UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR COTTON IN 1963

Talk by James R. Donald
Economic and Statistical Analysis Division
at the 40th Annual Agricultural Outlook Conference
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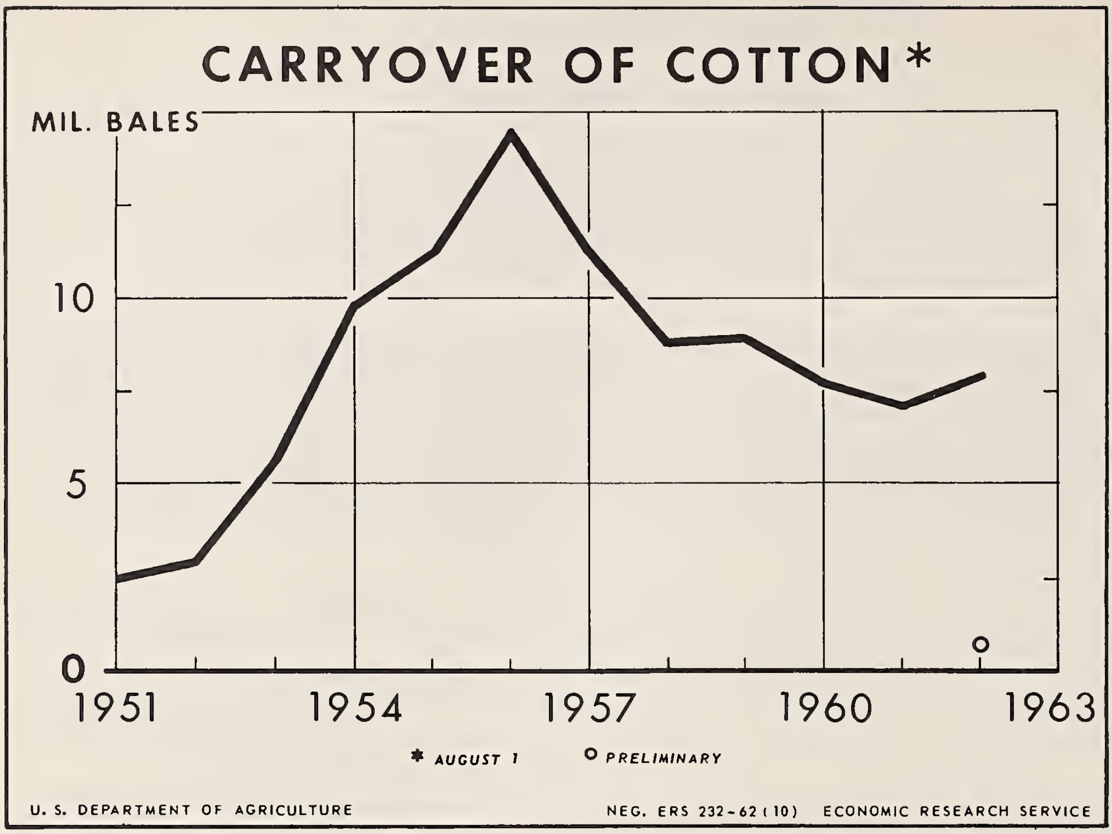
For the second consecutive year, the carryover of all kinds of cotton in the United States is likely to increase. The ending carryover for the 1962-63 season is expected to total around 9.0 million bales. This is over a million bales larger than at the beginning of the season and would be the highest carryover since 1957. The record high was 14.5 million bales on August 1, 1956. After the record high, the carryover trended downward, reaching a low of 7.2 million bales on August 1, 1961. (See figure 1.)

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding price support loans) also are expected to increase during the 1962-63 season, while "free" stocks may decline. At the beginning of the season, CCC-held stocks totaled 4.7 million bales, up sharply from 1.5 million bales on August 1, 1961, when such stocks were the smallest since 1952. (See figure 2.) Of the 4.5 million bales held by CCC on August 1, 1962, about 3.2 million were acquired from the 1961 crop. Thus far during the current season, the volume of cotton placed under loan has been larger than a year earlier, principally because of earlier ginnings from a larger crop and some lag in demand for cotton.

The carryover is expected to increase during the current season because of a larger crop and smaller disappearance than last season. As of November 1, the 1962 crop was estimated at 14.5 million running bales. This is 200,000 bales larger than in 1961 and the largest crop since 1959. Disappearance during the current season is estimated at 13.6 million bales--300,000 bales below a year earlier and the smallest disappearance since 1958. Smaller disappearance is expected because of a decline in mill consumption of cotton, as exports are expected to total near last season's level.

The 1962 crop is being produced on 15.7 million harvested acres, 84,000 acres more than for the 1961 crop. However, the larger crop for 1962 is primarily a reflection of higher yields--444 pounds per acre compared with 438 pounds in 1961. (See figure 3.) Ginnings from the 1962 crop totaled 9.2 million bales prior to November 1 compared with 8.7 million bales to the same date a year earlier. It is the largest proportion--63 percent--of the crop ginned to this date since 1959.

