

1992 Cotton Management Economic Notes

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Late Season Marketing

As shown in the accompanying graph, cotton prices have continued on a downward trend since mid June. The September 11 December 1992 futures price has dropped 152 points since August 21, 550 points since August 7, and 1015 points since June 15. In short, the bearish market trend has been driven by abundant world stocks and a favorable outlook for world production — even though US production estimates have been revised lower.

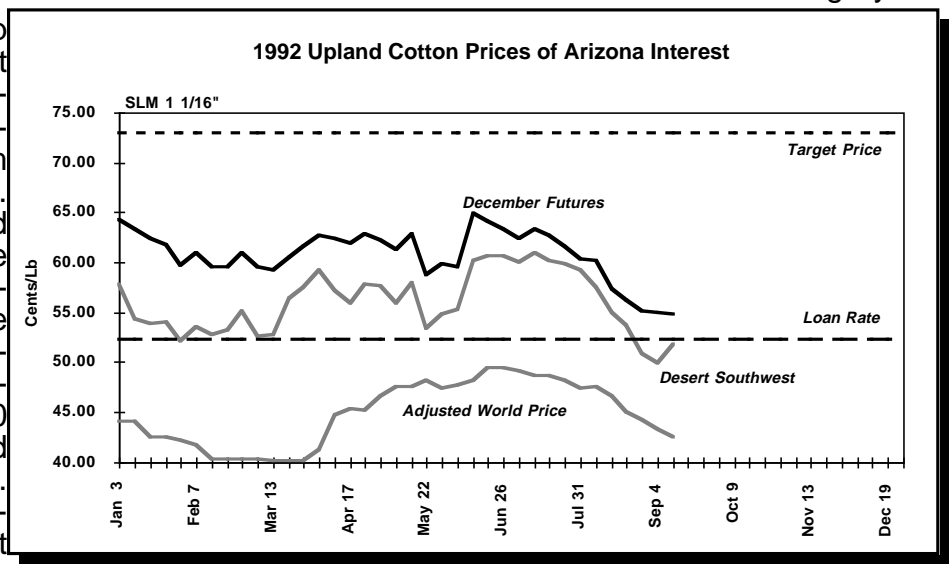
ered its estimate of US exports by about .4 million bales. Subsequently, the market had a neutral to slightly positive response to the report.



Yields for Arizona were revised down 9% for Upland and 7% for Pima at 1,174 lbs/acre and 854 lbs/acre, respectively. Arizona had the most significant revised yield reductions for all states. The only yield estimate revised upward was California's average Pima yield at 1,137 lbs/acre, up 2%.

Compared to 1991's record breaking crop, US Upland production is expected to be down 10.2% for 1992 at 15.5 million bales. Average yields

Based on September 1 crop conditions, the Department of Agriculture lowered its estimate of total US cotton production for 1992 by 3.5% from its earlier August 1 estimate. Reductions in both yield and acreage contributed to the lower estimate. Yield projections were down 1.9% while harvested acreage was lowered 1.8%. Production estimates were down 565,000 bales (3.5%) for Upland and 20,000 bales (3.9%) for Pima. Although production estimates were lowered almost .6 million bales, the Department of Agriculture also low-



Recent Prices	September 11, 1992	
	Upland (c/lb)	Pima (ELS) (c/lb)
Spot	51.83	87.50
Target Price	72.90	105.80
Loan Rate	51.15	88.15
December Futures	54.73	

Note: Upland Spot for Desert SW grade 31, staple 35;
 Pima Spot for grade 03, staple 46 9/4/92; Phoenix Loan Rates

are expected to be up 4.3% while acreage is down 13.9% from a higher Acreage Reduction Program rate and lower prices. Arizona's Upland yields are expected to be down 2% from 1991 at 1,174 lbs/acre while acreage is off less than the US average, down 10%. US Pima production for 1992 is expected to be up 22.5% from 1991 at 488,000 bales. Acreage is up 4.7% while average yield is expected to be up a whopping 17%. About 19,000 acres of relatively low yielding Texas acreage was taken out of

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Estimated To-Date Production Costs

\$/lint lb (September 14)

The following table gives estimated production costs/lb to-date. These 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 All Costs	
		September To Date	To Date	Cost	To Date
Yuma	1,300	.06	.29	.25	.53
La Paz	1,300	.05	.24	.27	.51
Mohave	1,100	.04	.25	.23	.48
Maricopa	1,250	.03	.23	.23	.47
Pinal	1,300	.02	.28	.26	.55
Pima	1,100	.03	.26	.28	.54
Cochise	700	.00	.51	.42	.93
Graham	1,050	.03	.31	.31	.62
Greenlee	850	.03	.35	.36	.71

Note: Based on Wade, et al., "1992-93 Arizona Field Crop Budgets", Various Counties, Arizona Cooperative Extension, Tucson, January 1992.

