UNITED STATES DEPARTMENT OF AGRICULTURE (* - *)
Economic Research Service

OUTLOOK FOR COTTON IN 1962

Talk by Frank Lowenstein
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at the 39th Annual Agricultural Outlook Conference
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The carryover of cotton on August 1, 1962, is expected to be about 400,000 bales larger than the 7.2 million bales of August 1, 1961. The 1961 carryover was about 400,000 bales smaller than the carryover of 1960 and about 50 percent less than the record 14.5 million bales of 1956. (See figure 1.) The carryover of 1961 was the smallest carryover since 1953.

Stocks held by the Commodity Credit Corporation (owned and held as collateral against outstanding price support loans) on August 1, 1961, were about 1.5 million bales compared with about 5 million bales a year earlier. In contrast, stocks held in commercial hands on August 1, 1961, were about 5.7 million bales, the largest such stocks since 1958. The stocks held by CCC in 1961 were the smallest on any August 1 since 1952. Stocks held by CCC reached their 1960-61 peak in the latter half of January of about 5.3 million bales. They then declined, principally because of anticipation of an increase in prices in the 1961-62 season as indicated by higher support prices announced in February 1961. From February through July 1961, the cotton industry purchased large quantities from CCC for delivery abroad after August 1 and for use by domestic mills. (See figure 2.) It seems likely that stocks held in commercial hands on August 1, 1962, will be considerably smaller and stocks held by CCC will be larger perhaps by as much as 3.0 million bales.

The production of cotton in the United States plus small imports and a small city crop are expected to be larger than disappearance. The 1961 crop was estimated as of November 1 to be about 14.5 million bales, about 300,000 bales larger than the crop of 1960. Disappearance in 1961-62 is expected to be somewhat smaller than the 14.9 million bales of 1960-61. Disappearance is declining because of smaller exports, but an increase in mill consumption of cotton is counterbalancing much of this decline.

The 1961 crop of 14.5 million bales is being produced on 300,000 more harvested acres than the 1960 crop. The yield per harvested acre for the 1961 crop is about the same as the 446 pounds of 1960. The decline in yield from the record high of 1958 to 1960 and 1961 is contrary to the long-term uptrend which had prevailed for many years. (See figure 3.) In 1961, acreage shifted to geographic regions with relatively low yields. The West, which had a record high yield of 991 pounds per acre, only had 8.7 percent of the 1961 planted acreage compared with 10.1 percent in 1960. Acreage in the Southeast increased to 16.2 percent compared with 16 percent in 1960 while the Southwest increased by almost 1 percent to 47.2 percent. Acreage in the Delta States increased slightly.

