

COTTON ECONOMIC REVIEW

Prepared by Economic Services

Volume 47 • Number 8 • September 2016

CROP PRODUCTION

In its September crop report, USDA estimated a 2016-17 U.S. crop of 16.14 million bales (Exhibit 1). Upland production was estimated at 15.58 million bales and ELS production at 562,000 bales. Harvested area was an estimated 9.66 million acres, implying a non-harvested area of roughly 490,000 acres based on USDA's revised acreage report. The resulting abandonment rate is roughly 4.83%. The national yield per harvested acre was estimated to be roughly 802 pounds, 20 pounds lower than the 5-year average.

Exhibit 1
U.S. COTTON CROP, 2016-17

	PLANTED ACRES Thou. 1/	HARV. ACRES Thou.	YIELD PER HARV. ACRE Lb.	5-YEAR AVG. YIELD Lb.	480- POUND BALES Thou.
UPLAND					
SOUTHEAST	2,180	2,158	956	871	4,300
Alabama	345	342	968	844	690
Florida	102	100	864	803	180
Georgia	1,190	1,180	976	910	2,400
North Carolina	280	275	960	821	550
South Carolina	190	189	940	819	370
Virginia	73	72	733	941	110
MID-SOUTH	1,505	1,471	1,090	1,012	3,340
Arkansas	380	375	1,088	1,047	850
Louisiana	145	140	960	992	280
Mississippi	440	435	1,159	1,067	1,050
Missouri	285	271	1,116	1,035	630
Tennessee	255	250	1,018	880	530
SOUTHWEST	6,037	5,616	618	626	7,225
Kansas	32	31	852	664	55
Oklahoma	305	285	960	665	570
Texas	5,700	5,300	598	624	6,600
WEST	228	219	1,567	1,496	715
Arizona	115	114	1,558	1,514	370
California	66	65	1,920	1,652	260
New Mexico	47	40	1,020	995	85
TOTAL UPLAND	9,950	9,464	790	806	15,580
TOTAL ELS	195	191	1,409	1,443	562
Arizona	15	15	882	955	27
California	155	153	1,518	1,516	484
New Mexico	8	8	935	870	15
Texas	17	16	1,080	920	36
ALL COTTON	10,145	9,655	802	822	16,142

Source: USDA-NASS September Crop Production Report.

1/ Revised from USDA-NASS June Acreage Report.

On a regional basis, the **Southeast** crop is estimated at 4.30 million bales, based on harvested acres of 2.16 million and a regional average yield of 956 pounds, 85 pounds above the 5-year average for the region. The largest gains in yield when compared to the 5-year average is expected to be seen

in **North Carolina** with yields estimated at 960 pounds per harvested acre (+139 pounds) followed closely by **Alabama** with an estimated 968 pounds per harvested acre (+124 pounds) and **South Carolina** with an estimated 940 pounds per harvested acre (+121 pounds). **Virginia** with an estimated yield of 733 pounds per harvested acre (-208 pounds) is the only state in the region not expected to see gains in terms of yield when compared to their 5-year average.

In the **Mid-South**, expected production is 3.34 million bales. Harvested area is estimated to be 1.47 million acres and the expected yield is 1,090 pounds per harvested acre. **Louisiana** with an expected yield of 960 pounds per harvested acre (-32 pounds) is the only state in the region not expected to see gains in terms of yield when compared to their 5-year average. The largest gains are expected to be seen in **Tennessee** with yields estimated at 1,018 pounds per harvested acre (+138) and **Mississippi**, up 92 pounds to an estimated yield of 1,159 pounds.

The **Southwest** upland crop is estimated at 7.23 million bales. Expected harvested area is 5.62 million acres and the regional yield is 618 pounds, 8 pounds below their 5-year average of 626 pounds per harvested acre. The **Texas** upland crop is estimated at 6.60 million bales. Expected harvested area is 5.30 million acres and the average yield is 598 pounds (-26 pounds). With yields of 960 pounds and 852 pounds, **Oklahoma** and **Kansas** are both up in terms of yield when compared to their 5-year average, respectively.

Upland production in the **West** is an estimated 715,000 bales with an estimated harvested area of 219,000 acres and a regional yield of 1,567 pounds, 71 pounds higher than the region's 5-year average. The greatest gains in yield are expected for **California**, up 268 pounds to an estimated 1,920 pounds per harvested acre.

The ELS crop is an estimated 562,000 bales. Harvested area is pegged at 191,000 acres with an average yield of 1,409 pounds per harvested acre.