The national acreage allotment for the 1963 crop of upland cotton has been set at 16 million acres, not including the national acreage reserve. This is about 2 million acres smaller than a year earlier. However, this may



CARRYOVER OF COTTON*
MIL. BALES
10
5
0
1951
1954
1957
1960
1963
* AUGUST 1
O PRELIMINARY
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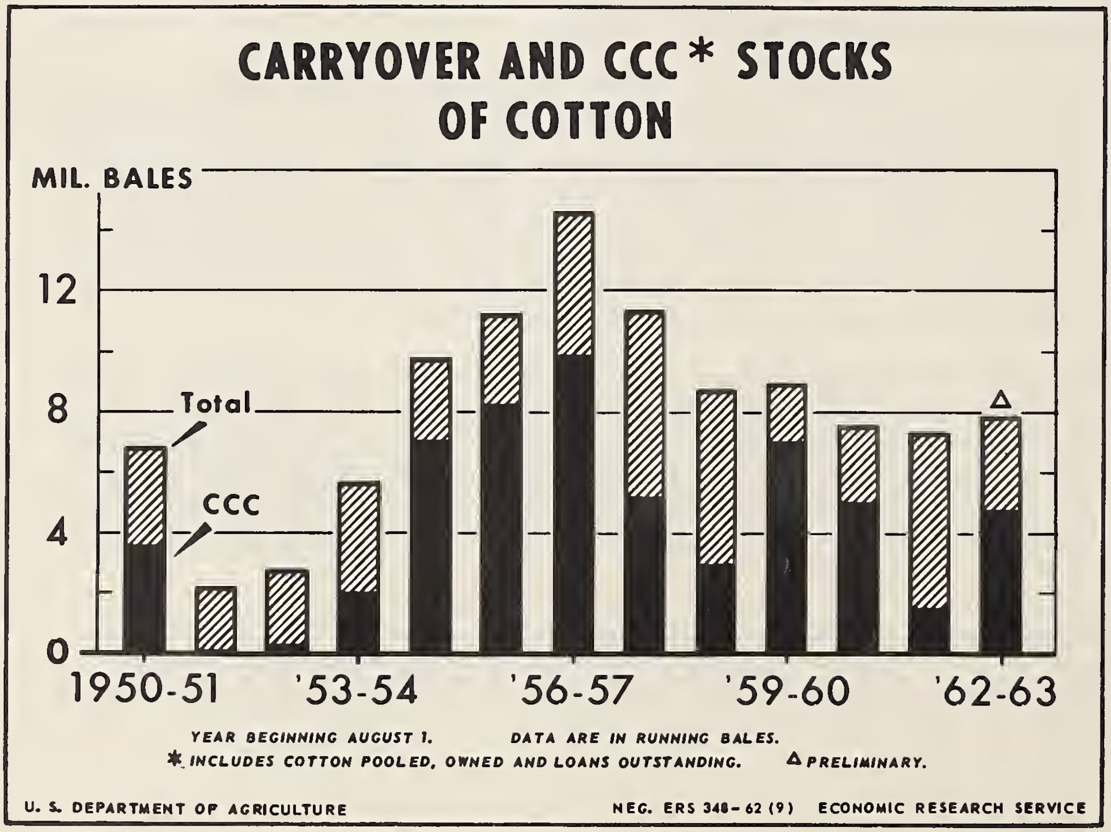
FIG. 1



CARRYOVER AND CCC* STOCKS OF COTTON
MIL. BALES
12
8
4
0
Total
CCC
1950-51
'53-54
'56-57
'59-60
'62-63
YEAR BEGINNING AUGUST 1.
DATA ARE IN RUNNING BALES.
* INCLUDES COTTON POOLED, OWNED AND LOANS OUTSTANDING.
Δ PRELIMINARY.
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FIG. 2

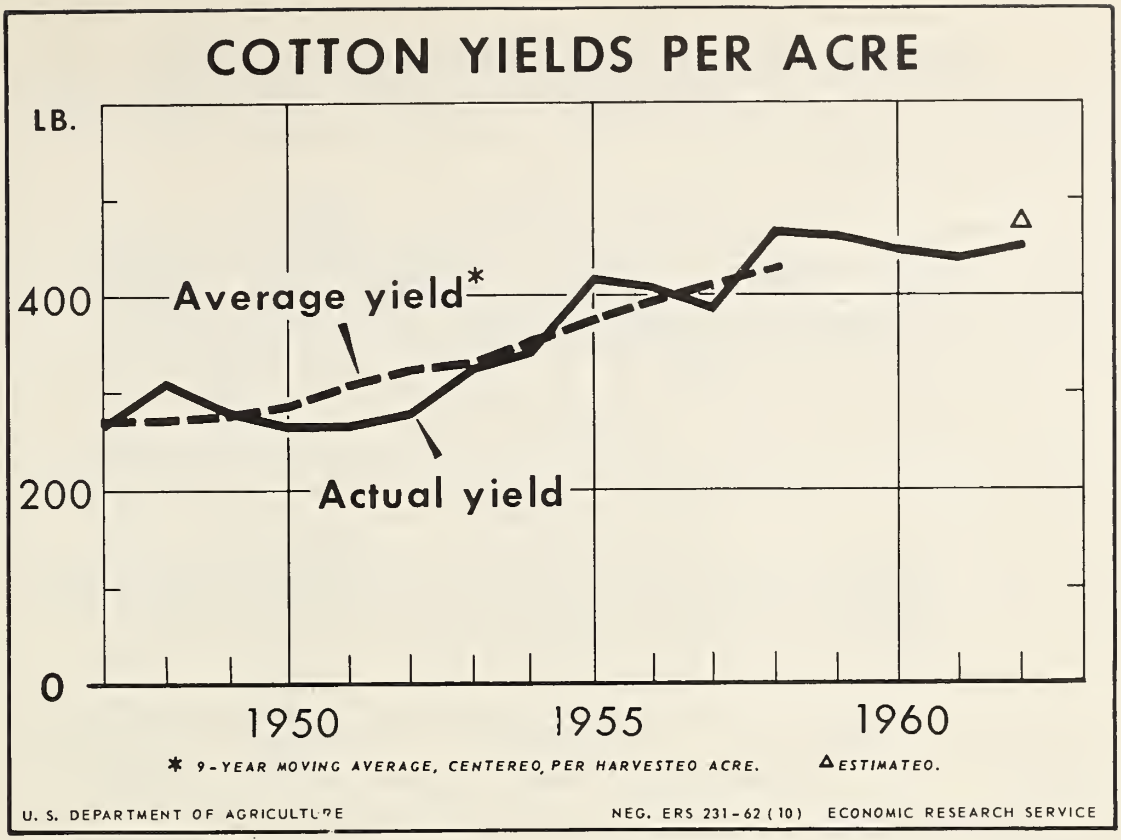
COTTON YIELDS PER ACRE
LB.
400
200
0
Average yield*
Actual yield
1950
1955
1960
* 9-YEAR MOVING AVERAGE, CENTERED, PER HARVESTED ACRE.
Δ ESTIMATED.
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FIG. 3

