



Weekly Cotton Market Review

September 12, 1985

Trading on spot cotton markets remained slow, according to the Cotton Division, Agricultural Marketing Service, USDA. Prices weakened. Grower-held old-crop cotton was not offered freely at current prices. Limited trading of new crop was mostly cotton ineligible for the CCC loan and sold at prices below loan rates. Merchants' needs were fairly well covered and demand was light. Domestic and foreign mill buying was slow. Growers forward contracted a light volume of 1985-crop cotton. Defoliation, harvesting and ginning were slowly increasing. All cotton production in the U.S. for 1985 was forecast at 13.7 million bales, 1 percent below last month's estimate. Sharply increasing stocks continue to highlight the 1985-86 outlook for U.S. and world cotton.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 56.71 cents per pound during the week ended Thursday, September 12. Prices ranged from a high of 56.92 cents on Monday to a low of 56.54 cents on Wednesday and ended the week at 56.79 cents. A week earlier, prices averaged 57.09 cents per pound and ranged from 56.89 to 57.29 cents. In the corresponding week a year ago, the average price was 61.68 cents. The New York October 1985 futures settlement price ended the week on Thursday at 58.63 cents per pound compared with 58.43 cents a week earlier. The December settlement price was 58.45 cents against 58.38 cents a week ago.

Trading on spot cotton markets continued slow. Merchant demand remained weak as needs were fairly well covered. Growers were not willing to sell uncommitted supplies of old-crop cotton at prevailing prices. Most qualities remaining from the 1984 crop were low grades for which there was little demand. Much of the limited trading in 1985 crop was cotton ineligible for the CCC loan and was at prices below loan rates. A moderate volume of cotton moved into the CCC loan. Domestic mill buying was light and consisted of a light volume of both old and new-crop cotton. Export trading was slow. Far Eastern mills purchased a small volume for September-October shipment. Purchases reported by cotton exchanges in the designated markets totaled 28,400 bales in the week ended Thursday, September 12. This compares with 42,900 bales reported a week earlier and 47,000 bales in the corresponding week last season.

Textile mill report. Only a few domestic mills were active in the cotton market. Buying consisted of a light volume to fill gaps in stocks or to cover ongoing product sales. The light quantity of buying included both old crop and a small volume of 1985-crop cotton for October through March delivery. Western and far western growths of the medium and higher grades accounted for the bulk of recent purchases. Cotton departments were receiving shipments from early harvest areas of Texas. A few mills have purchased some early ginned, central belt cotton for direct shipment. New sales of textiles remained slow but fairly steady. Some mills have most of their production booked through the end of the year. Business in first and second quarters of 1986 continued erratic. Sales of denim, underwear, lightweight knits and materials for sportswear held up well. Selected yarns, some household and industrial products were moving fairly well. Numerous other products were trading sluggishly. Mills were holding production and stocks in balance by adjusting the length of workweeks.

World cotton supply and demand estimates. The global cotton outlook for 1985-86 remains basically unchanged from last month's assessment. Sharply increasing stocks from last year continue to highlight the outlook. Despite prospects for smaller global production this season, output easily will exceed textile mill consumption, boosting stocks to a record level. World use is expected to gain about 2 percent, near the average increase of recent years. However, most of the increase in use is expected to originate in major foreign cotton producing countries, pointing to a reduced trade outlook.

Although below earlier indications, U.S. cotton stocks are projected to more than double during 1985-86, reaching the highest level since the mid-1960's. With record yields in prospect, production likely will exceed last season's output and sharply exceed anticipated use. While mill use prospects have improved and may nearly equal last year's level, exports may plunge about one-third, reflecting large foreign export supplies and noncompetitive U.S. prices. Mill use and exports may total only 9.4 million 480 pound net weight bales, the smallest this century.

Foreign cotton stocks also are expected to increase, but less dramatically than U.S. stocks. By the end of 1985-86, the carryover may total nearly 39 million bales, moderately above the beginning level. Production abroad is projected to decline one-tenth, with China accounting for most of the decline. Prospects for record foreign use and exports will limit the buildup in stocks abroad.

All cotton production in the United States is forecast at 13.7 million 480 pound net weight bales, according to the Crop Reporting Board, SRS, USDA. This is a decrease of 1 percent from August 1 but 5 percent above the 1984 crop. The upland production forecast for 1985 is 13.5 million bales and American Pima is 143,000 bales. The 1985 crop is 5.29 million bales lower than the record high all cotton production of 18.9 million bales set in 1937.

Area for harvest is estimated at 10.4 million acres, down fractionally from last year. Expected yield per harvested acre is a record high 632 pounds, 32 pounds above the previous record established in 1984.