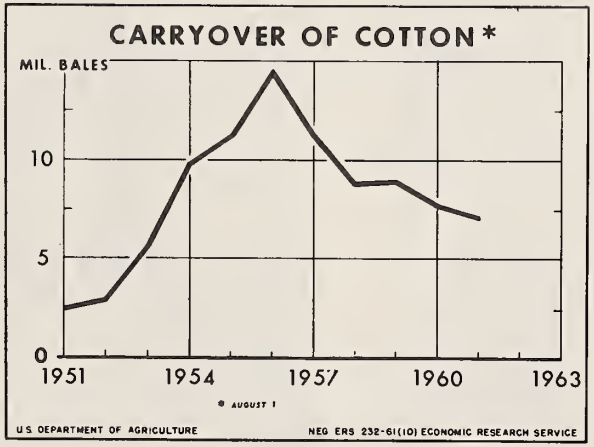


FIGURE 1

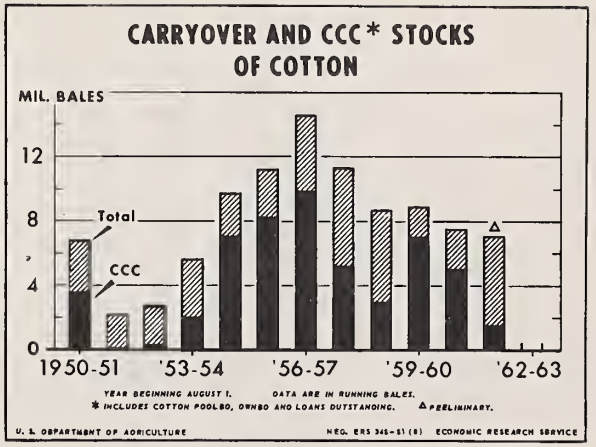
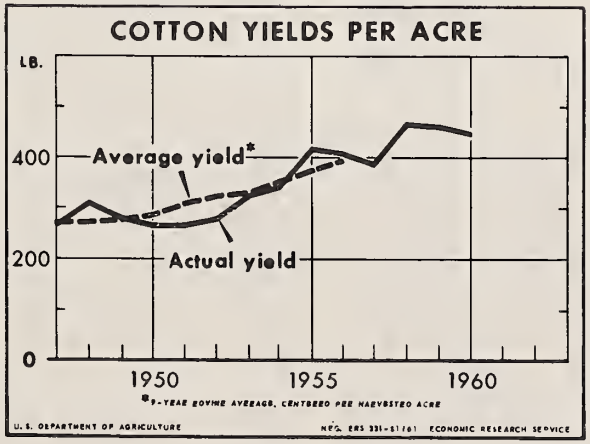


FIGURE 2



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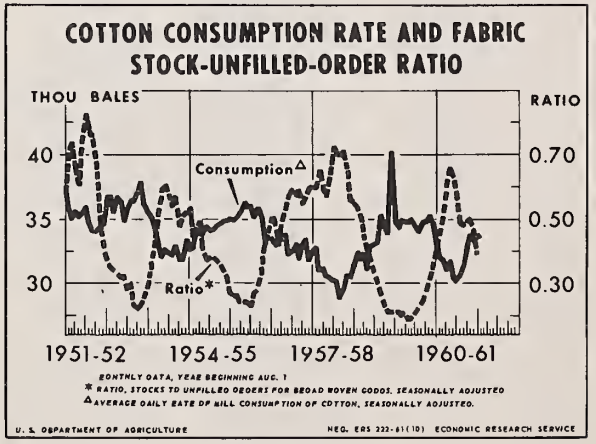


FIGURE 4

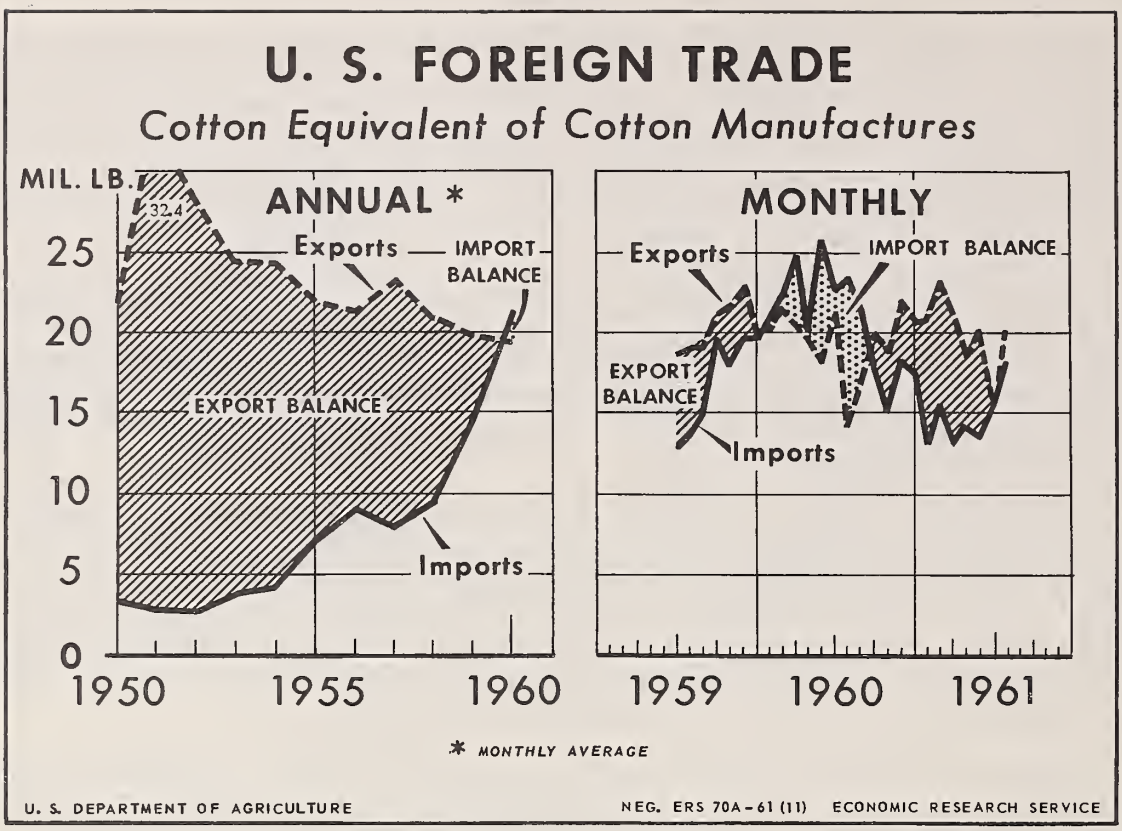
Even a larger porportion of the 1961 allotted acreage for upland cotton was assigned to the Southeast, but underplanting there was particularly high for the 1961 crop with about 21 percent of the allotment not being planted. The 1962 national acreage allotment for upland cotton was announced at 18.1 million acres compared with 18.5 million for 1960. The distribution of the 1962 acreage allotment among the geographic regions of the Cotton Belt is not greatly different from that of 1961.