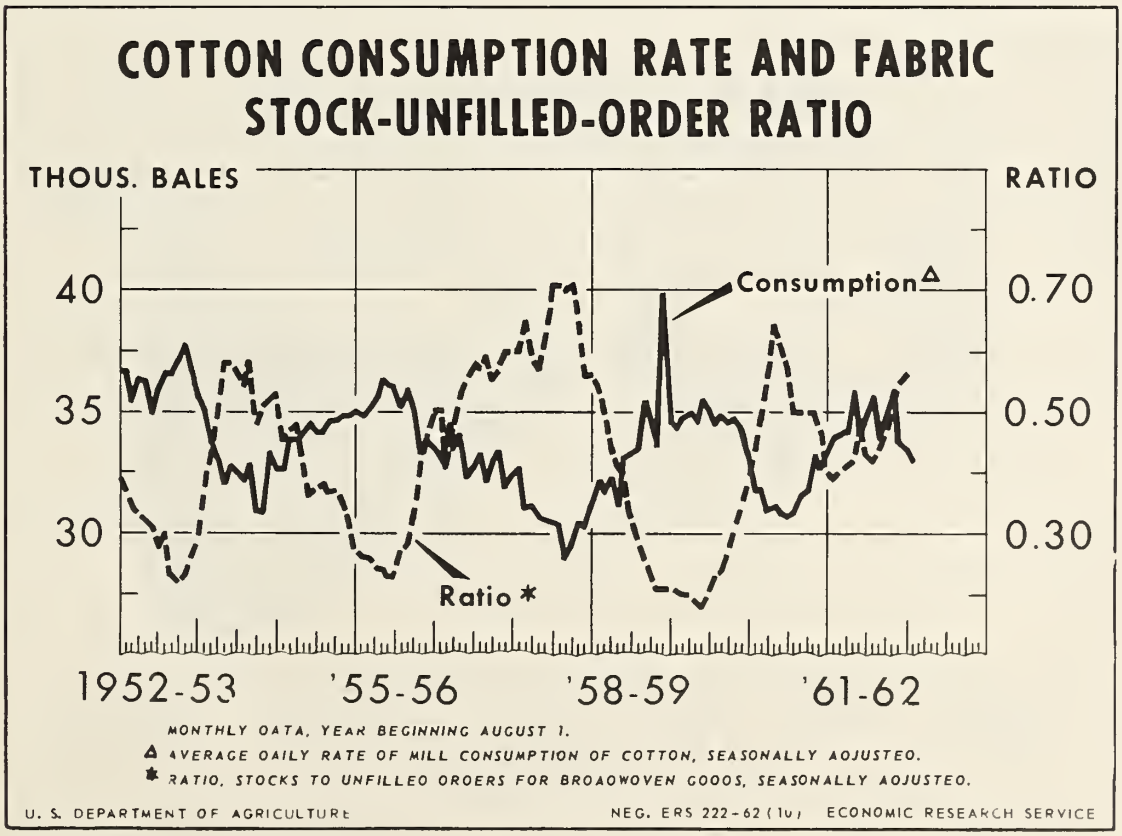
COTTON CONSUMPTION RATE AND FABRIC STOCK-UNFILLED-ORDER RATIO
THOUS. BALES
RATIO
40
35
30
0.70
0.50
0.30
ConsumptionΔ
Ratio *
1952-53
'55-56
'58-59
'61-62
MONTHLY DATA, YEAR BEGINNING AUGUST 1.
Δ AVERAGE DAILY RATE OF MILL CONSUMPTION OF COTTON, SEASONALLY ADJUSTED.
* RATIO, STOCKS TO UNFILLED ORDERS FOR BROADWOVEN GOODS, SEASONALLY ADJUSTED.
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FIG. 4

not be the final national acreage allotted for the 1963 crop because of possible new legislation. The acreage allotment for the 1962 crop of extra-long staple cotton has been set at 149,880 acres, up sharply from the 100,293 acres allotted for the 1962 crop.