Pima production while 31,000 acres of San Joaquin Valley's prime land was added to Pima production. Arizona's 1991 and estimated 1992 Pima acreage and yield are very similar at around 103,500 acres and 857 lbs/acre, respectively.

After Harvest

Ginning is one of the largest costs incurred by cotton growers. Because these costs are largely not grower controlled, ginning costs are often ignored. This discussion is to help growers be more aware of ginning costs.

Ginning costs are set by gins before each season. In a 1991 survey by Cooperative Extension, ginning cost were found to average about \$2.80 /hundred pounds (CWT) of Upland seed cotton, ranging between \$2.50 and \$3.20/CWT. Variations are based on equipment efficiency and gin location. In addition, some gins provide additional services as a part of the ginning costs. For example, some gins haul cotton modules at no added cost to the grower. These added services confuse the calculation of the exact cost of ginning. Each grower must examine gin policy to determine costs of ginning, hauling and marketing baled cotton.

Ginning costs are also determined by turn-out,

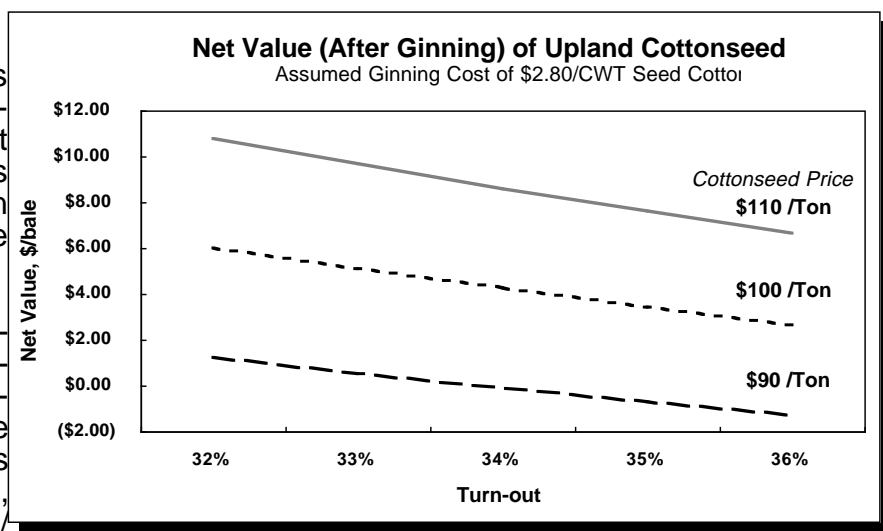
the percent of seed cotton delivered that is baled as lint cotton. Growing conditions and the efficiency of harvest affects cotton turn-out.

The graph on this page provides an analysis of ginning costs, net of the sale of cottonseed. Two important items determine the results shown;

- 1) as turn-out increases the amount of seed available per bale of cotton is lowered, and ;
- 2) as turn-out increases the amount of lint baled (at the ginning cost based on seed cotton) increases.

Net value of Upland cottonseed above the costs of ginning (assuming that module hauling and other services are included in the ginning cost of \$2.80/CWT seed cotton) are shown. Value depends on turn-out and seed price. Ginning cost are from \$42.00/bale to \$37.33/bale as turn-out increases from 32% to 36%.

A 1991 USDA survey shows additional charges of about \$1.97 /month/bale for insured storage; \$5.75/bale compressing and \$4.82/bale for outhandling. HVI classing charges are about \$1.68/bale. If a bale were stored for 6 months,



additional charges of about \$23.50/bale will be incurred. Grower association and other check-offs are additional costs.

Conclusion

- The cost of ginning, classing, handling, compressing and storing a bale of Upland cotton range from about \$58.00/bale to \$69.00/bale.