Future of cotton brightening

By DICK WRIGHT

Cotton is “in” with the consumer — still in, that is. Cotton industry figures show cotton is gaining preference against its main competition, the man-made fibers like polyester. That’s good news for a sizeable sector of Louisiana’s agriculture.

Though some farms suffered from drought in one season and too much rain in another this year, Louisiana had an exceptional cotton crop, according to federal agriculture reports.

Nationwide, the price-depressing national cotton surplus is also down, and one source said recently the Chinese were on American shores for a big cotton purchase.

So why is a market analyst for the cotton industry furrowing his brow?

Well, says Jim Howell with the Cotton Council headquartered in Memphis, if the price of cotton runs up too high, the spinning mills will turn to polyesters.

But right now, cotton seems to be more than holding its own in the fabric market. The Cotton Board reports cotton’s share of the apparel and home fabric market for the first six months of 1990 went over the 50 percent mark.

Jerry Johnston, a Winnboro cotton broker, said the current price of 69 to 70 cents a pound to the farmer — “a very good price” — has happened only four times in the past 30 years.

“The main reason behind the price moving up in the last few days is the Chinese have been over buying cotton,” Johnston said recently.

Other factors are also at work to boost the cotton industry, Johnston and others said.

One big factor, apparently, is that the U.S. surplus of cotton — the cotton carried over previous harvests — has fallen below 3 million bales, unusually low.

Johnston is a middleman. He buys cotton directly from farmers who grow it, making purchases from all Louisiana’s cotton growing parishes as well as buying the cotton grown at the state penitentiary at Angola.

In turn, he sells directly to cotton mills and ships overseas.

“I buy from the producer and ship to the mills,” he said. He said he had been buying cotton since he was 15 years old, when he worked for another buyer and before he went into his own business.

Mills order special grades of cotton, depending on the intended use, such as denim or blends, or for sheets or curtains.

Sheets call for better grades, but in the past denim was made from lower grades of cotton, Johnston said.

“But now, with designer jeans, they use the very best cotton available,” he said.

Cotton is sold according to certain standard grades. The U.S. Department of Agriculture has a grading office at Rayville, where samples taken from cotton bales are sent and classified. Johnston said he prefers to do his own grading.

After cotton is picked and ginned in the late summer and fall, the fresh bales go to a compressor, or warehouse, where

Open cotton boll ready to pick

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they remain stored until sold and shipped to a mill or an overseas destination.

The farmer pays the storage bill, $2 a bale a month, until it is sold. Then the buyer pays the fee.

U.S. cotton production this year is expected to reach 14.55 million bales, up from last year when production was 12.2 million but still short of early season expectations by 172,000 bales, according to the Cotton Council. The U.S. market consumes about 8.2 million bales now, and 6.800 million are expected to be exported, slightly off from last year, though final figures are not in, according to Howell.

Jess Barr, economist with the National Cotton Council, said imports are important to the American cotton business.

"We export a little over half of our crop," he said. "The majority of our cotton goes to the Pacific rim countries."

Those buyers are China, Japan, Taiwan, Hong Kong, both North and South Korea, Thailand and Indonesia. Most of the textiles sent into the U.S. markets and become competition with American-made products also originate from the Pacific rim countries, he said.

"We import virtually no raw cotton," he said.

Cotton growing countries, besides the United States, are China, Russia, India, Pakistan, Turkey, Egypt and Australia. Barr said Australia produces 1 million to 1.5 million bales of cotton, but it is a major competitor with the U.S. for the Pacific rim markets.

A surplus of 2.7 million bales, called the "carryover" from the previous harvest, is unusually small, both Johnston and Barr said.

"Stocks have been coming down for the basic reason consumption has been exceeding production, and the U.S. exports a lot of its crop, also," said Barr.

Worldwide, stocks have also fallen. "There have been some bad crops in a couple of foreign countries as well as some lesser production levels here in the United States. Not all states have gone up in production as Louisiana has," Barr said.

Barr said China remains the world's largest producer of cotton, but it also

imports.

"What China typically does, and they had a good crop this year, is export their higher grade of raw cotton and then import lesser qualities to make up the difference," he said. Barr said the Chinese are looking for foreign exchange in their trade.

Barr does not attribute cotton's good position to a lone factor.

Until last summer cotton was priced substantially below polyester, so mills had a definite price advantage to use cotton. But, Barr said, the fact that mills were willing to use cotton and it was profitable is related to promotions which affected consumer demand preference. These factors have worked together to boost cotton, he said.

International trade negotiations still loom as a factor on the future of the cotton business, Barr said. The effect of rising petroleum prices is also unknown, Barr said. It may increase the cost of man-made fibers, but it will also drive up the cost of producing cotton, he said.

"In the long run, we think cotton usage is going up, both here in the U.S. and abroad."

The reason is "because of increasing consumer preference for cotton as well as the trend of rising populations," Barr said.