USDA's recommendation for an import fee on the raw cotton content of textile imports was rejected on September 6. This fee was to offset the difference between the cost of raw cotton to foreign and domestic mills. On the same day, USDA was directed by the President to formulate a new domestic program for cotton that would eliminate the "inequity created by the present two-price cotton system." In accordance with this Presidential directive, USDA has been studying alternative programs for cotton. On October 8 and 9, USDA officials met with the Advisory Committee on Cotton to discuss cotton programs. The Committee recommended that a combined "trade incentive" and producer-choice program be considered for 1963 and subsequent crops. The program as recommended would involve the issuance of payment-in-kind certificates to the last handler of cotton and would permit producers to plant over their basic acreage allotment. They would receive approximately the world price for cotton produced on the additional acreage.

Consumption of cotton by mills in the United States during the 1962-63 season is expected to total near 8.6 million bales, about 400,000 bales less than last season. Smaller consumption in 1962-63 is indicated by recent declines in the rate of cotton consumption and increases in the ratio of mill stocks to unfilled orders for cotton cloth. (See figure 4.)

The seasonally adjusted daily rate of consumption in September was 33,030 bales--the lowest rate since July 1961. During the current cycle, consumption trended upward from early calendar 1961 through mid-1962. Since June 1962, consumption has fallen each month. (See figure 5.) The adjusted stock-unfilled order ratio, which usually indicates changes in the opposite direction of the rate of cotton consumption, in August was 0.56--the highest since February 1961. Consumption for the current season could fall below 8.6 million bales if the level of general economic activity declines.

Imports of cotton textiles, on a raw-cotton-equivalent basis, have been running at record levels during calendar 1962. For the first 9 months of 1962, imports totaled a record 501,500 bales compared with 282,000 during the comparable period in 1961 and the previous record of 418,800 for 1960. Exports of textiles totaled slightly lower for the first 9 months of 1962 than a year earlier--351,100 bales compared with 372,000 bales. If imports and exports continue at the same rate as for the first 9 months of 1962, total imports for the year would exceed total exports by about 200,000 bales. Monthly imports have exceeded exports for each month thus far in 1962. (See figure 6.)

Per capita mill consumption for calendar 1962 may show a small increase. Estimated consumption of 22.8 pounds would be 2.7 percent higher than a year earlier. A sharper rise--11.2 percent--is expected in manmade fiber consumption. Per capita manmade consumption of 12.5 pounds would be a record high.

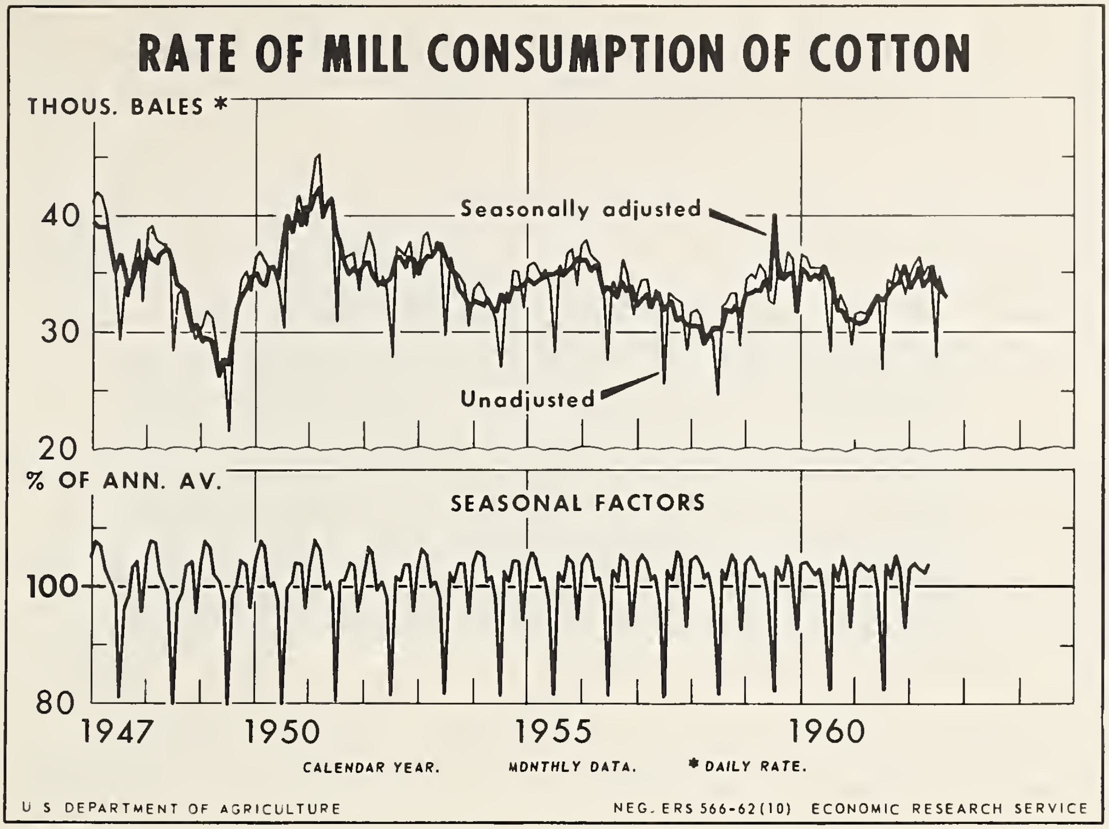
RATE OF MILL CONSUMPTION OF COTTON
THOUS. BALES *
40
30
20
Seasonally adjusted
Unadjusted
% OF ANN. AV.
SEASONAL FACTORS
100
80
1947
1950
1955
1960
CALENDAR YEAR.
MONTHLY DATA.
* DAILY RATE.
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FIG. 5