In Texas and Oklahoma, upland production is forecast at 4.39 million bales, an increase of 14 percent from last year but a decrease of 2 percent from the August 1 forecast. Texas harvest was 13 percent complete by September 1 compared with 9 percent last year. Harvest is complete in the Rio Grande Valley and the Coastal Bend. Lack of adequate moisture during the month in Texas caused stress to some dryland acreage on the Texas Plains, but yield prospects remain good. In Oklahoma, prospects are for the best crop in recent years, especially in irrigated fields.

Delta states (Arkansas, Louisiana, Mississippi, Missouri and Tennessee) expect to harvest 3.77 million bales, 2 percent below last year but 1 percent above the August 1 forecast. A record early crop is expected in Louisiana and Mississippi, with harvest already under way in Louisiana.

Growers in the western states (Arizona, California and New Mexico) expect to harvest 4.28 million bales of upland cotton, 4 percent above last year but down 2 percent from August 1.

Production in the southeastern states (Alabama, Georgia, North Carolina and South Carolina) is forecast at 1.05 million bales, up 3 percent from last year's production but down 1 percent from August 1. Excessive moisture during the month in Georgia and South Carolina has resulted in some boll rot and insect problems causing crop prospects to fall. Harvest is under way in Georgia.

The Bureau of the Census reports 681,210 running bales ginned prior to September 1 compared with 634,437 to the same date last year and 315,062 bales in 1983.

Cottonseed production for 1985, based on a three year average lint-seed ratio, is forecast at 5.42 million tons, 5 percent above the 1984 production of 5.15 million tons.

Cotton acreage harvested, yield per acre and production, by states, 1984-1985

State	Area harvested		Lint yield per harvested acre		Production 480 lb. net weight bales 1/		
	1984	Indicated 1985	1984	Indicated 1985	1984	Indicated 1985	
						August	September
	1,000 acres		Pounds		1,000 bales		
Upland							
Alabama	307.0	293.0	699	655	447.0	400.0	400.0
Arizona	429.0	409.0	1,227	1,291	1,097.0	1,070.0	1,100.0
Arkansas	465.0	455.0	632	633	612.0	600.0	600.0
California	1,400.0	1,340.0	999	1,110	2,913.0	3,200.0	3,100.0
Florida 2/	17.0	21.5	847	781	30.0	35.0	35.0
Georgia	172.0	245.0	784	705	281.0	370.0	360.0
Kansas 2/	0.5	0.8	288	480	0.3	0.8	0.8
Louisiana	645.0	635.0	786	718	1,056.0	940.0	950.0
Mississippi	1,032.0	1,090.0	767	749	1,650.0	1,700.0	1,700.0
Missouri	162.0	152.0	554	553	187.0	155.0	175.0
New Mexico	69.0	55.0	605	655	87.0	75.0	75.0
North Carolina	96.0	88.0	600	627	120.0	110.0	115.0
Oklahoma	375.0	365.0	234	375	183.0	260.0	285.0
South Carolina	104.0	122.0	785	689	170.0	180.0	175.0
Tennessee	325.0	305.0	498	535	337.0	340.0	340.0
Texas	4,700.0	4,700.0	376	419	3,680.0	4,200.0	4,100.0
Virginia 2/	1.0	1.3	528	591	1.1	1.6	1.6
U.S.	10,299.5	10,277.6	599	631	12,851.4	13,637.4	13,512.4
American Pima							
Arizona	50.3	59.5	841	863	88.1	107.0	107.0
New Mexico	10.0	7.7	595	655	12.4	10.5	10.5
Texas	19.3	18.9	744	635	29.9	25.0	25.0
U.S.	79.6	86.1	786	794	130.4	142.5	142.5
U.S. all cotton	10,379.1	10,363.7	600	632	12,981.8	13,779.9	13,654.9

1/ Based on crop conditions about September 1.

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

Cotton supply and use: World, United States, major exporters and importers; marketing years 1983-84, 1984-85, and 1985-86 ^{1/} September 11, 1985

