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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR COTTON IN 1964

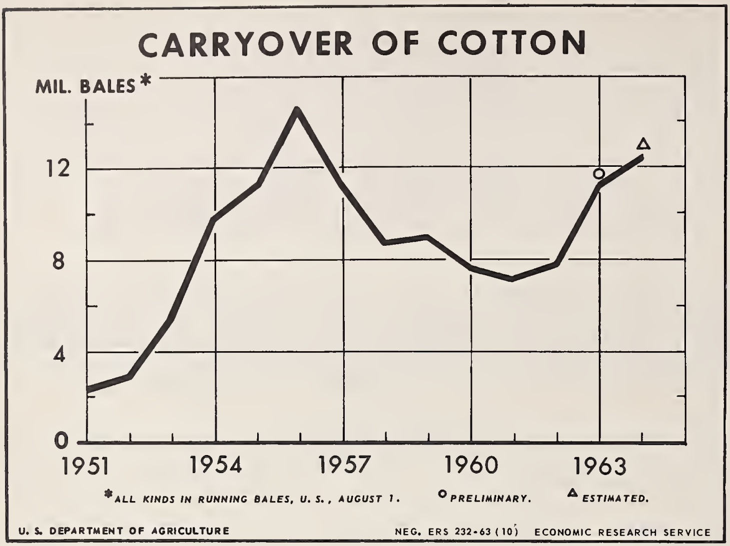
Talk by James R. Donald
Economic and Statistical Analysis Division
at the 41st Annual Agricultural Outlook Conference
Washington, D.C., 3:45 P.M., Thursday, November 21, 1963

The carryover of all kinds of cotton in the United States next August 1 is expected to be about 12.9 million bales (12.7 million of upland cotton). This would be an increase of 1.7 million bales from last August and would mark the third consecutive season that the carryover has increased. (See figure 1.) It would be the largest since the record high of 14.5 million in 1956.

Commodity Credit Corporation stocks also are expected to increase during the current season while "free" stocks may show little change. Cotton held as collateral against outstanding price support loans from the 1963 crop totaled 2.2 million bales as of October 25 compared with 1.6 million from the 1962 crop on approximately the same date last year. The greater volume of cotton being place under loan from the 1963 crop primarily reflects earlier ginnings and use of CCC stocks to meet export needs. On August 1, 1963, CCC-held stocks totaled 8.2 million bales. This was up from 4.7 million a year earlier and the largest since 1956. (See figure 2.) CCC acquired 4.7 million bales or about 32 percent of the 1962 crop through unredeemed price support loans. This compares with 3.2 million or 22 percent of the crop acquired in 1961.

The carryover is expected to increase this season as the large crop is exceeding disappearance. (See figure 3.) Production is above last year's level because of a record 516-pound-per-acre yield. The crop was estimated as of November 1 to total 15.3 million bales, up 450,000 from 1962. Disappearance during the current season is estimated at 13.8 million bales, up about 2 million from a year earlier. Both mill consumption and exports are expected to be larger this season.

During the 1962-63 crop year, the carryover increased over 3 million bales as both mill consumption and exports declined sharply from a year earlier, and the 1962 crop was up from 1961. Although acreage allotments were reduced about 300,000 acres for the 1962 crop from the previous year, production rose over 500,000 bales. Exports dropped to 3.4 million bales during 1962-63 as foreign production increased over 2 million bales from 1961-62, while consumption fell 400,000 bales. At the same time, stocks were worked down in foreign importing countries. U.S. mill consumption of cotton declined in 1962-63 because of increasing competition from man-made textile fibers and cotton textile imports and because of cotton industry uncertainty about legislation.