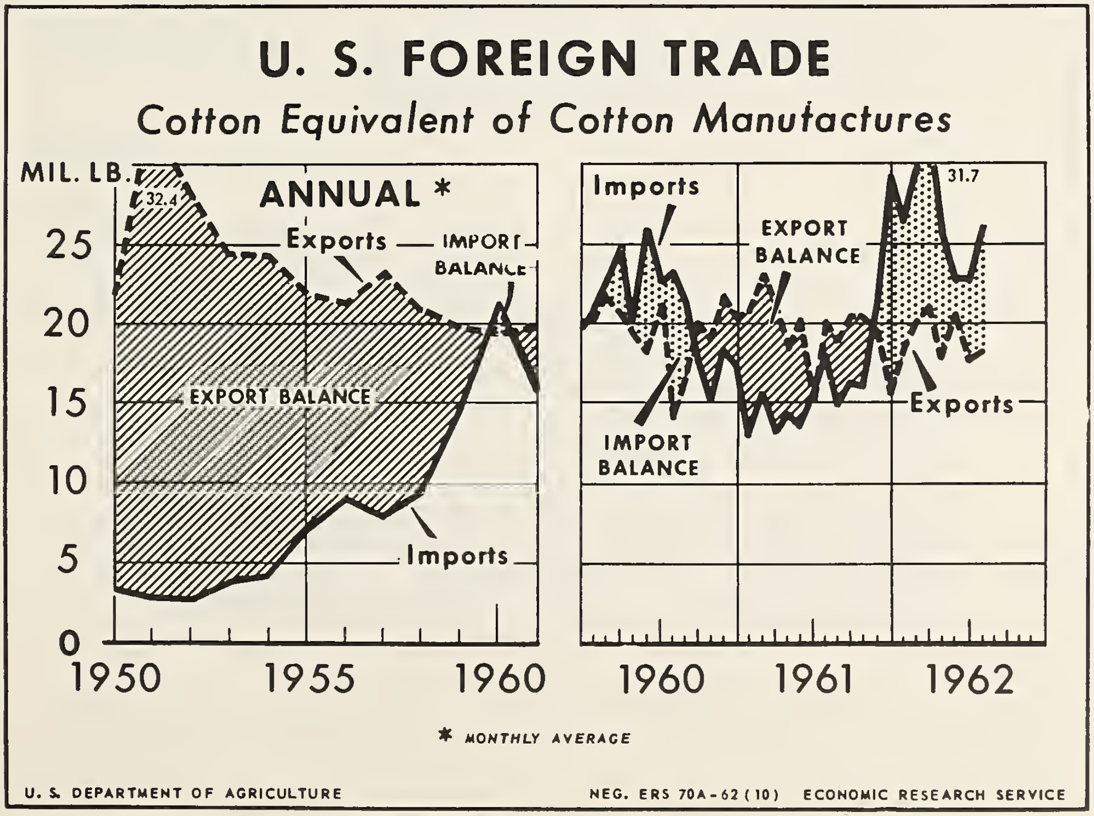
U. S. FOREIGN TRADE
Cotton Equivalent of Cotton Manufactures
MIL. LB.
ANNUAL *
32.4
Exports
IMPORT BALANCE
EXPORT BALANCE
Imports
25
20
15
10
5
0
1950
1955
1960
Imports
EXPORT BALANCE
31.7
IMPORT BALANCE
Exports
1960
1961
1962
* MONTHLY AVERAGE
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FIG. 6

No change is expected in per capita consumption of wool. Total fiber consumption--cotton, manmade, and wool--may increase about 5.3 percent. (See figure 7.)

Per capita domestic fiber consumption (mill consumption adjusted for raw-fiber equivalent of U.S. imports and exports of textiles) is expected to show a sharper rise than mill consumption for 1962 because of large textile imports. Per capita domestic cotton consumption for 1962 is estimated at 23.3 pounds, 5.4 percent higher than in 1961. Manmade fiber consumption may show a 13.2 percent rise, while wool consumption is expected to be 3.4 percent higher. The increase for total fibers in 1962 may be around 7.6 percent. (See figure 8.)

Cotton exports during the 1962-63 season are expected to total near 5.0 million bales. Although this is slightly larger than the 4.9 million bales exported a year earlier, it is below the average of 5.4 million bales for the past 5 years. Smaller than average exports are indicated during the current season by a smaller volume of registrations under the payment-in-kind program and an expected record-high production of cotton in the foreign free world. Factors which are helping to maintain exports near 5 million bales include an expected high level of consumption in the foreign free world, the possibility of a small increase in stocks of cotton in importing countries, expected relatively large Government financing under special programs, and some recent improvements in the competitive position of U.S. growths of cotton in world markets.

