

## 1994 Cotton Management Economic Notes

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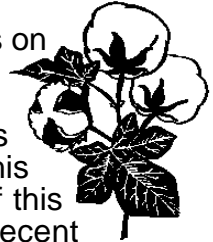
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### Record US Production Estimate Remains

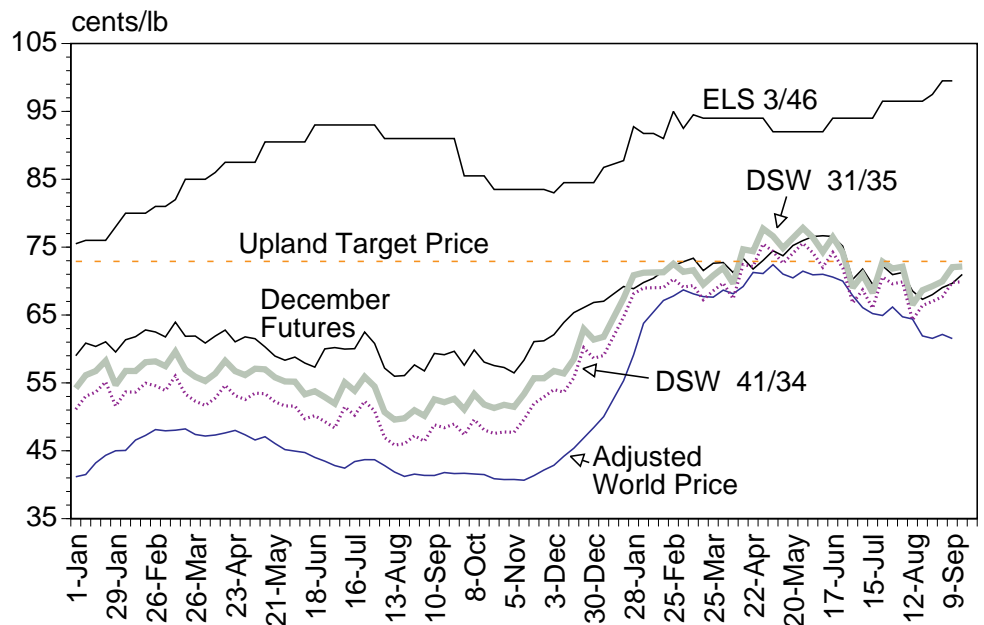
The September 12th production estimate of 19.03 million bales by USDA is about 1 percent below August's estimate but still a record for US production if realized. The current record stands at 18.95 million bales produced in 1937 with an average yield of only 270 lbs./acre. September yield estimates were revised down from 690 to 682 lbs./acre but harvested acreage was revised up by 40,000 acres to offset some of the yield decline. Harvested acreage for 1994 is up 5 percent from last year while production is up almost 18 percent. Higher yields account for most of the increase in production. Average yields are estimated 12.5 percent higher than last year but 2.5 percent less than 1992's yield of 699 lbs.

A confirmation of August's surprise report was made in the September production estimate. The market was caught off-guard when the 94 crop was revised

up from 18 to 19.2 million bales on August 11, a whopping 6.7% increase. The figure of cotton prices below shows how prices dove about 500 points after this report was issued, but much of this loss has been regained in recent weeks. A strong economy has kept domestic mill use solid with most mills operating six or seven day workweeks. Also, several private analysts have been skeptical that the US crop will be as



### January 1993 to Present Selected Cotton Prices



### Recent Prices

September 14, 1994  
 Upland Pima (ELS)

	(¢/lb)	(¢/lb)
Spot - uncompressed	72.17	99.50
Target Price	72.90	102.00
Loan Rate	50.00	85.03
Dec '94 Futures	71.47	

Note: Upland Spot for Desert SW grade 31-3, staple 35, add 300 points for compressed bales, Pima Spot for grade 03, staple 46, 9/2/94, 1994. Phoenix Base loan rates without discounts or premiums for quality.

large as predicted. They estimate a crop around 18.7 million bales.

ELS production remains unchanged from August at 367,000 bales, down 4 percent from 1993's crop. A 5,000 bale decrease for Arizona was offset by a 5,000 bale increase for California. Yields for Arizona were revised 50 pounds lower than last month while California's yields increased by 30 pounds. Overall, US yields for ELS are expected to average 1,015 lbs. / acre, up 48 pounds from last year.

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## Estimated To Date Production Costs

**\$/lint lb (Through Sept. 30)**

The following table gives estimated production costs/lb through Sept. 30. Costs include both growing and fixed or ownership costs and are based on the displayed target yields. Producers with higher yields will have lower costs/lb if input costs are the same. Growers with lower yields will have higher costs/lb.

