

**PRODUCER PRICE FOR
COTTON QUALITIES VAGUE**
**Carl G. Anderson, Carl Shafer,
and Matthew S. Haberer**
**Professor and Cotton Marketing Specialist,
Professor, and Graduate Assistant, respectively**
Department of Agricultural Economics
Texas Agricultural Extension Service
Texas A&M University
College Station, TX

Abstract

Producers are concerned that the price paid to them for different cotton qualities does not sufficiently reflect the spinning value. Spot price quotes reported usually include some inter-merchant transactions and sales to mills beyond the producer level. Because of basis variations and the narrow qualities represented, the futures price is limited in accurately representing producer prices. Further, Commodity Credit Corporation (CCC) loan schedules are updated by averaging with the past season's USDA spot quotations. Thus, forward price contracts that adjust price based on loan value for quality may not fully reflect the market price. Pricing disparities can encourage production of lower cotton qualities. Textile use of cotton would likely increase with producer price incentives for qualities that improve mill performance.

Introduction

Prices received by producers for different cotton qualities are not clear. The spot price quotations reported by AMS, USDA include sales both at and beyond the producer level. The prices quoted, therefore, mainly represent some sort of average price available to an owner of cotton. Vague producer price information also stems from sporadic trading during the year at many locations. The price paid usually represents an average price for varying lot sizes and qualities. Although prices are quoted for all qualities, trading of many qualities is non-existent for long periods of time.

The New York futures market for cotton is a continuous source of price discovery information reflecting worldwide supply and demand. However, because of basis variation, the price signals to the grower are mixed. The basis or difference between futures prices and cash prices may vary daily by location, time of year, and from season-to-season.

Prices offered in most forward contracts usually designates that premiums and discounts will be based on CCC loan schedules. As a result, prices paid producers for qualities above and below base quality according to the contract may

be considerably different than the market price for that quality. The contract price differs because the loan schedule is based on spot quotes that are not necessarily prices paid producers. Also, the loan price is based on quotes that are averaged from the seven markets representing the different production regions.

When pricing discrepancies occur, the price reporting system fails to perform its market function for producers, merchants, textile operations and consumers. Thus, for a market to be effective and efficient, prices producers receive need to be known by all market participants. Further, the prices need to clearly reflect spinning properties of cotton quality according to the value of the manufactured product. That is, the specific price paid to a producer should be adjusted for a particular quality and location based on grade, micronaire, strength, staple and other fiber characteristics.

There is no formal system for reporting spot cash transactions for cotton. Nor is there an effective requirement that transactions be reported at the producer level. This is unlike the highly structured markets such as stocks, bonds and commodity futures markets where each transaction must be publicly and immediately reported.

Because producers are receiving mixed price signals, many growers claim that quality does not matter. Producers fear that as more fiber properties are measured and reported, they will end up with more reasons for the market to discount the grower's price.

Price Reporting

Spot Market Price Quotes

The Agricultural Marketing Service, Cotton Division, USDA strives to report meaningful market information from the major spot cotton markets. However, the spot market for U.S. cotton operates with no formal limits on location, time or size of trading unit and only informed requirements for reporting transactions.

The U.S. Cotton Futures Act of 1916 established the USDA system for determining and reporting spot cotton quotations. Each season, the CCC loan premiums and discounts are adjusted by averaging with USDA spot quotations. The original purpose was to establish premiums and discounts for settlement of delivery on cotton futures contracts. But, these quotations are also used as market information for prices paid to growers. The CCC loan schedule is frequently used as a basis for adjusting prices for quality in many forward contracts. Further, using spot cotton price quotations to settle futures contracts is one thing. But, their use in determining spot prices in the wider cash market is quite another. For example, how well do these prices reflect actual spinning value at the mill?

Although market reporters are conscientious in seeking and presenting accurate, relevant market information, they must rely on an informal combination of experience, contracts and judgement to obtain price information. Also, spot quotes include sales beyond the producer level, such as some merchant-to-merchant transactions. As such, spot prices reported represent a mixture of prices, and the ability to establish a representative price for each grade, staple, strength and micronaire combination on a consistent basis at the producer level throughout the year is limited. Basically, USDA spot quotations represent an average price available to owners of cotton for various qualities at multiple levels. Spot cotton sales may include producer sales, inter-merchant trading, sales to mills and cooperative pooling. Spot quotations do not reflect the quantity sold by quality. Estimates of total quantity marketed are reported but not the proportions of various grades, staples and micronaire.