CARRYOVER OF COTTON
MIL. BALES *
0
4
8
12
1951
1954
1957
1960
1963
* ALL KINDS IN RUNNING BALES, U. S., AUGUST 1.
O PRELIMINARY.
Δ ESTIMATED.
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NEG. ERS 232-63 (10)
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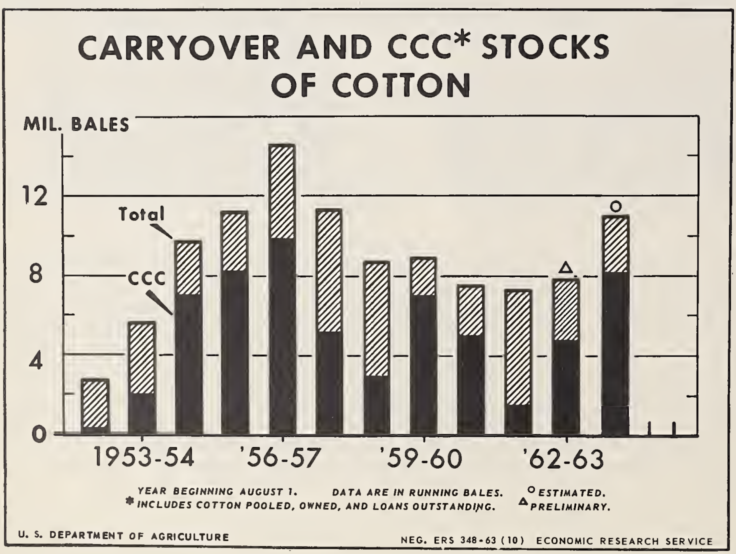
FIG. 1


CARRYOVER AND CCC* STOCKS OF COTTON
MIL. BALES
0
4
8
12
Total
CCC
1953-54
'56-57
'59-60
'62-63
YEAR BEGINNING AUGUST 1.
DATA ARE IN RUNNING BALES.
O ESTIMATED.
* INCLUDES COTTON POOLED, OWNED, AND LOANS OUTSTANDING.
Δ PRELIMINARY.
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NEG. ERS 348-63 (10)
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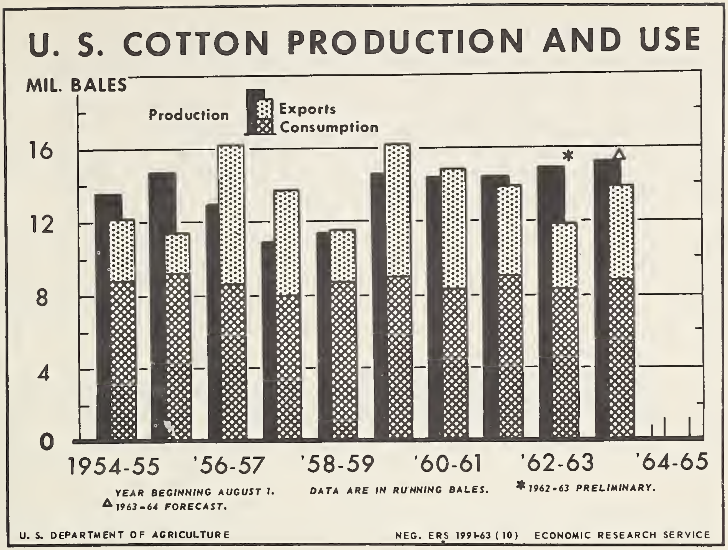
FIG. 2



U. S. COTTON PRODUCTION AND USE
MIL. BALES
Production
Exports
Consumption
16
12
8
4
0
1954-55
'56-57
'58-59
'60-61
'62-63
'64-65
YEAR BEGINNING AUGUST 1.
△ 1963-64 FORECAST.
DATA ARE IN RUNNING BALES.
* 1962-63 PRELIMINARY.
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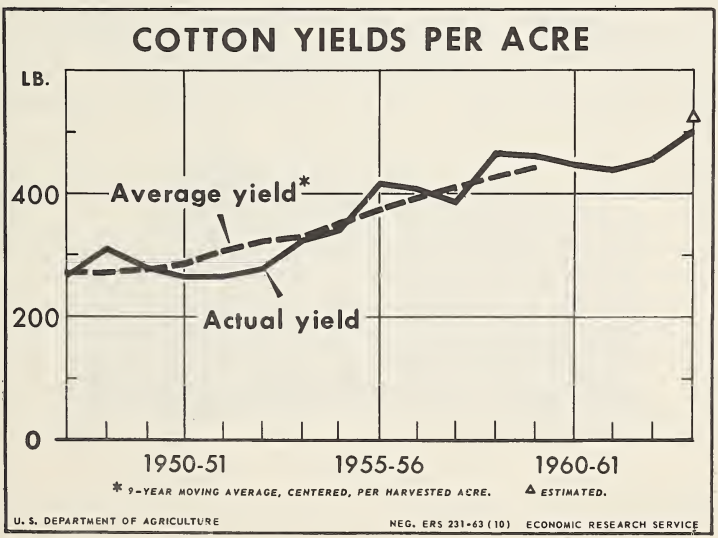
FIG. 3



