

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE
COTTON DIVISION, MARKET NEWS BRANCH
4841 SUMMER AVENUE, MEMPHIS, TENNESSEE 38122
Telephone 901-521-2931



Weekly Cotton Market Review

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Trading was slow but remained fairly active in the south central markets. Merchant demand was good for old-crop supplies and strengthened for new-crop cotton. Domestic mill buying increased. Export sales were light. Favorable weather was reported in most of California but rains, heavy in some areas, were received in most other areas of the Cotton Belt. All cotton production in the U.S. for 1986 was forecast at 10.0 million bales, 5 percent below last month's estimate. Although estimated world production has been lowered, indicated 1986-87 global stocks remain excessive. USDA announced 1987 upland cotton program provisions.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 42.44 cents per pound during the week ended Friday, October 10. Prices ranged from a low of 41.92 cents on Wednesday to a high of 43.77 cents on Friday. A week earlier, prices averaged 40.22 cents and ranged from 38.58 to 41.61 cents. The New York December 1986 futures settlement price ended the week on Friday at 46.95 cents per pound compared with 48.20 cents a week earlier. The October 1987 settlement price was 49.05 cents against 50.55 cents a week earlier.

Trading was most active in the south central markets. Buying of old-crop equities continued but most trading was of 1986-crop cotton. Merchant demand was fairly good. CCC certificate trading continued active. Cotton certificates traded at 95 to 115 percent of face value while generic certificates moved at 113 to 118 percent of value. Domestic mill buying was moderately active. Purchases were for prompt through July 1987 delivery. Some mills paid premiums of as much as 2 cents per pound to secure 1985-crop cotton. Foreign mills made limited purchases. Far Eastern mills were the principal buyers with shipments scheduled for November through December 1986. European mills bought a light volume for prompt and forward delivery. In the southeastern markets, trading slowed. Although supplies and offerings have increased, growers remain undecided about selling because of changing marketing factors. Demand was good for most qualities and a light volume of new-crop equities traded at \$35 to \$40 per bale. Trading was fairly active in the south central markets. Demand was very good for old-crop equities and was much stronger for 1986-crop cotton. Prices for equities averaged around \$20 to \$35 per bale. A large volume of cotton, staples 33 and shorter, sold at prices of \$40 to \$60 per bale. Merchants paid about 51 to 52 cents per pound, basis grade 41 staple 34, for 1986-crop cotton under the producer option payment plan. Trading volume remained light in the southwestern markets. Merchant demand weakened. Equities of 1985 crop are limited. Small amounts of 1986-crop equities traded at around \$20 to \$50 per bale. Activity in the western markets was primarily contracting of 1986-crop cotton. Merchant demand was fairly good. A light volume of San Joaquin Valley cotton was contracted at 75.00 to 76.10 cents per pound, basis grade 31 staple 35, mike 35-49, UD, free on gin yard terms, with buyers receiving entitlements. A light to moderate volume of Arizona cotton was booked at 55.00 cents, basis grade 31 staple 34, mike 35-49, with growers keeping entitlements. Equity contracting was done at prices ranging from \$68 to \$70 per bale net to grower. Purchases reported by cotton exchanges in the designated markets totaled 68,500 bales in the week ended Friday, October 10. This compares with 101,100 bales reported a week earlier and 46,700 bales in the corresponding week last season.

Textile mill report. Mill buying increased and included cotton for both prompt and deferred delivery. Central and western growths of medium and higher white and Light Spotted grades in staples 34 and longer were in strongest demand. Mills were monitoring new-crop quality and adjusting usage to availability. Some mill supply problems have developed as cotton use has increased and replacement shipments have often slowed. Demand remained strong for a wide range of textile products. Mills were operating five to seven-day work schedules filling orders booked into first and second quarters of 1987.

USDA announces 1987 upland cotton program provisions. The U.S. Department of Agriculture announced on September 29 a 25 percent upland cotton acreage reduction and other provisions of the 1987 upland cotton program.

Other provisions include:

-- The established target price will be 79.40 cents per pound.

-- A minimum loan level of 52.25 cents per pound for the base quality (Strict Low Middling 1-1/16 inch, micronaire 3.5 through 4.9, at average U.S. location). The actual loan level cannot be determined before October 15, but must be announced no later than November 1.

-- USDA intends to implement the Plan B marketing loan program if it is determined that the adjusted world price for upland cotton is below the loan level announced for the crop. Under Plan B, a producer will be allowed to repay a price support loan at the lesser of the announced loan level or the adjusted world price. However, if the adjusted world price is less than 80 percent of the announced loan level, a producer may be allowed to repay a price support loan at such level, between the adjusted world price and 80 percent of the loan level, as the Secretary of Agriculture determines. This should minimize forfeitures of loan collateral, stock accumulation, storage costs, and allow U.S. cotton to be competitive.