Region	Supply			Use		Ending stocks	
	Beginning stocks	Production	Imports	Mill use	Exports		
<u>Million 480 pound bales</u>							
<u>1983-84</u>							
World	25.20	67.85	20.43	69.02	19.25	24.80	
United States	7.94	7.77	0.01	5.93	6.79	2.78	
Total foreign	17.27	60.08	20.41	63.09	12.46	22.02	
Major exporters ^{2/}	6.68	43.53	1.34	31.38	8.12	11.92	
China	3.02	21.30	0.25	16.00	0.80	7.77	
Pakistan	0.15	2.19	0.28	2.03	0.38	0.09	
USSR	1.85	12.28	0.78	9.40	3.20	2.31	
Major importers ^{3/}	4.68	0.84	15.54	16.09	0.60	4.36	
Japan	0.63	-	3.34	3.30	-	0.67	
<u>1984-85 (Estimated)</u>							
World	24.80	86.21	20.09	69.98	20.48	40.18	
United States	2.78	12.98	0.03	5.50	6.22	4.07	
Total foreign	22.02	73.23	20.06	64.48	14.26	36.11	
Major exporters ^{2/}	11.92	53.51	1.19	32.35	9.16	24.71	
China	7.77	28.70	0.10	16.50	1.20	18.67	
Pakistan	0.09	4.63	-	2.27	1.17	1.12	
USSR	2.31	11.70	0.90	9.50	3.10	2.31	
Major importers ^{3/}	4.36	0.97	15.32	15.97	0.57	4.10	
Japan	0.67	-	3.08	3.12	-	0.62	
<u>1985-86 (Projected)</u>							
World							
August	40.07	79.56	20.16	71.33	20.05	47.41	
September	40.18	79.71	20.16	71.62	20.25	47.17	
United States							
August	4.20	13.78	0.01	5.19	4.00	8.86	
September	4.07	13.66	0.01	5.39	4.00	8.41	
Total foreign							
August	35.87	65.78	20.15	66.14	16.05	38.55	
September	36.11	66.05	20.15	66.23	16.25	38.77	
Major exporters ^{2/}							
August	24.76	46.78	1.03	33.50	10.42	27.64	
July	24.71	47.03	1.03	33.55	10.52	27.69	
China	Aug.	18.67	22.50	0.10	17.00	1.50	21.97
China	Sept.	18.67	22.50	0.10	17.00	1.50	21.97
Pakistan	Aug.	1.12	3.90	^{4/}	2.40	1.30	1.14
Pakistan	Sept.	1.12	3.90	^{4/}	2.40	1.30	1.14
USSR	Aug.	2.31	12.50	0.70	9.70	3.40	2.41
USSR	Sept.	2.31	12.50	0.70	9.70	3.40	2.41
Major importers ^{3/}							
August	4.10	1.17	15.56	16.17	0.62	4.04	
September	4.10	1.17	15.56	16.17	0.62	4.04	
Japan	Aug.	0.62	-	3.05	3.08	-	0.60
Japan	Sept.	0.62	-	3.05	3.08	-	0.60

^{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 50,000 bales.

Source: United States Department of Agriculture

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								
	Oct '85	Dec '85	Mar '86	May '86	Jul '86	Oct '86			
Sept., 5	58.43	58.38	59.45	60.02	59.95	54.97	56.89	55.20	
6	58.25	58.24	59.27	59.80	59.40	54.42	56.76	54.55	
9	58.47	57.97	59.07	59.60	59.25	54.17	56.92	54.05	
10	58.32	57.85	59.10	59.58	59.00	53.85	56.56	53.75	
11	58.30	57.83	58.88	59.27	58.70	53.52	56.54	53.75	
12	58.63	58.45	59.50	59.85	59.05	53.75	56.79	53.95	

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						
	Oct '85	Dec '85	Mar '86	May '86	Jul '86		
Sept. 5	-	49.65	50.60	-	-	47.80	
6	-	49.50	50.45	-	-	47.69	
9	-	49.25	50.40	-	-	47.82	
10	-	49.20	50.35	-	-	47.73	
11	-	49.25	50.40	-	-	47.72	
12	-	49.75	50.60	-	-	47.92	

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 August 30		Through August 29	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	3,065,100	-	1,095,100
Exports	114,800	449,000	34,800	162,800
Total export commitments	-	3,514,100	-	1,257,900
New sales	127,300	-	9,400	-
Buy-backs and cancellations	5,400	-	12,400	-
Net sales	121,900	-	-3,000	-
Sales next marketing year	15,000	21,600	-	11,100

Description	Marketing Year			
	1984-85		1985-86	
	Through September 6		Through September 5	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	3,082,500	-	1,046,400
Exports	63,500	512,500	51,900	214,600
Total export commitments	-	3,595,000	-	1,261,000
New sales	83,400	-	12,600	-
Buy-backs and cancellations	2,400	-	9,400	-
Net sales	81,000	-	3,200	-
Sales next marketing year	-	21,600	-	11,100

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

Upland cotton export sales during the week ended September 5 totaled 3,200 running bales, according to the Foreign Agricultural Service, USDA. The predominant buyer was Japan with 2,900 bales. Exports for the week totaled 51,900 bales, up 49 percent from the previous week. Asian destinations accounted for 55 percent of the week's shipments, Africa 29 percent, Western European 13 percent and Western Hemisphere 3 percent.