Consumption of cotton by U. S. mills is expected to increase by about a half million bales over the 8.3 million bales of 1960-61. Higher levels of economic activity in the U. S., relatively low levels of pipeline stocks of cotton goods, smaller textile imports, and the maintenance of textile exports at the 1960 levels during the first 8 months of 1961 are causing the increase in U. S. mill consumption.

The ratio of stocks to unfilled orders for cotton broadwoven goods at mills (adjusted for seasonal variation) at the end of September was 0.38 compared with 0.44 in September a year earlier and a post-World War II average of 0.40. This ratio has tended to decline each month since December 1960. Changes in this ratio usually lead changes in the rate of cotton consumption by several months. Furthermore, changes in the ratio and the rate of consumption usually have an inverse relationship. (See figure 4.)

Imports of cotton textiles during the first 8 months of 1961 were about 122 thousand bales below the 374 thousand imported during the first 8 months of 1960. Exports, on the other hand, were very nearly the same in both periods, equivalent to 333 and 324 thousand bales of cotton, respectively. Historically, exports of cotton textiles are usually larger than imports. In 1960, imports exceeded exports for the first time since records began in 1920. Although imports were larger than exports for most of 1960, the balance changed to the traditional position favoring cotton textile exports late in that year. (See figure 5.) During the first 8 months of 1961, exports were larger than imports because of a sharp drop in the level of imports, probably caused by the U. S. textile recession of 1960-61. In July and August, however, the quantity of cotton textile imports increased and was closer to exports than in the first 6 months. The rise in imports was probably caused by the economic recovery in the United States.

The average daily rate of cotton consumption has tended to increase on a seasonally adjusted basis rather steadily since the low of February 1961. In recent years, cotton consumption has shown a consistent seasonal pattern with the highest rates in January and February and the lowest in July and December. (See figure 6.) Adjustment of actual rates for normal seasonal variation gives a more reliable indication of the true level of cotton consumption by U. S. mills. Seasonal adjustment of the September rate indicates domestic mill consumption of more than 8.8 million bales in 1961-62.