Since September 1, 1988, determining spot quotations has been the responsibility of the USDA Market News Branch. Price information is gathered through market news reporters who visit with trade members, analyze information received and report average prices for all the various qualities. Over time, there have been substantial changes in the Cotton Classing System that impact the price reporting system for different fiber qualities. On August 1, 1993, when Grade was separated into color and leaf, the number of cotton qualities expanded tremendously, causing the amount of Daily Spot Quotations to increase substantially. At the same time, price quotations started to include compressed, FOB car/truck, instead of uncompressed, FOB warehouse, which makes for an increase of some 300 points. Further, prices are affected by terms of sale, picked versus stripped cotton, location and "old" or "new" crop.

Cotton prices reported through an electronic marketing system, such as TELCOT of the Plains Cotton Cooperative Association (PCCA), do represent producer sales and prices. Even so, the premiums and/or discount for a specific quality attribute is often blended into an average price for a given lot of mixed cotton qualities. Thus, the price for a given quality is lost. However, these prices do offer increased accuracy in market information because they are producer prices.

The usefulness of USDA spot market quotes from the designated spot markets for local use by producers in deciding on a fair market price at a given time and day for a specific quality is limited because they do not adequately reflect actual market conditions based on end-use value. Thus, knowing current local prices and quality price differences becomes vague and blurred.

Spatial Price Difference for Same Quality

Price discovery for cotton producers is based on limited information regarding actual prices received for the

different quality attributes. As expected, spot market quotes have a different price for the same quality at different locations (Table 1). However, some of the differences appear to reflect more or less than the expected location and transportation differentials. For example, 31-4 grade with a 35 staple for the 1994 crop season has an average price above the base grade ranging from 84 points over in the North Delta area; 23 points over in West Texas; 349 points over in the San Joaquin Valley; a U.S. average of 130 points over the base price; and CCC loan premiums of 105 points. First, the premium for above base grade across West Texas is small, indicating very little extra value. To most growers in the area, this suggests that better quality does not matter at this quality level. However, the average of 349 points over for California cotton indicates quality does matter. Another situation is that 51-4 grade, 33 staple received an average discount of 633 points under base quality in the North Delta, but only 424 points under in West Texas, a difference of 209 points for the same classed quality of cotton grown in different regions. The CCC loan discount was 425 points. Another significant discrepancy in price is for low mike cotton of 33-34 with a discount of 310 points in the North Delta; 112 points in West Texas; 200 points in the San Joaquin Valley; a 216 point average for U.S.; and 145 points for staple 32 and under; or 220 points discount for 33 staple and higher in the CCC loan schedule. Premiums for strength are low with some variation across regions.

Overall, the premium and discounts for the same quality of cotton, as classed, receive different prices. Table 2 shows that for lower grades, the discounts are large but also vary across production regions. Producers are getting mixed quality price signals. Therefore, as textile spinning technology improves and HVI provides more fiber quality information, producers are skeptical as to any benefits they may receive. The need for improved fiber qualities by the mill to increase productivity and yarn quality, profits and expand textile exports is not being communicated well to the producer.

While spot quotes and futures prices may reflect the general price level fairly well, premiums and/or discounts for desired qualities are not clearly indicated through the regular pricing systems. Producer price discovery is further insulated from mill quality concerns by the tradition of two pricing points in the marketing channel. That is, merchants buy and agree upon a price with producers, and then mills largely buy and agree on a price with merchants (Figures 1 and 2). In the few situations where mills buy direct from producers, both grower and ginner understand the importance of cotton quality much better.

An Alternative Producer Price Reporting System

A new way of determining daily market prices received by producers has been under development at Texas Tech University by Don Ethridge since 1988. This computerized Daily Price Estimation System (DPES) measures market

prices and quality, premiums, and discounts from a large number of actual market sales. The DPES examines prices only at the point of first sale by producers.