CROP PROGRESS

Crop condition is slightly behind where it was at this time last year with 84% of the crop rated fair or better compared to 87% of last year's crop (Exhibit 2). **South Carolina** leads the way in terms of crop condition in the **Southeast** with 99% of their crop rated fair or better. In the **Mid-South**, **Tennessee** leads the region with 96% of their crop rated fair or better as of September 11th. In the **Southwest**, 97% of the **Kansas** crop and 100% of the **Oklahoma** crop is rated fair or better. The **Texas** crop is further behind in terms of crop condition with 79% of their crop rated fair or better on September 11th.

Exhibit 2
CROP CONDITION
(AS OF SEPTEMBER 11)

STATE	V. Poor	Poor	Fair	Good	Excel.
(Percent)					
Alabama	1	3	42	44	10
Arizona	4	0	3	53	40
Arkansas	6	6	16	44	28
California	0	0	30	30	40
Georgia	4	11	31	44	10
Kansas	1	2	29	66	2
Louisiana	2	9	39	45	5
Mississippi	1	7	32	44	16
Missouri	5	14	51	27	3
North Carolina	4	9	32	49	6
Oklahoma	0	0	48	47	5
South Carolina	0	1	57	39	3
Tennessee	1	3	16	58	22
Texas	5	16	39	33	7
Virginia	0	5	28	67	0
U.S. Average	4	12	37	38	9
Previous Year	3	12	37	39	9

Source: USDA-NASS

Exhibit 3
WEEKLY COTTON CROP PROGRESS

STATE	9/11/2016	9/4/2016	9/11/2015	Avg.*
(% Bolls Opening)				
Alabama	65	47	58	41
Arizona	70	63	69	76
Arkansas	78	53	53	63
California	40	30	46	44
Georgia	69	49	64	55
Kansas	15	11	21	24
Louisiana	92	83	85	84
Mississippi	65	46	69	64
Missouri	37	17	31	36
North Carolina	40	31	55	47
Oklahoma	19	11	20	30
South Carolina	43	22	66	47
Tennessee	54	29	36	42
Texas	29	28	31	39
Virginia	24	18	46	40
U.S. Average	41	33	42	45

Source: USDA-NASS.

* 5-year Average

	(% Harvested)			
Alabama	0	NA	0	0
Arizona	10	5	4	5
Arkansas	0	NA	0	1
California	0	NA	0	0
Georgia	1	NA	0	1
Kansas	1	NA	1	0
Louisiana	2	NA	2	10
Mississippi	1	NA	1	2
Missouri	0	NA	0	0
North Carolina	0	NA	0	0
Oklahoma	0	NA	0	0
South Carolina	0	NA	0	0
Tennessee	1	NA	0	0
Texas	8	7	7	11
Virginia	0	NA	0	0
U.S. Average	4	NA	3	5

Source: USDA-NASS.

* 5-year Average

In the **West**, 96% of the crop in **Arizona** and 100% of the crop in **California** is rated fair or better as of September 11th.

Nationwide, 41% of the 2016-17 crop had open bolls as of September 11th (Exhibit 3). In the **Southeast**, **Georgia** leads all states in the region in terms of open bolls with 69% of the crop having open bolls. **Louisiana** leads all **Mid-South** states with 92% of their crop having open bolls. In the **Southwest**, **Texas** is slightly behind last year's pace with 29% of their crop having open bolls. In the **West**, **Arizona** leads all states in the region with 70% of their crop having open bolls as of September 11th.

Four percent of the crop had been harvested as of September 11th. Eight percent of the **Texas** crop had been harvested while 10% of the **Arizona** crop had been harvested.

EXPORTS

Total export commitments of upland and ELS cotton through the week ending September 1 were 5.0 million bales, approximately 68% higher than total sales at the same point in the 2015-16 marketing year (Exhibit 4). Shipments through September 1 were approximately 994,000 bales, up from 663,000 the previous year. Outstanding commitments as of September 1 were approximately 4.0 million bales, down from 2.3 million the previous year.

Exhibit 4
EXPORT SUMMARY
THROUGH WEEK ENDING SEPTEMBER 1, 2016

	(Thousand 480-lb. Bales)	
	MY16	MY15
Outstanding Sales	3,994	2,300
Shipments	994	663
Total Sales	4,988	2,963
New Crop Sales	400	196

Source: USDA-FAS.

FORWARD CONTRACTING

USDA estimates that, as of September 1, 5% of U.S. upland cotton acreage had been forward contracted (Exhibit 5). This is higher than last year's level of 3%. In the **Southeast**, USDA estimates that 11% of the acreage is forward contracted. Almost all states in the region show an increase in bookings as compared to the previous year. Only **Florida** and **South Carolina** show a decrease in bookings when compared to last year, with 6% and 5%, respectively, of their 2016 crops contracted as of September 1.