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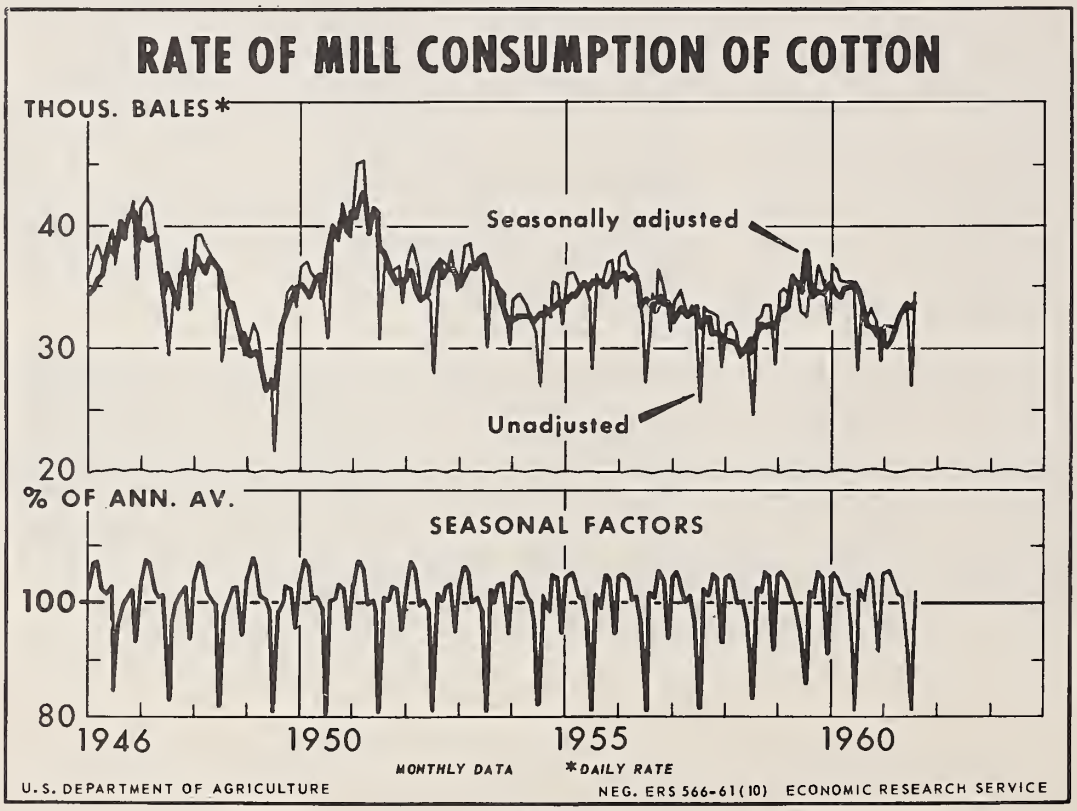

FIGURE 6

Over the past 16 years, mill consumption of cotton per capita has tended to decline rather steadily. If mill consumption is adjusted to reflect changes in U. S. foreign trade in cotton textiles to obtain domestic consumption data, much of this downtrend is eliminated. This adjustment consists of adding the cotton equivalent of cotton textile imports to mill consumption and subtracting the cotton equivalent of textile exports. On a domestic consumption basis, the per capita consumption of cotton in 1960 was close to the 1955-59 annual average, but on a mill consumption basis, per capita consumption in 1960 was about 1-1/3 pounds smaller. Manmade fiber domestic per capita in 1960 was close to 1/2 pound per person smaller than the 1955-59 annual average. (See figure 7.)

Domestic consumption of cotton per capita in the United States during 1961 probably will be about 22.2 pounds, the lowest level since 1958. In 1962, it probably will increase. Domestic consumption of rayon and acetate dropped from 7.1 pounds per capita in 1959 to 5.7 pounds in 1960 and the consumption of non-cellulosic manmade fibers in 1959 and 1960 were about the same.

In the 1961-62 marketing year consumption of both rayon and acetate and the non-cellulosic manmade fibers are expected to increase. Rayon and acetate consumption may increase by as much as 9 percent over that estimated for the calendar year 1961 and non-cellulosic manmade fiber consumption may increase by as much as 7 percent.

Exports of cotton from the United States in the 1961-62 marketing year are expected to decline from the 6.6 million bales of 1960-61 to about 5-1/2 million bales. Smaller exports are expected because the sharp stock build-up in the foreign free world that took place during the 1960-61 marketing year is expected to change to a small stock decline in the current marketing year. Production of cotton in the foreign free world probably will be below that of 1960-61 and consumption will probably be down slightly from that of the preceding season. The gap between foreign production and consumption, which has been gradually widening for the past several years, is expected to be maintained at about the 1960-61 level in 1961-62. (See figure 8.)

Government financing of cotton exports is expected to be somewhat smaller during the current fiscal year than in the fiscal year ending June 30, 1961. Reductions in the quantity of cotton exports financed under Public Law 480 and the Mutual Security Act are responsible for the decline. Financing by the Export-Import Bank is expected to be larger than a year earlier.

Market prices for upland cotton in the United States have increased rather steadily over the past several months. The average 14 spot market price for Middling 1-inch cotton in October of 33.59 cents per pound was the highest monthly average since June 1959.