Table 3 compares upland cotton prices from the West Texas area as reported in November 1995 by the DPES, the Daily Spot Quotes and the 1995 CCC Loan Schedule for selected qualities. The prices received by producers for different cotton qualities were usually much higher than the spot quotes or CCC loan value. For some grades, staple and micronaire the differences were sizable. Thus, the loan value and spot quotes were considerably out-of-line with market prices. West Texas producers and others that contract cotton based on CCC loan premiums and discounts may receive a price for non-base grade qualities much lower than the current market price.

The reporting of prices received by producers plays a vital role in the marketing of cotton. Producers and merchants use price information for different cotton qualities to make production and marketing decisions. Textile manufacturers and merchants use cotton quality premium and discount information to make important purchasing decisions.

With the development and use of HVI (High Volume Instrument) grading system, the industry's reliance and dependence on price reporting has become much more significant. The effectiveness of the improved quality measurement system is diminished when producer price reporting is not accurate.

Futures Market Prices

The New York Cotton Exchange provides an active and liquid market-place for the trading of cotton futures. As such, it is a key source of market information. The primary functions of the futures market are to provide a forum for price discovery and a mechanism for risk management. Cotton futures prices for five delivery months are established during the trading day by open outcry from sellers and buyers representing a diversity of participants. The resulting prices are made public and immediately transferred worldwide. These futures prices reflect the current forces of supply and demand. Thus, they indicate a benchmark for spot or cash prices of cotton.

Although the futures market is a distinct market for futures contracts, it is related to the cash market because contracts can be terminated by delivery of the cash commodity. However, most hedgers buy back their contract when there is a cash transaction of the physical commodity. Speculators also mostly offset their positions rather than make or take delivery. Therefore, the relationship between the futures market price and the local cash price at delivery is important because the basis should mainly reflect only delivery costs which are reasonably predictable.

Role of Basis

Basis is the difference between cash market prices and futures market prices at a particular time and location; i.e., basis is the cash price at the producer location minus the futures price at a specific time.

The basis consists mostly of transportation costs, storage and handling costs. Interest, insurance, quality and various market factors which depend on local supply/demand conditions also affect basis. However, market forces in a particular year can lead to strong or weak cash prices relative to futures and contribute to considerable basis variation.

Therefore, another set of mixed price signals to the grower flow from the futures market in addition to quality. The basis or difference in futures prices and spot price quotes for the base grade (41-34) deliverable on the futures contract vary daily, by location, time of year, and from season-to-season. For non-deliverable qualities, the variation between futures prices and local cash prices is enormous. Futures prices certainly do not give a positive price signal for the more desirable cotton qualities that are not deliverable on futures contracts. As a result, most producers face a great amount of variability in basis and in quality premiums and discounts.

Basis variation differs across the major cotton growing regions. Table 4 compares the average basis, the basis range, standard deviation and futures prices between Memphis and West Texas production regions for selected years. The basis was calculated for the time period between last trading day for the previous futures delivery month and the first notice day of the next (nearby) futures. The time spans are between July and October futures, October and December, and December and March futures. Thus, these basis and their variations reflect the market forces during the harvest season for the Memphis (North Delta) and Lubbock (West Texas) regions.

In 1990, the average basis for the Memphis region was -5.79 cents, with a range of -4.00 to -7.65 or 3.65 cents per pound. For West Texas, the average was a similar -5.84 cents; but, the range was almost twice (-2.98 cents to -9.43, or 6.45 cents per pound) that for Memphis. The -5.84 cents basis reflects -\$29.20 per 500 pound bale less value than the futures price. While the -2.98 is only -\$14.90 under futures value, the -9.43 cents per pound amounts to a substantial -\$47.15 per bale under futures. The variation per bale was a significant \$32.35 or 6.45 cents per pound. Between 1990 and 1994, the nearby basis for the Memphis region for December futures has averaged from -5.90 cents per pound in 1991 to -1.40 cents in 1993, or -\$29.50 per bale to -\$7.00 under futures value. Since 1990, for the West Texas region the basis against December futures averaged from -5.84 cents in 1990 to -2.43 cents per pound in 1994.

Thus, basis risk is sufficient to discourage many producers from hedging their price risk through the futures market. A price that may vary several cents per pound from the futures price at any time, especially during harvest, leaves producers with only a vague idea as to the actual or expected cash price.