-- No inventory reduction program.

Other 1987 program provisions will be announced later.

World cotton supply and demand estimates. Global cotton prospects for mill use and exports this season continue to improve in the face of declining prospective production. Relatively low prices are boosting projected mill consumption to 77 million 480 pound net weight bales, slightly above September indications and more than 3 percent above 1985-86. With increasing use, global exports may total a near-record 22.6 million bales. World production has been revised down again this month, primarily reflecting reduced U.S. prospects. Even so, indicated global stocks of about 44 million bales remain excessive.

The U.S. cotton outlook for 1986-87 has tightened considerably over the past month. While adverse weather has dropped crop prospects 5 percent to 10 million bales, disappearance prospects continue to brighten. U.S. mill use and exports are projected to total 13.8 million bales, 5.5 million above last season and the highest since 1979-80. Mill use is pegged at 7 million bales, 3 percent above September indications and in line with recent improved consumption. Exports are projected at 6.8 million bales, about 4 percent above month-earlier indications. If these projections materialize, stocks are projected to be worked down to less than 6 million bales by the end of the season, nearly 4 million below the beginning level.

In contrast, foreign cotton stocks may decline only slightly during 1986-87. Large stocks in relation to use are particularly evident in Brazil, China, India and Pakistan, all of which are expected to harvest large crops. Strong U.S. competition has dampened export prospects for these countries, and total foreign exports are expected to decline about 2.5 million bales. The U.S. share of world trade is projected at 30 percent, compared with 10 percent in 1985-86 and 31 percent during 1980-84.

All cotton production is forecast at 10.0 million 480 pound net weight bales, a decrease of 5 percent from September 1 and 26 percent below the 1985 crop, according to the Agricultural Statistics Board, NASS, USDA. The upland production forecast is for 9.81 million bales and American Pima production is expected to total 193,500 bales. Total area for harvest is estimated at 8.91 million acres, down 13 percent from last year. Yields are expected to average 539 pounds per harvested acre, down 91 pounds per acre from 1985.

Cottonseed production for 1986, based on a three year average lint-seed ratio, is forecast at 3.95 million tons, 25 percent below the 1985 production of 5.28 million tons.

The Bureau of the Census reports 2,407,791 running bales ginned prior to October 1 compared with 2,430,799 to the same date last year and 1,174,761 bales in 1984.

Cotton acreage harvested, yield per acre, production and ginnings, by states, 1985-1986

State	Area harvested		Lint yield per harvested acre		Production 480 lb. net weight bales 1/			Ginnings prior to October 1	
	1985	Indicated 1986	1985	Indicated 1986	1985	Indicated 1986		1985	1986
						September 1	October 1		
Upland	1,000 acres		Pounds		1,000 bales			Running bales	
Alabama	329.0	347.0	795	484	545.0	360.0	350.0	98,077	31,220
Arizona	359.0	259.0	1,241	1,297	928.0	700.0	700.0	8,386	19,415
Arkansas	440.0	440.0	767	584	703.0	570.0	535.0	200,184	241,938
California	1,320.0	1,010.0	1,132	1,046	3,114.0	2,200.0	2,200.0	7,234	6,672
Florida 2/	22.5	21.5	693	670	32.5	30.0	30.0	-	-
Georgia	245.0	200.0	725	432	370.0	190.0	180.0	39,517	18,623
Kansas 2/	0.6	1.0	320	576	0.4	1.2	1.2	-	-
Louisiana	630.0	570.0	565	632	742.0	800.0	750.0	329,947	391,427
Mississippi	1,040.0	1,000.0	764	576	1,655.0	1,300.0	1,200.0	590,331	699,626
Missouri	150.0	160.0	653	525	204.0	175.0	175.0	28,201	60,144
New Mexico	54.0	42.0	631	686	71.0	60.0	60.0	(D)	794
North Carolina	87.0	79.0	646	456	117.0	75.0	75.0	5,774	4,403
Oklahoma	360.0	350.0	380	377	285.0	290.0	275.0	13,919	(D)
South Carolina	122.0	113.0	708	297	180.0	75.0	70.0	40,774	11,622
Tennessee	335.0	315.0	600	472	419.0	285.0	310.0	46,894	147,369
Texas	4,650.0	3,900.0	404	357	3,910.0	3,200.0	2,900.0	1,020,576	774,115
Virginia 2/	1.3	1.4	443	411	1.2	1.2	1.2	-	-
All other	-	-	-	-	-	-	-	985	423
U.S.	10,145.4	8,808.9	628	535	13,277.1	10,312.4	9,812.4	2,430,799	
American Pima									
Arizona	56.3	72.5	927	993	108.7	150.0	150.0	-	-
New Mexico	7.9	10.0	687	696	11.3	15.0	14.5	-	-
Texas	19.4	17.8	868	782	35.1	29.0	29.0	-	-
U.S.	83.6	100.3	891	926	155.1	194.0	193.5		
U.S. all cotton	10,229.0	8,909.2	630	539	13,432.2	10,506.4	10,005.9	2,430,799	2,407,791 3/

1/ Based on crop conditions about October 1.