Contracting in the **Mid-South** is estimated at 11%, up from 5% the previous year. **Louisiana**, **Mississippi**, and **Tennessee** show an increase in bookings as compared to the previous year. The largest increase was in **Louisiana**, which had contracted 61% of their 2016 crop as of September 1, compared to 6% at the same time last year.

As of September 1, the **Southwest** has less than 0.5% of their 2016 crop contracted, down from 1% the previous year. As of September 1, the **West** has 5% of their 2016 crop contracted, down from 6% the previous year.

Exhibit 5
**FORWARD CONTRACTING OF
UPLAND COTTON**

AS OF SEPTEMBER 1

STATE	(Percent)			
	2013	2014	2015	2016
SOUTHEAST	34	21	6	11
Alabama	33	21	7	6
Florida	15	7	7	8
Georgia	41	23	4	13
North Carolina	23	17	8	12
South Carolina	23	27	7	5
Virginia	40	17	14	26
MID-SOUTH	16	9	5	11
Arkansas	16	9	11	9
Louisiana	15	10	6	61
Mississippi	11	8	2	6
Missouri	27	10	3	2
Tennessee	9	9	3	4
SOUTHWEST	4	3	1	*
Oklahoma 1/	-	2	2	*
Texas	4	3	1	*
WEST	3	*	6	5
Arizona	3	*	11	8
California	3	-	-	-
New Mexico	1	-	-	3
TOTAL UPLAND	16	8	3	5

Source: USDA-AMS

1/ Includes Kansas.

* Less than .5 percent.

FARM PRICE

The July 2016 upland cotton farm price was 61.30 cents/lb. according to USDA, up 2.30 cents from June (Exhibit 6). In comparison, the July 2015 upland cotton farm price was 69.30 cents/lb. Marketings for the month were 306,000 running bales, bringing the crop year 2015 total to 10.1 million. The marketing-weighted crop year average farm price through July 2016 is 58.16 cents/lb.

Exhibit 6

FARM PRICES FOR UPLAND COTTON MARKETING YEAR 2015- 16

	(Weighted by Marketings)		Prices	
	Marketings		(Cents/Lb)	
	(Thousand Running Bales)			
	MONTHLY	CUMULATIVE	MONTHLY	WEIGHTED
August	571	571	58.00	58.00
September	214	785	60.30	58.63
October	523	1,308	57.80	58.30
November	1,007	2,315	59.10	58.65
December	2,359	4,674	59.90	59.28
January	1,602	6,276	58.00	58.95
February	1,017	7,293	57.20	58.71
March	1,046	8,339	55.20	58.27
April	783	9,122	55.80	58.06
May	363	9,485	57.60	58.04
June	262	9,747	59.00	58.06
July	306	10,053	61.30	58.16

Source: USDA-NASS.

MARKETING-YEAR AVERAGE FARM PRICE (CENTS/LB)

2015-16 Proj.	58.00
2016-17 Proj.	57.00 - 69.00

Source: USDA-WAOB September Report.

This month's World Agricultural Supply and Demand Estimates (WASDE) report forecasted the average price received by farmers for U.S. upland cotton for 2015/16 at 58.00 cents/lb. The forecast for 2016/17 was a range of 57.00 – 69.00 cents/lb.

Revised data used in calculating the 2015-16 marketing-year average farm price will be released in USDA/NASS Agricultural Prices report on September 29. The final 2015-16 marketing-year average farm price is scheduled to be released by USDA in October.

COMPETITIVENESS

World prices decreased and U.S. cotton prices increased slightly over the past several weeks. Since the week ending August 25, the average of the 5 lowest Far East quotes decreased 0.30 cents/lb. to 75.94 cents for the week ending September 8 (Exhibit 7). The low U.S. quote for the Far East (USFE) increased 0.05 cents/lb. over the same period taking a value of 77.75 cents for the week ending September 8. For the week ending September 15, the AWP will be valued at 58.51 cents/lb. for a corresponding marketing loan gain of 0.00 cents/lb.