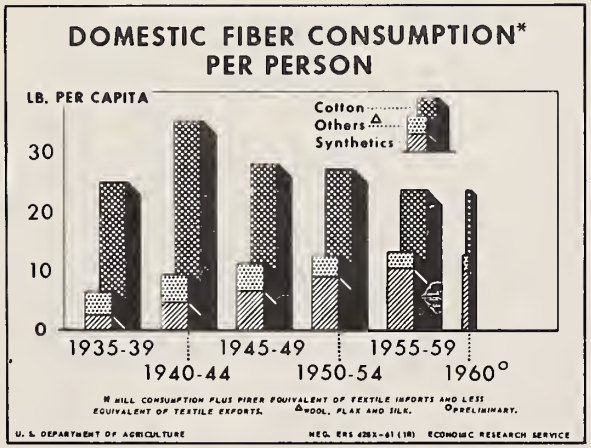

FIGURE 7

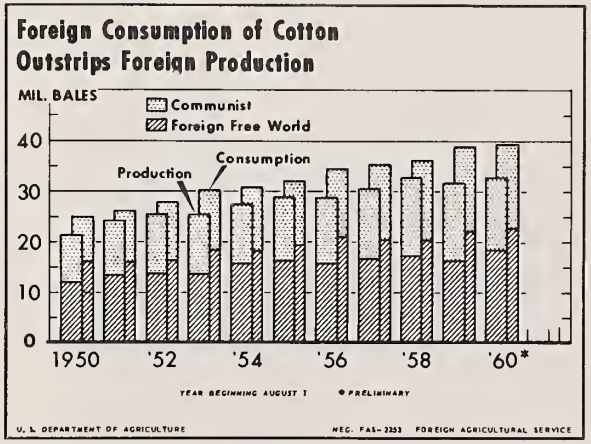

FIGURE 8

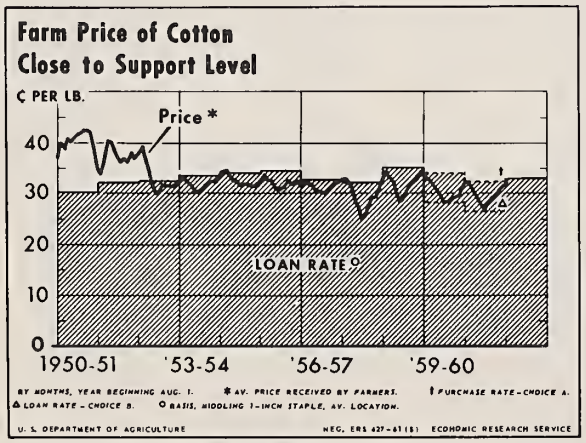

FIGURE 9

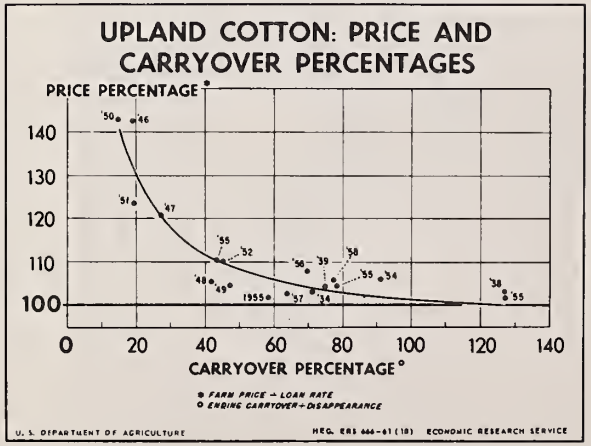

FIGURE 10

The average price received by farmers for upland cotton in mid-October was 33.89 cents per pound, compared with 31.53 cents in October 1960. The average price received by farmers has increased each month since February 1961 when it was at its 1961 low. For several years, it has been close to the support level. (See figure 9.) The rise in prices received by farmers in recent months has accompanied a rise in the support level for the 1961 crop, compared with the 1960 crop.

The average prices received by farmers in the past were influenced principally by two forces--the level of support prices and supply and demand conditions. The relation of supply and demand can be expressed by dividing ending carryover by disappearance. In the past, support prices tended to place a floor under market prices. As the ending carryover became small in relation to disappearance, prices received by farmers tended to rise above this floor. The rate of increase became more rapid as the ending carryover became relatively smaller. (See figure 10.) The ending carryover in relation to disappearance during the current season is considerably smaller than it was a few years earlier. It probably will be about 50 percent of 1961-62 disappearance on July 31, 1962, compared with about 48 percent a year earlier.