Foreign free world production of cotton during the 1962-63 crop year may set a record of 20.6 million bales. This is 1.5 million bales larger than the previous record in 1961-62. This new production high reflects both increased yields and harvested acreage. The largest prospective production increases are in Egypt, India, Brazil, Syria, Uganda, and several Central American countries.

Consumption of cotton in the foreign free world may be near or exceed last season's record of 23.5 million bales. Consumption prospects for the current season appear favorable in India, Canada, Italy, and several other importing countries. Also, consumption in foreign exporting countries is expected to continue the uptrend of recent years. Consumption in Japan, down since early 1962, may continue to decline in the next few months. (See figure 9.) However, chances appear favorable for an increase later in the season.

Stocks of cotton in the foreign free world were reduced to 9.2 million bales on August 1, 1962--the lowest level since 1956. Stocks of 5.5 million bales in foreign free world importing countries were 1.1 million bales below a year earlier.

Spot market prices for cotton have been relatively steady in recent weeks after trending downward for several months. The weekly average spot market price for Middling 1-inch cotton was 32.99 cents per pound for the

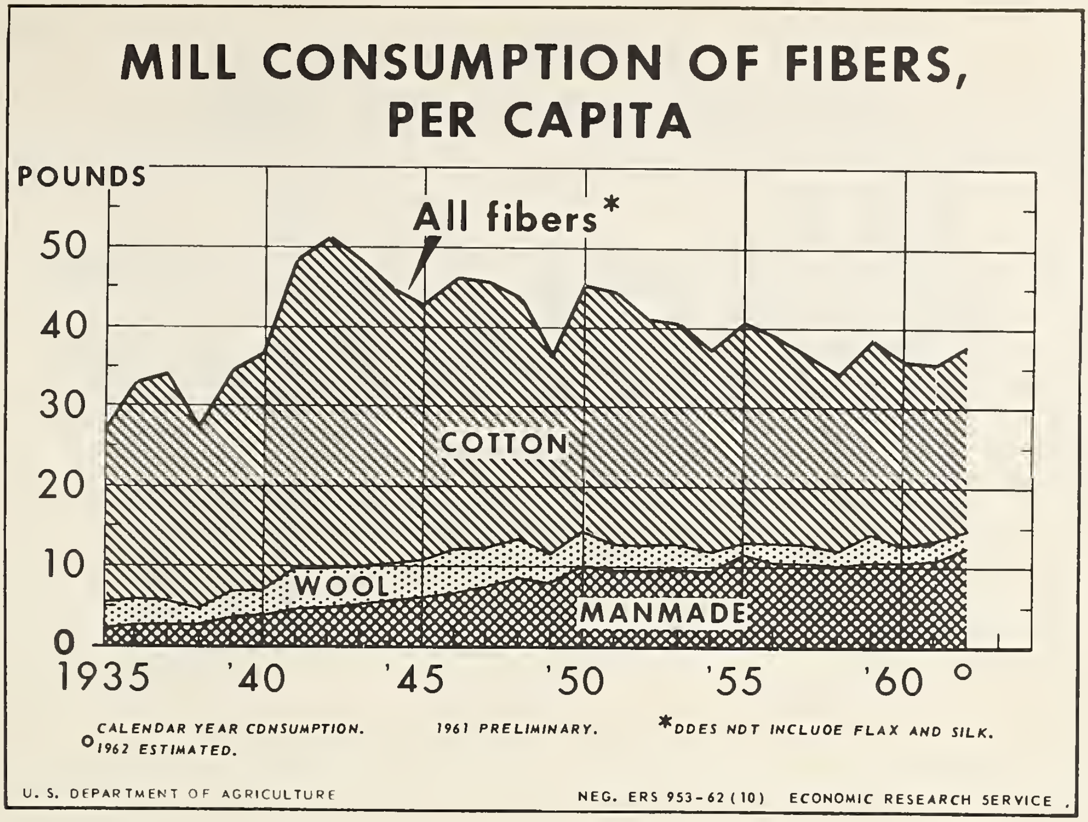
MILL CONSUMPTION OF FIBERS, PER CAPITA
POUNDS
50
40
30
20
10
0
All fibers*
COTTON
WOOL
MANMADE
1935
'40
'45
'50
'55
'60
CALENDAR YEAR CONSUMPTION.
1961 PRELIMINARY.
*DOES NOT INCLUDE FLAX AND SILK.
○1962 ESTIMATED.
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FIG. 7