However, much, if not most, cotton purchased by mills is priced based “on” or “off” New York futures. The basis contract offered between most mill operators and merchants is for so many points “on” or “off” a specific futures delivery month. The merchant can work with a per pound margin in providing the service of buying, sorting, and selling cotton to the mill. Although the futures price changes up and/or down, the basis offer holds until fixed. Thus, the mill operator buys cotton largely based on futures market prices. As a result, price discovery for mills and merchants follows more closely the futures market than it does for most producers.

Commodity Credit Corporation (CCC) Loan Schedule

Where CCC loan schedules are used in final settlement of forward contracts, or otherwise, to price producer cotton, the established price for various qualities of cotton from the different growing regions could differ substantially from current market prices. The result is pricing disparities and an inefficient pricing system that reduces market growth of U.S. textiles. Because quality incentives are lacking, production of lower quality cotton is encouraged. For instance, compare West Texas prices received with CCC loan premiums and discounts (Table 3). The result is reduced mill productivity and lower profits for textile manufacturers and cotton growers. The use of CCC loan rates averaged Beltwide from previous crop years to determine producer prices for the current year’s cotton falls short in reflecting the effect of market-driven price incentives, equitable returns, and accurate end-user valuation.

The establishment of the annual CCC loan price for base quality cotton (41-4 grade and leaf, 34 staple, 35 to 49 micronaire, and 25 grams per tex) is a fairly straightforward procedure. The annual CCC loan schedule of premiums and discounts for the current crop season are based mainly on a simple average of the previous season’s USDA spot quotations and the CCC loan schedule for various qualities. A major shortcoming is that spot quotations may not fully represent producer prices. Further, the loan schedule is always one season behind the current market forces of supply and demand for various cotton qualities. Also, the loan schedules are average price values for different qualities across the U.S. cotton production regions. The cotton grown among the regions are often used in different spinning processes and end-products. A regional loan schedule based on prices received by producers, such as DPES prices, would more closely reflect quality values.

The use of an average premium and discount schedule across the major cotton producing regions has serious drawbacks. A very bad quality crop in one producing region may influence deep discounts the next year that are unrelated to the spinning value of a particular quality. For instance, an immature crop in one region resulting in low micronaire may increase discounts for all regions the next season. Micronaire discounts based on U.S. market averages usually discriminate against mature low micronaire short-season cotton in the West Texas region. Discounts and premiums for other quality attributes discriminate cotton qualities in the different production regions -- West, Southwest, Delta states and Southeast -- at different times.

Conclusions

Reporting the market price for cotton of different qualities at the producer level needs improvement. Spot price quotes, futures prices and CCC loan schedules fail to indicate appropriate quality premium and discount incentives specifically to producers. While spot quotes and CCC loan values are determined by well established and reasonable methods, the spot quotes tend to be averaged among the pricing points of producers, merchants, and shippers. Further, spot quotes may represent “quoted” prices rather than actual sales transactions. Because some non-existent prices are quoted, spot quotes may be causing bias in establishing loan prices. Then, when loan schedules are used in establishing forward contract prices, the loan value directly influences the price received by growers.

The regulations requiring spot quotes by USDA were initially for the purpose of determining values of cotton for delivery on the New York futures contract. Therefore, the use of spot price quotes to establish CCC loan schedules is beyond the original intended purpose for price quotes. Ironically, only a very small percentage of cotton produced is delivered on New York futures contracts. But, the pricing system is widely used to price cash cotton.

The futures market performs a key role in the discovery of price levels and movements through the active trading of contracts. Yet, New York futures prices may not always reflect the producer price effectively because basis varies substantially for a number of reasons. Because delivery is not a practical threat from most cotton producers, they have little control over basis. Also, the futures price represents only the base grade price.

Domestic textile manufacturing use of cotton fiber would likely increase substantially with effective producer price incentives for the cotton qualities that increased mill performance. That is because the more desirable spinning properties will pave the way for a more efficient, competitive and profitable textile industry. An example of producer and mill coordination is the Plains Cotton Growers Cooperative denim mill at Littlefield, Texas, which has been a profitable venture for West Texas cotton

producers. The mill's use of cotton has always been according to HVI quality measurements. A very cost effective grouping of cotton quality by bales into "laydowns" that met specific yarn quality requirements was the result.