COTTON YIELDS PER ACRE
LB.
400
200
0
Average yield*
Actual yield
1950-51
1955-56
1960-61
* 9-YEAR MOVING AVERAGE, CENTERED, PER HARVESTED ACRE.
△ ESTIMATED.
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FIG. 4

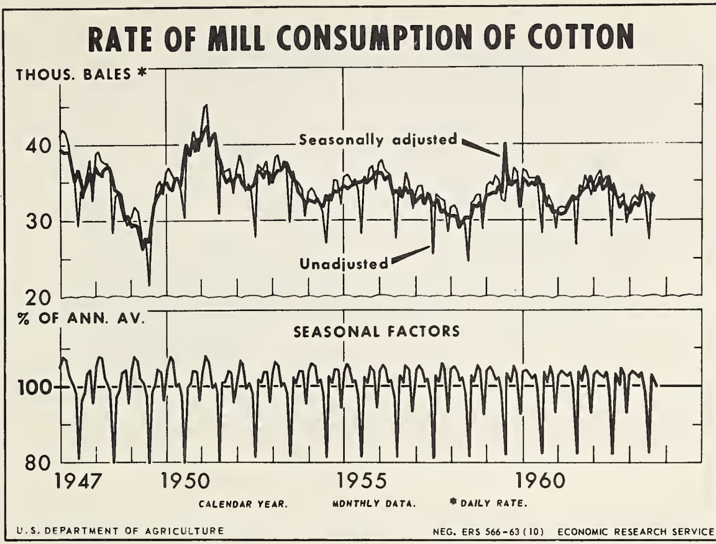
The 1963 crop of 15.3 million bales is being produced on 14.3 million harvested acres. This is 8 percent fewer acres than in 1962 and is the smallest since 1958. The record yield of 516 pounds per acre is up from 457 pounds last year and the previous record of 466 pounds in 1958. (See figure 4.) The sharp yield increase this year is primarily a reflection of very favorable growing conditions. About 66 percent of this year's crop was ginned prior to November 1. This compares with 62 percent for 1962 and the largest proportion ginned prior to November 1 since 1959.

Ginnings to October 18 this year have contained a larger proportion of Middling and higher grades than last year and the largest proportion of cotton stapling 15/16 inch in recent years. Over four-fifths of the ginnings this year have been in the 3.5 - 4.9 micronaire range. The micronaire instrument measures fiber fineness and lint maturity. Cotton with a reading of 3.5 - 5.0 is generally considered "normal character" cotton.

The 1964 national acreage allotment for upland cotton has been set at the statutory minimum of 16.0 million acres, the same as for the 1963 crop. An additional 200,000 acres for the 1964 crop were allotted from the national reserve for small farms. The announced allotment of 16 million acres is the smallest permitted under present law. An even smaller acreage would be sufficient for a balance of supply and disappearance during the 1964-65 crop year. The 1964 acreage allotment for extra-long staple cotton has been set at 112,500 acres. This is down from 149,880 acres for the 1963 crop, but up from 100,293 acres in 1962 and the second largest on record.

December 10 is the date for the separate referendums on 1964 upland cotton and extra-long staple marketing quotas. For the quotas to go into effect, at least two-thirds of cotton farmers voting must approve. Marketing quotas are in effect for the 1963 crops. They were approved by 93.7 percent of the upland and 81.8 percent of the extra-long staple growers voting in referendums on December 11, 1962.

