



## Weekly Cotton Market Review

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September 20, 1984

Trading remained slow on spot cotton markets, according to the Cotton Division, Agricultural Marketing Service, USDA. Prices were lower. Growers with cotton on hand were reluctant to offer at prevailing prices. Merchants were not actively seeking cotton. Domestic and foreign mills made limited purchases. California growers forward contracted a very light volume of 1984-crop cotton and south Texas growers booked a light volume of 1985 crop. The crop made good progress. Cotton was maturing rapidly and harvesting was slowly expanding in many areas of the Cotton Belt. The 1985 upland cotton program was announced. United States and world cotton stocks in 1984-85 are expected to increase sharply.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 60.64 cents per pound during the week ended Thursday, September 20. Prices ranged from a high of 60.97 cents on Friday to a new season low of 60.47 cents on Thursday. A week earlier, prices averaged 61.68 cents per pound, ranging from 60.73 to 62.25 cents. In the corresponding week a year ago, the average price was 70.84 cents. The New York December futures settlement price ended the week on Thursday at 64.57 cents per pound compared with 64.82 cents a week earlier. The October 1985 settlement price was 69.40 cents against 69.55 cents last Thursday.

Trading on spot cotton markets remained slow. Grower-held supplies were limited and most growers with cotton on hand were reluctant to offer at prevailing prices. Demand was light as merchants expect to fill nearby commitments with cotton contracted earlier or with existing stocks. Domestic mill demand slackened. Most mills have covered their primary needs at least into movement of the 1984 crop. Foreign mills purchased a limited volume of mostly 1984-crop cotton. Far Eastern mills bought for October through January 1985 delivery and European mills bought for November through September 1985 delivery. Purchases reported by cotton exchanges in the designated markets totaled 35,700 bales in the week ended Thursday, September 20. This compares with 47,000 bales reported a week earlier and 67,900 bales in the corresponding week last season.

Textile mill report. Mills showed little interest in buying cotton, either for prompt or forward delivery. Some mills offered to sell cotton in excess of their current needs. Mills continued to report a slowdown in their product sales and were cutting work schedules in an effort to keep production in line with sales. A few mills were operating as little as three days per week. Most mills were still operating five days but some had cut operations from 24 to 12 hours per day.

USDA announces 1985 upland cotton program. The U. S. Department of Agriculture announced on September 14 a 20 percent acreage reduction program and a 10 percent paid land diversion program for the 1985 crop of upland cotton. Program sign-up will be October 15 through March 1.

Producers may request 50 percent of their projected 1985 deficiency payments and 50 percent of their 1985 diversion payments when they sign up.

USDA estimates the deficiency payment rate at 19.80 cents per pound. Advance payments to eligible farmers will be half that rate.

The land diversion payment rate has been established at 30.00 cents per pound. This is based on the per pound payment rate times the farm yield times the acres diverted. Advance payments will be one half of the diversion payment.

A producer who accepts an advance payment, but who later does not comply with program provisions, must refund the amount of the advance payment with interest plus liquidated damages.



Cotton producers were encouraged to participate in the 1985 program and help prevent stocks from rising to excessive levels.

To be eligible for program benefits, a producer must agree to limit upland cotton acreage planted for harvest to not more than 70 percent of the farm's upland cotton base and devote to acreage conservation reserve an acreage of eligible cropland equal to 28.57 percent of the 1985 planted acreage plus 10 percent of the applicable upland cotton base.

The 1985 target price is 81.00 cents per pound. The loan rate for the 1985 crop cannot be determined until after October 15. The statutory minimum loan rate is 55.00 cents per pound.

Other 1985 upland cotton program provisions include:

-- The 1985 acreage base will be the average of the acres planted and considered planted to upland cotton in 1983 and 1984.

-- Acreage conservation reserve acres must have been devoted to a row crop or small grains in two of the last three years. For summer fallow acreage, the cropping requirement is one of the last two years.