County	Target Yield	Growing Costs		Fixed Cost	All Costs To Date
		Aug & Sept	To Date		
Yuma	1,250	.19	.41	.26	.67
La Paz	1,300	.20	.42	.30	.72
Mohave	1,000	.15	.32	.22	.54
Maricopa	1,200	.12	.35	.23	.58
Pinal	1,200	.11	.39	.30	.69
Pima	1,100	.10	.36	.24	.60
Cochise	660	.05	.53	.43	.96
Graham	1,000	.09	.28	.32	.64
Greenlee	900	.06	.32	.33	.67

Note: Based on Wade, Daugherty, et al., "1994-95 Arizona Field Crop Budgets", Various Counties, Arizona Cooperative Extension, Tucson, March, 1994.

### More Importantly -- Global Conditions

Foreign production was moved up from 66.6 to 67.2 million bales, about a 1 percent increase. Almost all of the yield increase was due to revising China's production up from 19.5 to 20 million bales. Earlier government incentives of input subsidies, production bonuses, and higher prices for cotton appear to be taking hold. Last year China produced only 17.2 million bales and they are estimated to import over 1 million bales of cotton for 1993/94. When China's production was 20.7 million bales in 1992 they only imported 7,000 bales of US cotton during the 1992/93 marketing year. The crop short-fall in China last year accounted for almost half of the drop in foreign production that started the bull run for cotton prices last November. Thus, the crop estimate for China is probably more crucial to figuring out where prices will head next than the US crop estimate.

World (US and Foreign combined) ending stocks for 1994/95 were revised up in September from 28.45 to 29.46 million bales, a 3.5 percent increase. This moved the world stocks-to-use ratio up from 32.8 to 34.0 percent. But this level is still below the 35.3 percent stocks-to-use ratio for last year and much lower than the 43.9 percent figure for 1992/93.

World consumption has fallen in 3 out of the last 4 years, and most of this decline can be attributed to the collapse in Russian mill use.

Russia's consumption fell nearly 3 million bales two years ago, but recent use appears to have stabilized. Improved economic growth in Europe, Japan, and developing countries are expected to increase global consumption this year. In 1993, overseas developed markets experienced stagnate economic growth but they are expected to show a 1.5 to 2 percent growth rate in 1994. Developing countries are expected to maintain economic growth in excess of 5 percent, on average for 1994. In summary, 1994/95 global consumption is estimated 2.4 percent higher than last year at 86.68 million bales.

World trade grew last year for the first time in 5 years and is expected to remain strong for 1994/95. Trade is estimated at 27.65 million bales with the US providing 26% of all exports.

### US COTTON SUPPLY AND USE ESTIMATES

ITEM	Year Ending		1994/95	
	92/93	93/94	Aug.	Sept.*
<b>Upland:</b>	<b>Million acres</b>			
<b>Planted</b>	12.98	13.25	13.89	13.98
Program	10.72	11.44	11.10	11.18
<b>Harvested</b>	10.88	12.59	13.17	13.32
<b>Yield/harvested acre</b>	693	601	686	682
	<b>Million 480-lb. bales</b>			
<b>Beginning Stocks</b>	3.58	4.46	3.30	3.5
<b>Production</b>	15.71	15.76	18.83	19.0
Total Supply	19.29	20.22	22.13	22.6
<b>Mill Use</b>	10.19	10.33	10.90	11.0
<b>Exports</b>	4.87	6.70	7.00	7.3
Total Use	15.06	17.03	17.90	18.3
<b>Ending Stocks</b>	4.46	3.29	4.35	4.4
	<b>Percent</b>			
<b>Stocks-to-Use Ratio</b>	29.6	19.3	24.3	24.0
<b>Foreign Stocks-to Use Ratio</b>	48.9	35.3	31.6	33.1
<b>ELS:</b>	<b>1,000 acres</b>			
<b>Planted</b>	263	190	175	
Program	109	89	84	
<b>Harvested</b>	260	189	174	
<b>Yield/harvested acre</b>	938	967	1,015	
	<b>1,000 480-lb. bales</b>			
<b>Beginning Stocks</b>	121	206	200	
<b>Production</b>	508	381	367	
Total Supply	629	587	567	
<b>Mill Use</b>	60	70	70	
<b>Exports</b>	332	300	335	
Total Use	392	370	405	
<b>Ending Stocks</b>	206	207	152	
	<b>Percent</b>			
<b>Stocks-to-Use Ratio</b>	52.6	55.9	37.5	

Source: USDA, ERS, "World Agricultural Supply and Demand Estimates", Sept. 12, 1994, Washington D.C. NOTE: \*September estimates are for all cotton.