

1993 Cotton Management Economic Notes

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August Crop Report: "Texas is Big"

The August 11 crop forecast has reminded everyone why Texans tend to boast about the size of their state. As shown in the table to the right, Texas producers are expected to harvest 5.8 million bales of Upland this year compared to under 3.3 million bales last year, a 78% increase. This 2.5 million increase in production amounts to 16% of last year's total production and is the main reason why the 1993 forecast of 18.5 million bales is the **second largest crop** on record (18.9 million in 1937).

Average US Upland yields are expected to drop 4%, to 664 lbs/acre. Plantings were up 4% from 1992 but

harvested acreage is up a whopping 20%, due to a 2 million increase in harvested acreage from Texas. Texas producers abandoned 35% of their crop in 1992, but good weather this year has resulted in the largest number of squares, and total fruit count since 1983. The



1993 Cotton Production Estimates						
State/Region	1992 Yield Pounds/Acre	1993 Yield	1993 as % of 1992	1992 Production (1,000 bales)	1993 Production	1993 as % of 1992
Upland:						
Southeast	689	578	84%	2,160	1,968	91%
Delta	752	729	97%	6,486	6,380	98%
Texas	441	506	115%	3,265	5,800	178%
Arizona	1,077	1,240	115%	725	850	117%
California	1,359	1,288	95%	2,817	2,750	98%
New Mexico	616	600	97%	48	75	158%
Other	345	414	120%	210	321	153%
Total Upland	693	664	96%	15,710	18,144	115%
ELS:						
Arizona	649	898	138%	138	116	84%
California	1,282	1,173	92%	294	220	75%
New Mexico	739	602	82%	20	14	70%
Texas	775	756	98%	57	52	92%
Total ELS	938	984	105%	508	402	79%

Recent Prices

	August 20, 1993	
	Upland (¢/lb)	Pima (ELS) (¢/lb)
Spot	49.78	91.00
Target Price (1993)	72.90	105.70
Loan Rate (1993)	51.15	88.12
Dec '93 Futures	56.08	

Note: Upland Spot Price for Desert SW grade 31-3, staple 35, uncompressed bales; Pima Spot for grade 03, staple 46, 8/13/93; 1993 Phoenix base loan rates without discounts or premiums for quality.

August 1 crop condition reported 59% of Texas' acreage in good to excellent condition, and 38% in fair condition. Only 4% of Texas' acreage is expected to be abandoned this year. Yields in the drought stricken Southeast are forecasted at 84% of 1992 yields. Production for the Southeast is down about 200,000 bales, hardly a dent at offsetting the 2.5 million bale increase from Texas. Most of the Alabama and North Carolina acreage is in fair to good condition, but nearly half of Georgia's crop and three-fourths

of South Carolina's crop were rated as in very poor to poor condition.

Average yields for Arizona are projected to increase 15% for Upland and 38% for ELS. Arizona is the only state in the West showing higher yields than last year, which was adversely affected by weather and whitefly. On August 1, 90% of Arizona's crop was rated in good to excellent condition and boll set was virtually complete. Small boll counts were the largest during the previous 10 years, while large bolls ranked sixth and squares had the fifth largest count.

ELS production is forecasted at 401, 800 bales, down 21% from last year. The average US yield is expected to exceed last year by 46 lbs/acre, at 984 lbs/acre.

Reliability of Crop Forecasts

Production forecasts are made from a combination of objective yield counts and farm operator surveys. Counts are used with similar data from previous years to develop projected yields. Most surveys are conducted by telephone with a few mail and personal interviews. Each State Agricultural Statistical Office submits their analysis of the current situation to the National Agricultural Statistics Board. Survey data is reviewed at all levels for errors, reasonableness, and consistency with weather patterns and crop progress compared to previous years.

A comparison of the August crop forecast to the final end-of-season estimates have been made to assist users in evaluating the reliability of the August crop estimate. For cotton, the difference between forecast and final estimate has been as high as 1.9 million bales and as low as 300,000 bales. On average the forecast has been 500,000 bales off the end-of-season estimates. Statistically, chances are 9 out of 10 that the cotton crop will be within 12.6% of this years forecast. That is, the forecast is 90% certain that final production will be between 16.2 and 20.9 million bales. The lower range of 16.2 million bales is about equal to last years production. In the last 10 years, the August production forecast for cotton has been above and below the final estimate for 5 years each.

Supply and Use Estimates

Changes in the stocks-to-use ratio estimates for foreign and US markets largely determine price movements. The following table compares the August production, use, and stocks-to-use ratio estimates with the July estimate and the last two years. A lower foreign production estimate outweighed the projected decline in mill use to lower the foreign stocks-to-use ratio from 38.8% in July to the current 38.0%. But the higher estimate for US production increased the US stocks-to-use ratio from 34.7% to 39.5%, and caused the World stocks-to-use ratio to climb from 40.8% to 41.1%. The ELS stocks-to-use ratio estimate for 1993/94 increased from 41.0% to 50.8% in the last month with 24,000 more bales of production and a 5,000 bale decline in domestic use. These upward revisions in stocks-to-use ratios were behind the recent precipitous decline in prices.

U.S. COTTON SUPPLY AND USE ESTIMATES

ITEM	Year Ending		1993/94	
	91/92	92/93	Jul	Aug
Upland:				
Million acres				
Planted	13.80	12.98	13.45	13.46
Program	10.63	10.72	11.82	11.70
Harvested	12.72	10.88	12.38	13.12
Yield, lbs/harvested acre	650	693	675	664
Million 480-lb. bales				
Beginning Stocks	2.26	3.58	4.38	4.37
Production	17.22	15.71	17.40	18.14
Total Supply	19.49	19.30	21.78	22.51
Mill Use	9.54	10.14	10.20	10.24
Exports	6.35	4.87	5.95	5.95
Total Use	15.89	15.01	16.15	16.19
Ending Stocks	3.58	4.37	5.60	6.39
Percent				
Stocks-to-Use Ratio	22.5	29.1	34.7	39.5
Foreign Stocks-to Use Ratio	48.9	43.8	38.8	38.0
ELS:				
1,000 acres				
Planted	250	263	197	197
Program	25	103	94	94
Harvested	244	260	195	196
Yield, lbs/harvested acre	784	938	930	984
1,000 480-lb. bales				
Beginning Stocks	82	121	224	234
Production	398	508	378	402
Total Supply	480	629	602	636
Mill Use	65	60	70	65
Exports	298	330	350	350
Total Use	363	390	420	415
Ending Stocks	121	234	172	211
Percent				
Stocks-to-Use Ratio	33.3	60.0	41.0	50.8

Source: USDA, ERS, "Cotton & Wool Situation & Outlook Update", August 12, 1993, Washington D.C.

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