Consumption of all kinds of cotton by mills in the United States during the 1963-64 crop year is estimated at 8.8 million bales (8.6 million bales of upland cotton). Although this is up 400,000 from a year earlier, it is down 200,000 from 1961-62. Increased use during the current season is indicated by a continuation in the upward trend in the rate of consumption. The seasonally adjusted daily rate of consumption in September was 33,132 bales, up 2.8 percent from the previous month and slightly higher than September of 1962. (See figure 5.) Larger consumption this season is also indicated by recent declines in the ratio of mill stocks to unfilled orders for cotton cloth, increases in cotton cloth prices, and widening of mill margins for cotton cloth. The consumption estimate is based on a high level of general economic activity during 1963-64 and assumes some rebuilding of pipe-line inventories of cotton textiles.


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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NEG. ERS 566-63 (10)
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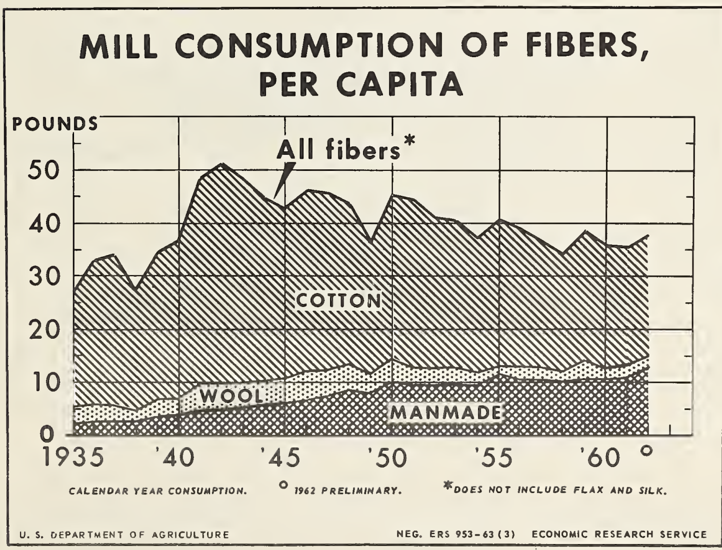
FIG. 5


MILL CONSUMPTION OF FIBERS, PER CAPITA
POUNDS
50
40
30
20
10
0
All fibers*
COTTON
WOOL
MANMADE
1935
'40
'45
'50
'55
'60 o
CALENDAR YEAR CONSUMPTION.
o 1962 PRELIMINARY.
*DOES NOT INCLUDE FLAX AND SILK.
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NEG. ERS 953-63 (3)
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FIG. 6

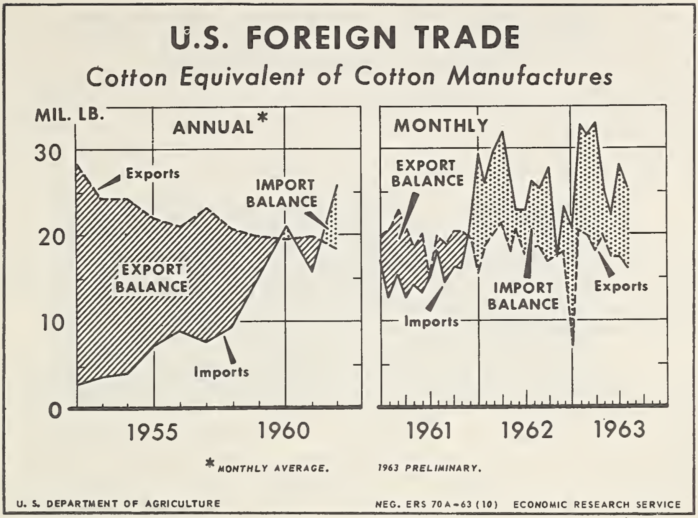
Per capita mill consumption of cotton for calendar 1963 is estimated at a record low 21.6 pounds, down 4 percent from 1962. At the same time, cotton's share of total fiber consumption may fall to a record low of less than 57 percent in 1963, down from 59 percent last year. Per capita man-made textile fiber consumption this year is estimated to be at 14.2 pounds, up 9 percent from last year. Estimated total per capita fiber consumption of 38 pounds this year would be slightly higher than last year's 37.8 pounds and the largest since 1959. (See figure 6.) The sharp increase in use of man-made fiber reflects, among other factors, new and improved technology, competitive prices, and large-scale promotion and advertising.