-- Haying will not be permitted on acreage conservation reserve land. However, the acreage may be grazed except during the five principal growing months as designated by county ASC committees. A standby measure has been approved authorizing, in the event of a natural disaster, implementation of emergency haying and grazing privileges. Approval of the emergency privileges would be made as needed on a county-by-county basis.

-- Offsetting and cross compliance will not apply.

-- Contracts signed by program participants will be considered as binding and will provide for liquidated damages in cases of failure to comply with program requirements.

-- Recourse loans will be available for seed cotton. The seed cotton will be adjusted to a lint basis and the loan rate applicable to lint cotton will be used.

U. S. and world cotton stocks expected to increase sharply. The 1984-85 global cotton outlook is highlighted by prospects for a significant buildup in stocks, reflecting sharply larger production and only slightly larger consumption. Output is forecast at a record 76.3 million 480 pound net weight bales, slightly above month-earlier indications and nearly 9 million above 1983-84. Consumption could total about 70.3 million bales, compared with 68.7 million last season. Consequently, stocks are forecast to jump 5.8 million bales to 29.6 million by the end of 1984-85.

Foreign cotton stocks this season are projected to increase 4 million bales to 25.1 million, with China again likely to account for most of the increase. Output abroad is placed at a record 63.0 million bales, 0.5 million below a month earlier but still 3.4 million above 1983-84. Downward revisions in production in the Soviet Union, India and Mexico account for the decline from August indications. Meanwhile, foreign use is expected to rise nearly 3.5 percent in 1984-85 to 64.8 million bales, with China, Pakistan and the Soviet Union accounting for about half of the gain.

U. S. cotton stocks also are expected to increase sharply this season, in large part due to the prospective 71 percent larger 1984 crop of 13.3 million bales. With production well in excess of anticipated disappearance, ending stocks are expected to total about 4.6 million bales, up from the beginning level of 2.7 million. Total use in 1984-85 is estimated at 11.6 million bales, nearly 4 percent above a month earlier, but nearly one-tenth below 1983-84. Both mill use and exports are expected to be down this season. Consumption may fall about 7 percent to 5.5 million bales, reflecting a projected slowdown in textile activity and a continued increase in textile exports. While raw cotton export prospects improved over the past month -- the estimate has been increased 0.4 million bales to 6.1 million -- larger competitive supplies abroad are expected to offer stiff competition to U. S. cotton later in the season. Recently improved prospects reflect relatively large early-season sales, the larger prospective U. S. crop and a slight downward revision in foreign production.

World cotton trade in 1984-85 is expected to increase moderately to 19.7 million bales. With larger supplies, foreign exports are likely to rebound sharply from last season's depressed level and total about 13.6 million bales. Although down from 1983-84, U. S. exports of an estimated 6.1 million bales still would account for a near average 31 percent of global trade.



Cotton supply and use: World, United States, major exporters and importers; marketing years 1982-83, 1983-84, and 1984-85 <sup>1/</sup>  
September 13, 1984