2/ Estimates for current year carried forward from earlier forecast.

3/ Includes 511 bales of American Pima.

(D) Withheld to avoid disclosure of individual gins.

Compiled from reports of the Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

Seven months and older certificated stock, November 1, 1986 1/

Delivery point	4-10 months	11-16 months	17-22 months	Over 22 months	Total
	Bales	Bales	Bales	Bales	Bales
Charleston	-	-	-	-	-
Galveston	9,095	10,036	74	44	19,249
Greenville	-	60	57	-	117
Houston	158	2,102	7	-	2,267
Memphis	1,987	305	170	13	2,475
Mobile	-	-	-	-	-
New Orleans	-	-	-	-	-
Total	11,240	12,503	308	57	24,108

1/ Based on Cotton Division records as of October 15, 1986.

Cotton supply and use: World, United States, major exporters and importers; marketing years 1984-85, 1985-86, and 1986-87 ^{1/} October 10, 1986

Region	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Mill use	Exports	
<u>Million 480 pound bales</u>						
<u>1984-85</u>						
World	24.98	88.11	20.46	69.76	20.32	43.12
United States	2.78	12.98	0.02	5.54	6.22	4.10
<u>Total foreign</u>	22.20	75.13	20.43	64.22	14.11	39.01
Major exporters ^{2/}	12.03	53.81	1.12	31.60	9.04	26.02
China	7.77	28.70	0.09	15.50	1.20	19.75
Pakistan	0.09	4.63	0.03	2.26	1.26	1.05
USSR	2.34	11.88	0.82	9.50	2.92	2.62
Major importers ^{3/}	4.51	0.98	15.82	16.33	0.56	4.41
Japan	0.67	-	3.13	3.19	-	0.61
<u>1985-86 (Estimated)</u>						
World	43.12	78.96	21.11	74.48	20.48	47.98
United States	4.10	13.43	0.03	6.40	1.96	9.35
<u>Total foreign</u>	39.01	65.53	21.07	68.08	18.52	38.63
Major exporters ^{2/}	26.02	44.63	0.90	34.25	12.57	24.44
China	19.75	19.00	4/	17.50	2.75	18.40
Pakistan	1.05	5.70	4/	2.35	3.00	1.24
USSR	2.62	12.11	0.65	9.70	3.00	2.67
Major importers ^{3/}	4.41	1.16	16.23	16.75	0.57	4.47
Japan	0.61	-	3.05	3.05	-	0.61
<u>1986-87 (Projected)</u>						
World						
September	46.85	74.11	22.42	76.52	22.44	44.07
October	47.98	73.54	22.39	76.98	22.61	43.99
United States						
September	9.35	10.51	0.01	6.81	6.50	6.63
October	9.35	10.01	0.01	7.01	6.75	5.68
<u>Total foreign</u>						
September	37.49	63.61	22.41	69.71	15.95	37.44
October	38.63	63.53	22.38	69.97	15.86	38.31
Major exporters ^{2/}						
September	23.33	43.19	1.48	34.50	10.84	22.37
October	24.44	43.19	1.27	34.55	10.74	23.31
China	Sept.	18.52	19.30	0.10	17.50	2.75
Oct.	18.40	19.30	4/	17.50	2.75	17.35
Pakistan	Sept.	1.24	5.30	4/	2.50	2.50
Oct.	1.24	5.30	4/	2.50	2.50	1.38
USSR	Sept.	1.41	11.70	0.90	9.75	2.80
Oct.	2.67	11.70	0.80	9.80	2.80	2.57
Major importers ^{3/}						
September	4.44	1.14	17.00	17.33	0.63	4.62
October	4.47	1.14	17.21	17.51	0.63	4.68
Japan	Sept.	0.58	-	3.00	-	0.58
Oct.	0.61	-	3.10	3.10	-	0.61

1/ Marketing year beginning August 1. Totals may not add and trade and stocks may not balance due to rounding, a small quantity destroyed, and other factors. 2/ Australia, China, Central America, Egypt, Mexico, Pakistan, Sudan, Turkey and the USSR. 3/ Eastern Europe, Western Europe, Japan, Hong Kong, Republic of Korea and Taiwan. 4/ Less than 5,000 bales.

Source: United States Department of Agriculture