The development of a new approach to reporting market prices received by producers (DPES) at Texas Tech University offers substantial improvement in matching producer price to fiber quality. It is feasible that sales data between producer and first point of sale could be electronically transmitted to USDA. Actual producer market prices would assist in making CCC loan premiums and discounts more market-oriented. Further, if the loan rate were based on production regions (a regional loan schedule), it would better serve the industry.

Until a more meaningful price reporting system can be implemented, producers will be seeking ways to improve their cotton marketing channels. The alternatives to obtaining more accurate price/quality information include relying more on grouping cotton of similar quality by selection of varieties, cooperative pooling, and mill direct contracts. The use of futures and options strategies as price insurance allows selling cotton at the market price. Many growers try to avoid contracting for a base price where it is agreed that different qualities will be priced according to the loan discount schedule. When mill operators talk directly with producers, there is a better understanding about the importance of cotton quality. Under the traditional marketing system of producers selling to a merchant and the merchant selling to a mill, producers are unaware of the manufacturing requirements and often ask the ginner to over-dry and over-gin cotton to get the "best" grade and price possible. Unfortunately, the grower does not recognize that over-ginned cotton frequently damages fibers and lowers mill performance and earnings.

Producers are seeking a clearer price incentive for better quality cotton. In the meantime, they are planting improved varieties and using better harvesting and ginning methods that deliver higher quality fiber. However, further communication between mill operators and producers is needed concerning desired cotton qualities.

Acknowledgments

The authors gratefully acknowledge the data and clerical service of Caroline Smith. The study was supported in part by the Texas Food and Fibers Commission.

References

1. Branson, Robert E., Carl E. Shafer, Thomas L. Sporleder, and John P. Nichols. *Cotton Crop Contracting Problems and Potentials*. 1975. Research Report MRC 75-1, conducted for Cotton Incorporated, Raleigh, North Carolina, by The Texas Agricultural Market Research and

Development Center in cooperation with Department of Agricultural Economics, The Texas Agricultural Experiment Station, Texas A&M University, College Station, Texas.

2. Brown, Jeff E., Don E. Ethridge, Darren Hudson, and Carlos Engels. 1995. *An Objective System for Cotton Price Discovery*. Published in the 1994 Proceedings Beltwide Cotton Conferences, Cotton Economics and Marketing Conference, San Diego, California, pp. 458:461.

3. Chen, Dean T., Carl G. Anderson, and Carl Shafer. 1995. *Cotton Quality Premiums and Discounts: A Comparison of CCC Loan Schedules and Spot Market Quotations with Regional Aggregation*. Published in the 1994 Proceedings Beltwide Cotton Conferences, Cotton Economics and Marketing Conference, San Diego, California, pp. 463:466.

4. Chen, Dean T. and Carl E. Shafer. 1995. *Implications of the Aggregation Bias of CCC Loan Schedules in Pricing Regional Cotton Quality Attributes*. Faculty Paper Series 95-3, Department of Agricultural Economics, Texas A&M University, College Station, Texas.

5. Chen, Dean T., George T. Chiou, and Carl G. Anderson. 1991. *Inter-regional Pricing of Cotton Fiber Attributes: Does Quality Matter?* Applied Econometric Working Paper 91-1, Department of Agricultural Economics, Texas Agricultural Experiment Station, and Texas Agricultural Extension Service, Texas A&M University, College Station, Texas.

6. Chen, Dean T., George T. Chiou, and Carl G. Anderson. 1991. *Part I: Cotton Quality Improvements Across U.S. Regions*. Food and Fiber Economics, Vol. 20, No. 5.

7. Chen, Dean T., George T. Chiou, and Carl G. Anderson. 1991. *Part II: Economic Returns to Cotton Quality Improvement by U.S. Regions*. Food and Fiber Economics, Vol. 20, No. 6.

8. *Cotton Price Statistics 1993-1994*. 1994. United States Department of Agriculture, Agricultural Marketing Service, Cotton Division, Vol. 75, No. 13, Memphis, Tennessee.