Exhibit 7

COMPETITIVENESS

	Week Ending			
	9/15/16	9/8/16	9/1/16	8/25/16
	(Cents/Lb.)			
U.S. FE Low Quote	--	77.75	76.06	77.70
5 Lowest FE Quotes	--	75.94	74.33	76.24
Adjusted World Price	58.51	56.90	58.81	60.23
Marketing Loan Gain	0.00	0.00	0.00	0.00
Fine Count Adj. ('15 Crop)	0.21	0.10	0.12	0.19
Fine Count Adj. ('16 Crop)	0.31	0.20	0.22	0.29
ELS Comp Pymnt	0.00	0.00	0.00	0.00
	(Bales)			
Import Quotas Open	325,329	330,185	332,554	331,957

For qualities better than 31-3-35, the Fine Count Adjustment can further reduce the AWP to reflect differences between premiums in the U.S. market and international markets. For the week ending September 15, the Fine Count Adjustment is 0.21 cents/lb. for the 2015 crop and 0.31 cents/lb. for the 2016 crop.

ELS competitiveness payments are provided whenever, for 4 consecutive weeks, the lowest Friday through Thursday average adjusted price quotation for foreign growths (LFQ) is less than the Friday through Thursday average price quotation for U.S. Pima cotton, CFR Far East (US-PFE); and the adjusted LFQ is less than 134 percent of the current crop year loan level for ELS cotton grade 2, staple 46, micronaire 3.5 or higher, strength 37.5 grams per tex and above (81.10 cents per pound). For the week ending September 15, the ELS competitiveness payment is 0.00 cents/lb.

When the Friday through Thursday weekly average U.S. Far East price exceeds the prevailing world market price for any 4 consecutive weeks, a special import quota is trig-

gered. Each quota is equal to one week of cotton mill use by domestic mills based on the seasonally adjusted data for the most recent 3 months' for which data are available. To enter under the quota, cotton must be purchased not later than 90 days, and entered into the U.S. not later than 180 days, from the date the quota is announced. For the week ending September 15, there are 5 quotas opened in the total amount of 325,329 bales (480-lbs.).

U.S. SUPPLY & OFFTAKE

In its September report, USDA projected the 2016-17 U.S. crop at 16.14 million bales, up 260,000 bales from the August report (Exhibit 8). U.S. mill use was lowered 100,000 bales to 3.50 million bales. Exports were unchanged from the August report at 11.50 million bales. This generates a total 2016-17 offtake of 15.00 million bales. Ending stocks for 2016-17 are projected at 4.90 million bales for an ending stocks-to-use ratio of 32.7%.

Exhibit 8

U.S. COTTON SUPPLY/OFFTAKE

(Thousand 480-Lb. Bales)		
	2015-16e	2016-17p
Beginning Stocks	3,650	3,800
Production	12,890	16,140
Imports	30	10
Supply	16,570	19,950
Domestic Mill Use	3,450	3,500
Exports	9,150	11,500
Offtake	12,600	15,000
Unaccounted For	170	50
Ending Stocks	3,800	4,900
Stocks-to-Use Ratio	30.2%	32.7%

Source: USDA-WAOB September Report.
e=USDA estimate, p=USDA projection

For the 2015-16 crop year, USDA gauged U.S. cotton production at 12.89 million bales. Estimated mill use was lowered 50,000 bales to 3.45 million. Exports were lowered 50,000 bales from the August report to 9.15 million bales. Total offtake for the 2015-16 crop year is estimated at 12.60 million bales. Ending stocks for 2015-16 are 3.80 million bales. The estimated stocks-to-use ratio for the 2015-16 marketing year is 30.2%.

WORLD SUPPLY & OFFTAKE

In USDA's September report, 2016-17 world production is projected to be 102.47 million bales, up 890,000 bales from last month (Exhibit 9). Mill use is projected at 111.23 million bales, down 30,000 bales from last month. With beginning stocks at 98.55 million bales, this would result in world ending stocks of 89.81 million bales on July 31, 2017, and a stocks-to-use ratio of 80.7%.

Exhibit 9

WORLD COTTON SUPPLY/OFFTAKE

(Thousand 480-Pound Bales)		
	2015-16e	2016-17p
Beginning Stocks	112,350	98,550
Production	96,440	102,470
Imports	34,760	33,900
Supply	243,550	234,920
Mill Use	110,090	111,230
Exports	34,820	33,910
Offtake	144,910	145,140
Unaccounted For	90	-30
Ending Stocks	98,550	89,810
Stocks-to-Use Ratio	89.5%	80.7%