Imports of cotton textiles on a raw cotton equivalent basis totaled 456,900 bales for the first 8 months of calendar 1963, up from 448,400 bales for the same months last year. For all of calendar 1962, imports amounted to a record 645,500 bales, 23 percent higher than the previous record of 525,500 bales in 1960. (See figure 7.) Since 1946, imports have increased at an average annual rate of 22 percent. In recent years, cotton textile imports have continued to reach new record highs despite duties and agreements with governments of other countries to restrict their shipments to the United States.

U.S. cotton exports during the 1963-64 crop year are estimated at 5 million bales, up from 3.4 million a year earlier. This increase reflects an improvement in the competitive position of U.S. cotton prices in world markets, a moderate pickup in foreign consumption during 1963-64, a decline in foreign production, a small buildup in stocks in importing countries, and increased free world exports to Communist Countries. Through November 6, 3.0 million bales of cotton had been sold under the export sales program. Under this program, stocks of CCC cotton are being offered for sale on a competitive-bid basis. The sales price so far this season has averaged slightly more than 24 cents a pound for Middling 1-inch cotton at average location. Cotton purchased under this program may be sold domestically or exported. However, a quantity of cotton equal to that purchased from CCC must be exported without any assistance under the payment-in-kind program during the 1963-64 crop year. Registrations under the payment-in-kind export program have been very small so far this season, only 11,949 bales through November 1. The export payment rate has been $8\frac{1}{2}$ cents per pound, the same as in 1962-63.

Early season reports indicate that foreign free world consumption of cotton during 1963-64 may total 24.0 million bales. This would be 0.4 million above the previous record high in 1961-62. Consumption prospects in the current season appear more favorable than in 1962-63 in most foreign importing and exporting countries. Consumption fell last season as major importing countries, such as Japan, cut back.

Foreign free world production during the current crop year may total about 21.4 million bales. Although this is below last year's record high, it is the second largest ever recorded. Planted acreage in foreign free countries is expected to be larger than a year earlier. It is unlikely, however, that the record yields of a year earlier will be maintained. The major


U.S. FOREIGN TRADE
Cotton Equivalent of Cotton Manufactures
MIL. LB.
ANNUAL*
MONTHLY
Exports
IMPORT BALANCE
EXPORT BALANCE
Imports
30
20
10
0
1955
1960
1961
1962
1963
*MONTHLY AVERAGE.
1963 PRELIMINARY.
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NEG. ERS 70A-63 (10)
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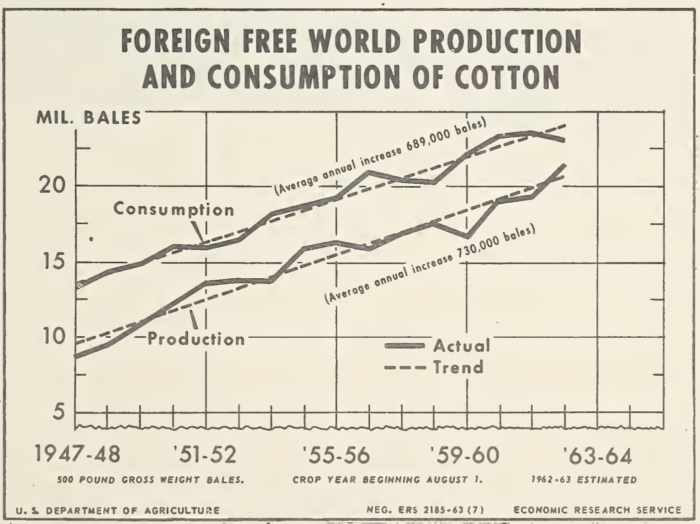
FIG. 7