Region	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Mill use	Exports	
<u>Million 480 pound bales</u>						
<u>1982-83</u>						
<u>World</u> <sup>2/</sup>	25.6	67.4	19.4	67.8	19.3	25.1
<u>United States</u>	6.6	12.0	<sup>3/</sup>	5.5	5.2	7.9
<u>Total foreign</u>	19.0	55.5	19.4	62.3	14.1	17.2
Major exporters <sup>4/</sup>	4.8	23.1	0.5	15.4	9.1	3.7
Major importers <sup>5/</sup>	5.1	0.8	14.8	15.5	0.3	4.8
Others	9.1	31.6	4.1	31.3	4.7	8.7
<u>1983-84 (Estimated)</u>						
<u>World</u> <sup>2/</sup>	25.1	67.4	19.5	68.7	19.0	23.8
<u>United States</u>	7.9	7.8	<sup>3/</sup>	5.9	6.8	2.7
<u>Total foreign</u>	17.2	59.6	19.5	62.8	12.2	21.1
Major exporters <sup>4/</sup>	3.7	22.3	1.0	15.2	7.6	4.0
Major importers <sup>5/</sup>	4.8	0.8	15.0	15.8	0.3	4.4
Others	8.7	36.5	3.5	31.8	4.2	12.7
<u>1984-85 (Projections)</u>						
<u>World</u> <sup>2/</sup>						
August 27	23.9	76.1	19.3	70.4	19.4	29.4
September	23.8	76.3	19.6	70.3	19.7	29.6
<u>United States</u>						
August 27	2.7	12.6	<sup>3/</sup>	5.5	5.7	4.2
September	2.7	13.3	<sup>3/</sup>	5.5	6.1	4.6
<u>Total foreign</u>						
August	21.2	63.5	19.3	64.9	13.7	25.2
September	21.1	63.0	19.6	64.8	13.6	25.1
Major exporters <sup>4/</sup>						
August	4.2	24.5	0.6	15.9	8.4	4.9
September	4.0	24.2	0.7	15.9	8.3	4.5
Major importers <sup>5/</sup>						
August	4.4	1.0	15.3	16.0	0.3	4.4
September	4.4	1.0	15.3	16.0	0.3	4.4
Others						
August	12.6	38.0	3.4	33.0	4.9	16.0
September	12.7	37.8	3.5	32.9	4.9	16.1

<sup>1/</sup> Marketing year beginning August 1. <sup>2/</sup> World imports and exports may not balance due to differences in marketing years, cotton in transit and reporting discrepancies in some countries. Total trade of individual countries, including intra-regional trade. <sup>3/</sup> Less than 50,000 bales. <sup>4/</sup> Includes Australia, Central America, Egypt, Mexico, Pakistan, Sudan, Turkey and the USSR. <sup>5/</sup> Includes Eastern Europe, Western Europe, Japan, Hong Kong, Republic of Korea and Taiwan.

NOTE: Totals may not add and stocks may not balance due to rounding, a small quantity of cotton destroyed, and differences unaccounted.

Source: United States Department of Agriculture

Seven months and older certificated stock, October 1, 1984 1/

Delivery point	7-12 months	13-18 months	19-24 months	Over 24 months	Total
	Bales	Bales	Bales	Bales	Bales
Charleston	-	-	-	-	-
Galveston	4,999	96	105	7	5,207
Greenville	49	3	2	-	54
Houston	-	-	-	-	-
Memphis	2,483	1,025	76	315	3,899
Mobile	-	-	-	-	-
New Orleans	-	1	-	-	1
<b>Total</b>	<b>7,531</b>	<b>1,125</b>	<b>183</b>	<b>322</b>	<b>9,161</b>

1/ Based on Cotton Division records as of September 15, 1984.

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					8-Market Average	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement						
	Oct '84	Dec '84	Mar '85	May '85	Jul '85		
Sept. 13	63.65	64.82	66.70	67.95	69.20	60.73	72.95
14	63.97	64.97	66.82	68.00	69.05	60.97	72.55
17	63.50	64.51	66.43	67.61	68.75	60.51	72.65
18	63.57	64.77	66.69	67.65	68.90	60.71	72.35
19	63.60	64.66	66.58	67.72	68.90	60.56	72.55
20	63.45	64.57	66.42	67.60	68.82	60.47	72.55

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 1983-84 and 1984-85

Description	Marketing Year			
	1983-84		1984-85	
	Through September 15		Through September 13	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	2,690,600	-	3,051,900
Exports	107,400	558,700	75,600	588,000
Total export commitments	-	3,249,300	-	3,639,900
New sales	138,200	-	89,600	-
Buy-backs and cancellations	5,400	-	44,500	-
Net sales	132,800	-	45,100	-
Sales next marketing year	3,000	35,900	-	21,600

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

Upland cotton export sales activity during the week ended September 13 was the slowest of the marketing year, according to the Foreign Agricultural Service, USDA. The major buyers were Taiwan with 14,700 running bales, South Korea 12,600 and Thailand 9,100 bales. Weekly exports totaled 75,600 bales. Asian destinations accounted for 71 percent of the week's shipments, Western Europe 22 percent and Western Hemisphere 6 percent.