9. Ethridge, Don E. and Kenneth H. Mathews. *Reliability of Spot Cotton Quotations for Price Discovery in the West Texas Cotton Market*. College of Agricultural Sciences Publication No. T-1-212, Department of Agricultural Economics, College of Agricultural Sciences, Texas Tech University, Lubbock, Texas.

10. Ethridge, M. Dean. 1981. *Synopsis of Working Conference on Cotton Fiber Quality Issues*. Publication

MP-1505, Presented at Conference jointly sponsored by the Texas Agricultural Experiment Station and the Textile Research Center, Textile Research Center Conference Hall, Texas Tech University, Lubbock, Texas.

11. Hudson, M. Darren, Don E. Ethridge, Carl G. Anderson, and Jeff E. Brown. 1994. *Reliable Daily Spot Cotton Prices Essential for Producer Price Discovery*. *Food and Fiber Economics*, Vol. 23, No. 1.

12. Hudson, Darren, Don Ethridge, Jeff Brown, and Carl Anderson. 1985. *Performance of the Daily Spot Cotton Quotations for Producer Price Discovery in the Southwest Region*. Published in the 1994 Proceedings Beltwide Cotton Conferences, Cotton Economics and Marketing Conference, San Diego, California, pp. 467:469.

13. Jones, Amos D., et al. 1975. *National Cotton Marketing Study Committee Report*. United States Department of Agriculture.

14. Kuhlert, Terry. 1993 *Crop Spot Cotton Quotations*. 1985. Published in the 1994 Proceedings Beltwide Cotton Conferences, Cotton Economics and Marketing Conference, San Diego, California, pp. 457.

15. *Price-Quality Relationships in Farmers' Cotton Markets of Texas*. 1934. Bulletin No. 501, Division of Farm and Ranch Economics in cooperation with Bureau of Agricultural Economics, United States Department of Agriculture, Texas Agricultural Experiment Station, Agricultural and Mechanical College of Texas.

16. Sporleder, Thomas, James Haskell, Don Ethridge, and Robert Firch. 1978. *Who Will Market Your Cotton, Producer Alternatives*. D-1054, Texas Agricultural Extension Service, Texas A&M University, College Station, Texas.

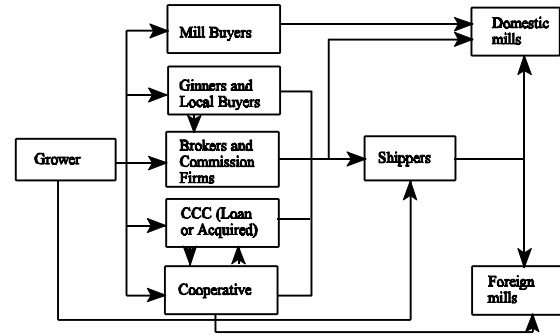


Figure 2. Flow of Ownership Documents for Merchandising U.S. Cotton.

Table 1. Upland Cotton Selected Spot Market Quotes and CCC Loan Premiums and Discounts Compared, 1994 Season Averages.

Color, Leaf	Staple	North Delta	West Texas	San Joaquin	U.S.	CCC Loan
31-4	33	-244	-144	NA	-152	-120
	35	+84	+23	+349	+130	+105
41-4	33	-262	-154	NA	-208	-150
	35	+44	+5	+122	+39	+60
51-4	33	-633	-424	NA	-517	-425
	35	-461	-373	+425	-385	-335
61-4	33	-1098	-1021	NA	-1034	-1065
	35	-1098	-1013	NA	-1032	-1065
Mike						Staple
33-34		-310	-112	-200	-216	-145 -220
	50-52	-365	-235	-100	-291	-330 -260
Strength						
27.5 - 28.4		0	+1	0	0	+40
29.5 - 30.4		+20	+14	+50	+27	+85

Source: Cotton Price Statistics, 1994-95, USDA/AMS, Cotton Division, Vol. 76, No. 13, August 1995.

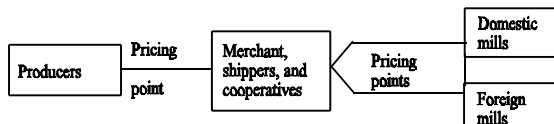


Figure 1. Pricing Points.

Table 2. Upland Cotton: Selected 1994 Spot Market Quotes and 1994 CCC Loan Premiums and Discounts Compared.

