compares with 80 percent last year. Light Spotted grades, at 43 percent, made up the largest percentage since comparable records began in 1958 and was up from 20 percent the previous year. Spotted grades comprised 1 percent this season, about the same as a year earlier.

Staple. The average staple length of upland cotton ginned prior to October 1, 1986, was 34.1 thirty-seconds inches, down slightly from 34.4 a year earlier. Staple 34 was the predominant length, comprising 40 percent of ginnings, against 37 percent last season. In 1985, staple 35 was the prevailing length and accounted for 41 percent of ginnings. Staples 31 and shorter made up 2 percent of the crop, about the same as last season. Staples 32 and 33 made up 23 percent, up from 11 percent a year ago. Staples 34 and 35 accounted for 69 percent, down from 78 percent last year. Staples 36 and longer comprised 6 percent of the crop, the smallest proportion in the past four years and compares with 9 percent last year.

Mike. Upland cotton in the mike 35-49 range accounted for 82 percent of ginnings this season, up from 81 percent last year. Cotton with mike 34 and lower comprised 6 percent, compared with 13 percent a year ago. Cotton with mike 50 and higher, at 11 percent, made up the largest proportion of ginnings in this group since 1982 and was up from 7 percent the previous year. Average mike was 43 against 42 in 1985.

Strength. The average fiber strength of upland cotton ginned prior to October 1 this season was 24.8 grams per tex. This was the strongest average since records were established in 1980 and compares with 22.6 a year earlier. Strengths in the 19 and lower range accounted for 1 percent of ginnings against 5 percent in 1985. About 25 percent of ginnings had strengths in the 20 to 23 range, the smallest proportion on record and down from 62 percent last year. Cotton with strengths of 24 to 27 grams per tex, at 64 percent, made up the largest proportion in this range since records were established and was up from 32 percent last year. Fiber strength in the 28 and higher range was also a record high proportion at 11 percent, against 1 percent a year earlier.

United States: Percentage distribution of grade, staple, mike and fiber strength for upland cotton classed prior to October 1, 1986 1/

Grade	Staple														All staples
	26 and shorter	28	29	30	31	32	33	34	35	36	37	38	39	40 and longer	
<b>White:</b>															
11	-	-	-	-	*	*	*	*	*	*	*	-	-	-	*
21	*	-	-	-	*	*	0.1	0.1	0.1	0.1	*	-	-	-	0.5
30	-	-	-	*	-	*	*	*	*	*	*	-	-	-	*
31	*	*	*	*	0.1	0.6	3.0	5.2	2.3	0.6	*	*	-	*	11.8
40	-	-	*	*	*	0.1	0.3	0.7	0.4	0.1	*	*	*	*	1.5
41	*	*	*	*	0.1	0.8	5.2	14.5	10.4	1.4	0.1	*	*	*	32.6
50	-	*	*	*	*	*	0.2	0.8	1.0	0.3	*	*	-	-	2.3
51	-	*	*	*	*	0.2	1.0	2.2	2.0	0.6	0.1	*	*	*	6.0
60	-	-	-	-	*	*	*	*	*	*	*	-	-	-	*
61	-	-	*	*	*	*	0.1	0.1	0.1	*	*	*	-	-	0.4
70	-	-	-	-	-	-	*	*	*	-	-	-	-	-	*
71	-	-	*	*	*	*	*	*	*	*	-	-	-	-	0.1
<b>Lt. Spotted:</b>															
12	-	-	-	-	-	-	-	-	*	-	-	-	-	-	*
22	-	*	*	*	*	*	*	*	*	*	*	-	-	-	*
32	-	*	*	*	0.1	0.4	1.6	2.1	1.1	0.1	*	*	-	-	5.5
42	*	*	*	0.1	0.3	1.1	5.3	11.3	8.6	1.4	0.1	*	*	-	28.2
52	-	*	*	0.1	0.4	0.7	1.6	2.4	2.0	0.5	0.1	*	*	*	7.9
62	-	*	*	0.1	0.3	0.3	0.4	0.4	0.2	0.1	*	*	-	-	1.8
<b>Spotted:</b>															
13	-	-	-	-	-	-	*	*	*	-	-	-	-	-	*
23	-	-	*	*	-	*	*	*	*	*	*	-	-	-	*
33	*	*	*	*	*	*	*	*	*	*	*	*	-	-	0.1
43	-	*	*	*	*	0.1	0.2	0.2	0.1	*	*	*	*	-	0.6
53	-	*	*	*	*	*	0.1	0.1	0.1	*	*	*	-	-	0.4
63	-	*	*	*	*	*	0.1	*	*	*	*	*	-	-	0.2
<b>Red:</b>															
24	-	-	-	-	-	-	*	-	-	-	-	-	-	-	*
34	-	-	*	*	*	*	*	*	*	*	*	-	-	*	*
44	-	*	-	-	*	*	*	*	*	*	*	-	-	-	*
54	-	-	-	*	*	*	*	*	*	*	*	-	-	-	*
<b>Stained:</b>															
25	-	-	-	-	-	-	-	-	*	-	-	-	-	-	*
35	-	-	-	-	*	*	-	-	*	*	-	-	-	*	*
<b>Lt. Gray:</b>															
16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	*	*	*	*	*	-	-	-	-	*
36	-	-	-	-	*	*	*	*	*	*	-	-	-	-	*
46	-	-	-	-	-	*	*	*	*	*	-	-	-	-	*
<b>Gray:</b>															
17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	*	-	-	-	-	-	-	*
37	-	-	-	-	-	-	*	*	-	-	-	-	-	-	*
47	-	-	-	-	*	-	*	-	-	-	-	-	-	-	*
Below Grade 2/	-	*	*	*	0.1	0.1	0.1	*	*	*	*	-	-	-	0.3
All grades	*	*	0.1	0.4	1.6	4.4	19.0	40.4	28.4	5.2	0.6	*	*	*	100.0

Mike	26 and below	27-29	30-32	33-34	35-49	50-52	53 and above	Average mike
Percent	0.2	0.5	2.0	3.6	82.4	7.1	4.2	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	*	0.5	5.1	19.5	35.1	29.0	8.7	1.7	0.5	24.8	

1/ Ginnings, Bureau of the Census, 2,407,280 running bales.  
 2/ Lower in grade than the lowest grades of the official standards.  
 \* Less than 0.05 percent.

Average staple..... 34.1  
 Percent tenderable..... 45.9  
 Percent Average Rule Used (ARU)..... 1.7  
 Percent grade reductions..... 5.9