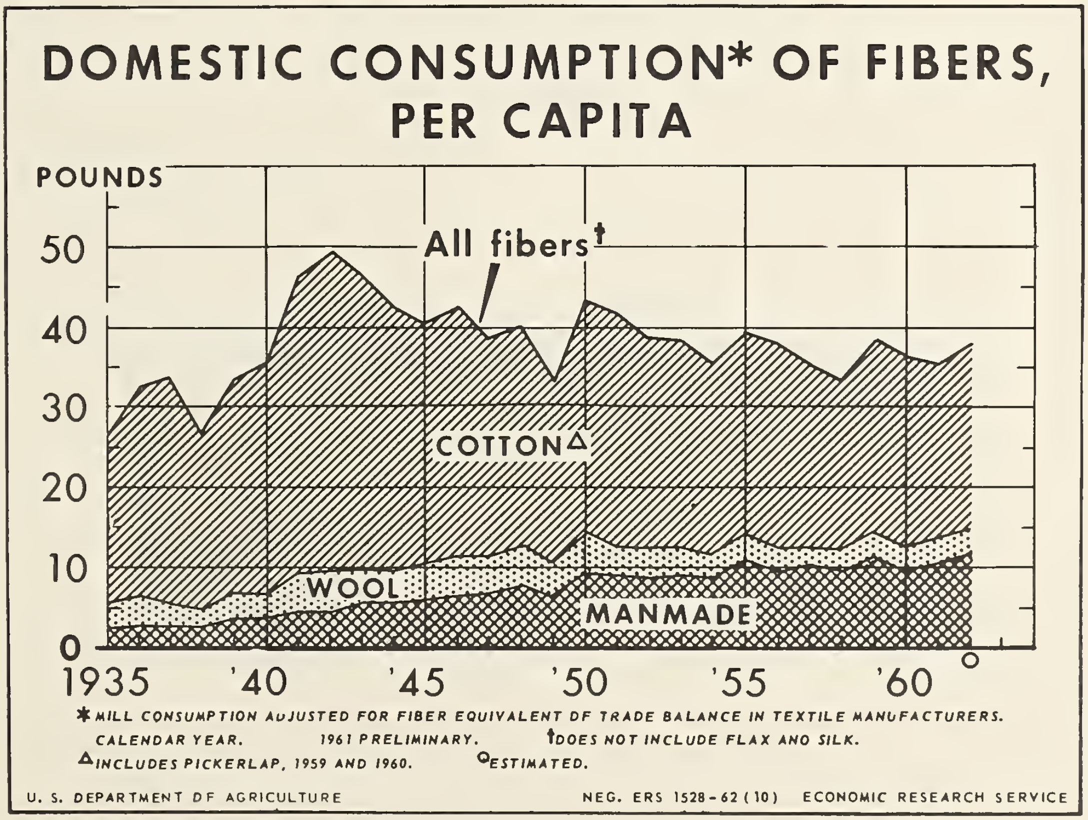
DOMESTIC CONSUMPTION* OF FIBERS, PER CAPITA
POUNDS
50
40
30
20
10
0
All fibers†
COTTON△
WOOL
MANMADE
1935
'40
'45
'50
'55
'60
* MILL CONSUMPTION ADJUSTED FOR FIBER EQUIVALENT OF TRADE BALANCE IN TEXTILE MANUFACTURERS.
CALENDAR YEAR.
1961 PRELIMINARY.
†DOES NOT INCLUDE FLAX AND SILK.
△INCLUDES PICKERLAP, 1959 AND 1960.
○ESTIMATED.
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FIG. 8

week ending November 2. The average price for the month of October was 33.01 cents per pound compared with 33.02 cents in September and 33.36 cents in August. The average spot market price for the 1961-62 season was 33.67 cents per pound, up 2.71 cents from a year earlier.

The average price received by farmers for upland cotton in October was 32.59 cents per pound, down from 33.18 cents in September and 33.86 cents in October 1961. Prices received by farmers for cotton during the 1961-62 season were the highest since 1958-59. (See figure 10.) The higher prices for the 1961 crop than for the 1960 crop reflected a higher support price and a change in the price support program. For the 1962 crop, the minimum national average support price is the same as it was for the 1961 crop--31.88 cents per pound.