Source: USDA-WAOB September Report.
e=USDA estimate, p=USDA projection

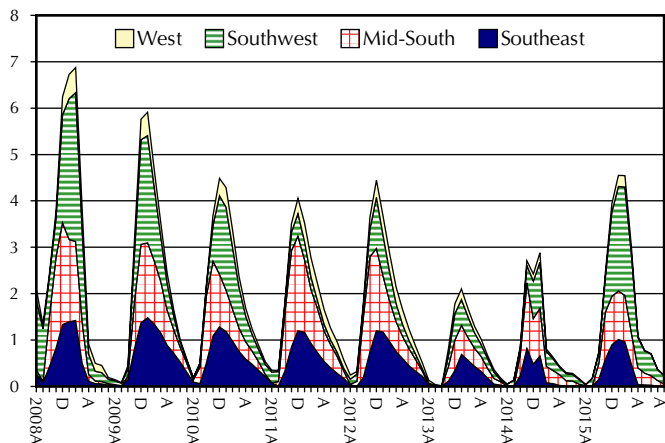
World production for the 2015-16 marketing year was estimated to be 96.44 million bales, down 490,000 bales from last month. World mill use was lowered 100,000 bales to 110.09 million bales. Consequentially, world ending stocks are estimated to be 98.55 million bales with a stocks-to-use ratio of 89.5%.

CCC LOAN

Outstanding CCC upland cotton loan stocks were 237,985 running bales as of August 31 (Exhibit 10). Producer (Form A) loans account for 9% of the outstanding total with coops (Form G) accounting for the remaining 91%. The **Mid-South** accounted for 20% of the outstanding loans, or 48,013 bales, following redemptions of 70,524 bales over the past month. The **Southeast** accounted for 2% (5,162 bales) after redemptions of 3,124 bales. The **Southwest** accounts for 76% of the total outstanding loan stocks following redemptions of 55,683 bales to 179,902 bales. Loan redemptions in the **West** were 4,714 bales, leaving outstanding loans in the region at 4,908, 2% of the total.

Exhibit 10

CCC LOAN



2015-16 WORLD COTTON SUPPLY & OFFTAKE

(MILLION 480-LB. BALES)

	Beg Stocks	Production	Imports	Supply	Mill Use	Exports	End Stocks	Stocks/Use
World	112.4	96.4	34.8	243.6	110.1	34.8	98.6	89.5%
U.S.	3.7	12.9	0.0	16.6	3.5	9.2	3.8	30.2%
China	67.9	22.0	4.4	94.3	34.0	0.1	60.2	176.4%
Pakistan	2.9	7.0	3.3	13.2	10.3	0.3	2.6	24.8%
India	13.5	26.4	1.1	41.0	24.3	5.8	10.9	36.4%
Central Asia	2.9	5.8	0.0	8.7	2.5	4.1	2.2	33.6%
Australia	1.8	2.6	0.0	4.4	0.0	2.9	1.5	52.4%
Brazil	7.5	5.9	0.1	13.5	3.2	4.3	6.2	82.0%
Indonesia	0.6	0.0	2.9	3.5	2.9	0.0	0.6	20.2%
Mexico	0.7	0.9	1.0	2.6	1.9	0.1	0.5	25.0%
Turkey	1.6	2.7	4.2	8.5	6.7	0.2	1.6	23.0%
Vietnam	0.7	0.0	4.5	5.2	4.4	0.0	0.8	17.0%

2016-17 WORLD COTTON SUPPLY & OFFTAKE

(MILLION 480-LB. BALES)

	Beg Stocks	Production	Imports	Supply	Mill Use	Exports	End Stocks	Stocks/Use
World	98.6	102.5	33.9	234.9	111.2	33.9	89.8	80.7%
U.S.	3.8	16.1	0.0	20.0	3.5	11.5	4.9	32.7%
China	60.2	21.0	4.5	85.7	35.0	0.1	50.6	144.2%
Pakistan	2.6	8.3	2.2	13.1	10.2	0.3	2.6	24.8%
India	10.9	26.5	1.0	38.4	24.0	3.9	10.5	37.8%
Central Asia	2.2	5.8	0.0	8.0	2.5	3.6	1.9	32.0%
Australia	1.5	3.5	0.0	5.0	0.0	3.1	2.0	64.0%
Brazil	6.2	6.7	0.1	12.9	3.2	3.4	6.5	97.9%
Indonesia	0.6	0.0	2.8	3.4	2.8	0.0	0.6	21.0%
Mexico	0.5	0.7	1.3	2.5	1.9	0.1	0.5	23.0%
Turkey	1.6	3.2	3.7	8.5	6.8	0.3	1.5	20.8%
Vietnam	0.8	0.0	4.8	5.6	4.7	0.0	0.9	18.3%

Source: USDA-WAOB September Report.

This publication includes the latest information as of September 12, 2016. Data released later are available from the NCC home page at www.cotton.org. This publication is also available on the NCC home page in the Members Only section. Unless otherwise noted, all bale references pertain to statistical (480-lb.) bales.