FOREIGN FREE WORLD PRODUCTION AND CONSUMPTION OF COTTON
MIL. BALES
(Average annual increase 689,000 bales)
Consumption
(Average annual increase 730,000 bales)
Production
Actual
Trend
20
15
10
5
1947-48
'51-52
'55-56
'59-60
'63-64
500 POUND GROSS WEIGHT BALES.
CROP YEAR BEGINNING AUGUST 1.
1962-63 ESTIMATED
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NEG. ERS 2185-63 (7)
ECONOMIC RESEARCH SERVICE

FIG. 8

production decline this season is expected in Mexico. Smaller declines are expected in Egypt, India, and Spain. Part of the decline in these countries is expected to be made up by increases in Brazil, Greece, Iran, and in the Central American countries. Both consumption and production have been increasing in foreign free world countries in the post-World War II period. Production has risen faster. For 1947-62, average annual foreign production increased 5.2 percent per year or the equivalent of 730,000 bales per year. Consumption rose 3.8 percent per year or the equivalent 689,000 bales. (See figure 8.)

Stocks of cotton in foreign free world countries totaled around 9.4 million bales on August 1, 1963, slightly lower than a year earlier and the smallest since 1960. Stocks in most foreign free world importing countries were at near-minimum levels at the beginning of the current crop year. Stocks may increase moderately this year.

Spot market prices for U.S. cotton have been steady in recent months, after trending downward since May 1963. The average 15-spot market price for Middling 1-inch cotton was 33.08 cents per pound in October, almost the same as in September. Prices for most qualities of U.S.- and foreign-grown cotton have been declining in foreign importing markets. The price for U.S. Middling 1 1/32 inch, c.i.f. Liverpool, during October 1963 averaged 27.21 cents per pound. This is down slightly from 27.28 cents in September and the lowest average monthly price for this quality cotton since November 1959. For a comparable quality Mexican-grown cotton, the average price per pound in October was 28.31 cents.

The average price received by farmers for upland cotton in October was 32.93 cents per pound. This compares with 32.71 cents in September and 32.59 cents in October last year. (See figure 9.) The preliminary average farm price for the 1962 crop was about a cent lower than in 1961. However, because of the larger crop in 1962, the combined value of lint and cottonseed was down only slightly from 1961.

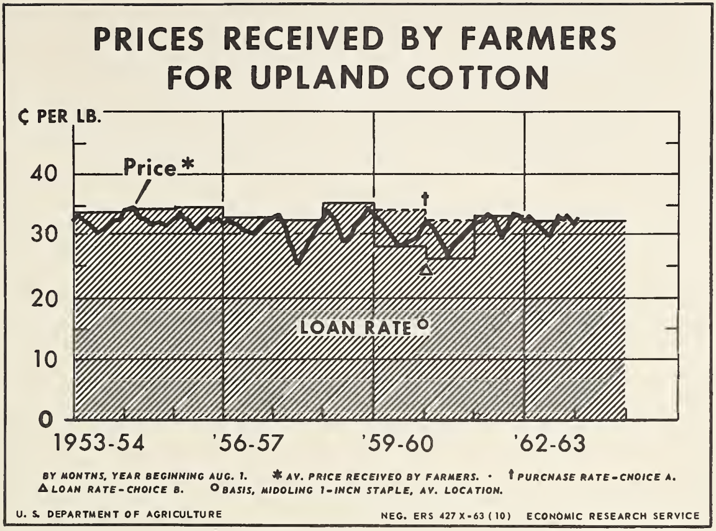
PRICES RECEIVED BY FARMERS
FOR UPLAND COTTON
¢ PER LB.
Price*
LOAN RATE°
40
30
20
10
0
1953-54
'56-57
'59-60
'62-63
BY MONTHS, YEAR BEGINNING AUG. 1. * AV. PRICE RECEIVED BY FARMERS. † PURCHASE RATE-CHOICE A.
△ LOAN RATE-CHOICE B. ° BASIS, MIDDLING 1-INCH STAPLE, AV. LOCATION.
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FIG. 9