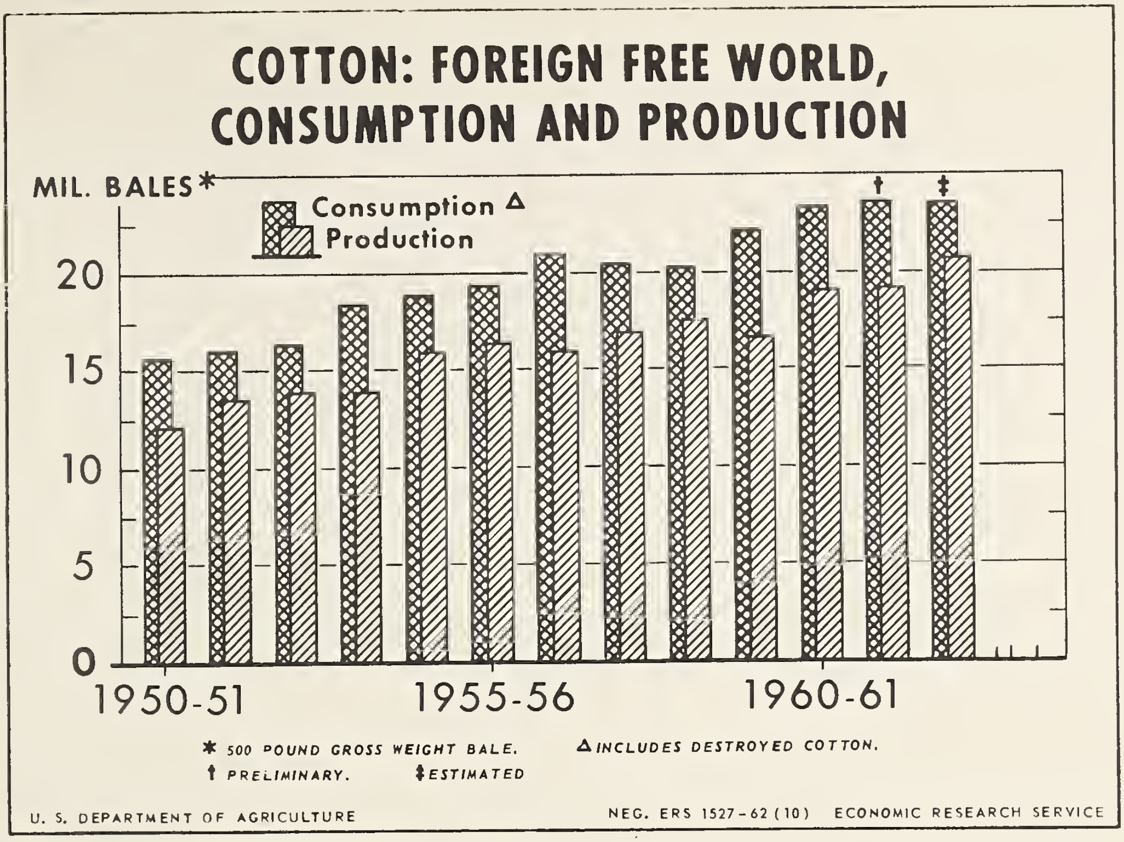
COTTON: FOREIGN FREE WORLD, CONSUMPTION AND PRODUCTION
MIL. BALES*
Consumption △
Production
20
15
10
5
0
1950-51
1955-56
1960-61
* 500 POUND GROSS WEIGHT BALE.
△ INCLUDES DESTROYED COTTON.
† PRELIMINARY.
‡ ESTIMATED
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FIG. 9

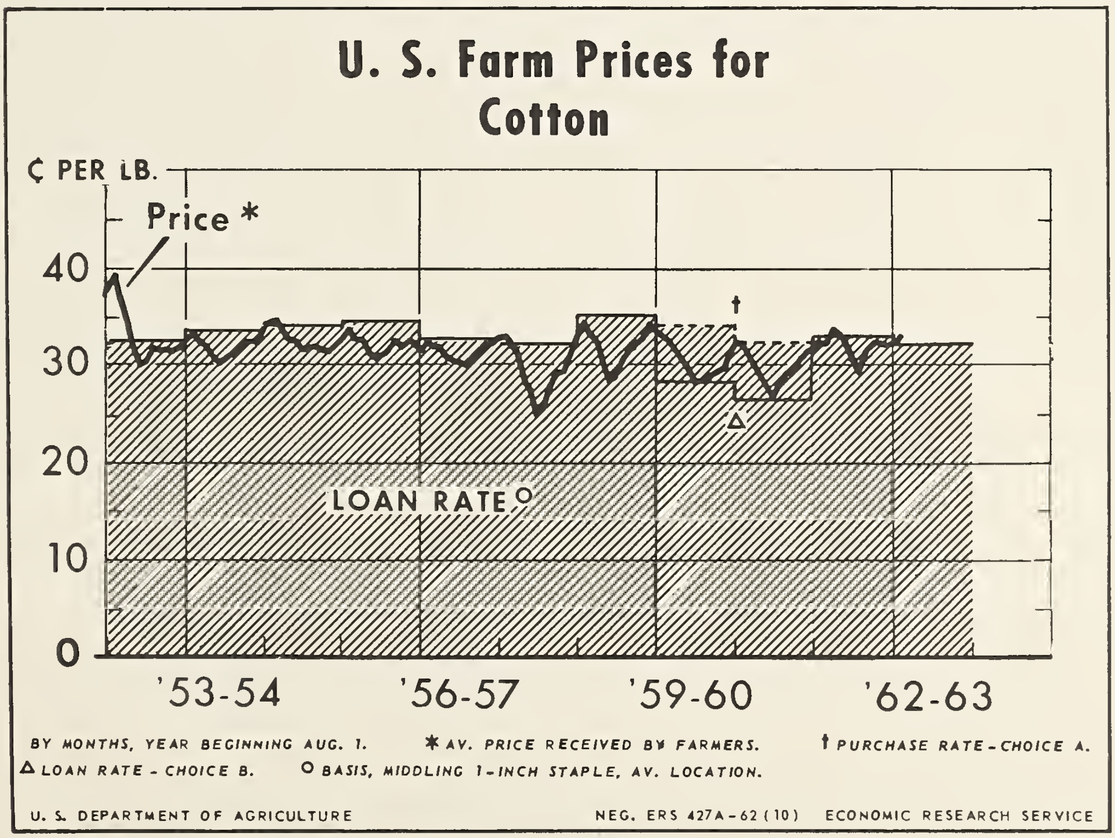
U. S. Farm Prices for Cotton
¢ PER LB.
Price *
40
30
20
10
0
LOAN RATE O
'53-54
'56-57
'59-60
'62-63
BY MONTHS, YEAR BEGINNING AUG. 1.
* AV. PRICE RECEIVED BY FARMERS.
† PURCHASE RATE - CHOICE A.
△ LOAN RATE - CHOICE B.
O BASIS, MIDDLING 1-INCH STAPLE, AV. LOCATION.
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FIG. 10