Color, Leaf	Staple	North Delta	West Texas	San Joaquin	U.S.	CCC Loan
31-4	33	-244	-144	NA	-152	-120
	35	+84	+23	+349	+130	+105
32-4	33	-409	-249	NA	-355	-320
	35	-181	-123	-783	-262	-235
33-4	33	NA	-763	NA	-787	-980
	35	NA	-763	-2073	-1215	-980
41-4	33	-262	-154	NA	-208	-150
	35	+44	+5	+122	+39	+60
42-4	33	-566	-306	NA	-448	-355
	35	-414	-207	-783	-369	-280
43-4	33	-1323	-855	NA	-1070	-1040
	35	-1323	-844	-2124	-1196	-1040
51-4	33	-633	-424	NA	-517	-425
	35	-461	-373	-425	-385	-335
52-4	33	-1001	-612	NA	-828	-730
	35	-992	-569	-2024	-963	-730
53-4	33	-1593	-1045	NA	-1331	-1320
	35	-1593	-1034	NA	-1302	-1320
61-4	33	-1098	-1021	NA	-1034	-1065
	35	-1098	-1013	NA	-1032	-1065
62-4	33	-1365	-1131	NA	-1258	-1160
	35	-1365	-1125	NA	-1252	-1160
63-4	33	-1804	-1228	NA	-1575	-1340
	35	-1804	-1228	NA	-1570	-1340

Source: Cotton Price Statistics, 1994-95, USDA/AMS, Cotton Division, Vol. 75, No. 16, August 1995.

Table 3. Upland Cotton Prices: Daily Spot Price Estimates^{1/}, Spot Price Quotes^{2/} and 1995 Crop CCC Loan Premiums and Discounts.^{3/}

Color, Leaf	Staple	West Texas Price Received Nov.	West Texas USDA Spot Quote Nov.	1995 Crop CCC Loan
31-4	32	-48	-276	-275
	33	+12	-150	-125
	34	+54	+50	+45
	35	+77	+50	+100
32-4	32	-100	-351	-460
	33	-39	-250	-310
	34	+2	-176	-290
	35	+25	-176	-245
41-4	32	-102	-301	-300
	33	-42	-150	-150
	34	78.32	base	base
	35	+78	0	-50
42-4	32	-153	-425	-495
	33	-93	-325	-345
	34	-52	-250	-325
	35	-29	-250	-295
Micronaire				
5.3 & above		---	-375	-450
5.0 - 5.2		---	-294	-280
3.5 - 4.9		base	base	base
3.3 - 3.4		-125	-135	-220
3.0 - 3.2		-232	-288	-450
2.7 - 2.9		-402	-535	-880
2.5 - 2.6		---	-953	-1205
2.4 & below		---	-1235	-1425

^{1/} Daily Price Estimates, (DPES) November average from Don Ethridge, Texas Tech University, research project on prices received by producers.

^{2/} Cotton Price Statistics, AMS, USDA, Vol. 77, No. 4, November 1995.

^{3/} CCC Loan Premiums and Discounts for Grade, Staple Length, and Leaf Content of 1995 Crop American Upland Cotton, USDA.

Table 4. Upland Cotton Prices: Average Basis, Basis Range, Standard Deviation, and Average Futures Price for Period Between Last Previous Trading Day to First Notice Day of Next Futures, Memphis and West Texas Areas for October, December, and March Futures.^{1/}

	Futures Prices (cents/lb.)					
	October		December		March	
	Basis		Basis		Basis	
	North Delta	West Texas	North Delta	West Texas	North Delta	West Texas
1990						
Average Basis	1.70	-2.10	-5.79	-5.84	-7.17	-11.35
High	6.00	2.15	-4.00	-2.98	-5.96	-8.53
Low	-6.82	-8.12	-7.65	-9.43	-9.97	-14.72
Std. Dev. + or -	3.72	2.42	1.08	1.40	0.62	1.06
Avg. Fut. Price	75.02	75.02	73.96	73.96	78.54	78.54
1991						
Average Basis	2.97	-3.10	-5.90	-3.49	-6.44	-4.95
High	4.00	-0.09	-3.52	-0.92	-3.42	-2.23
Low	-2.89	-5.98	-6.50	-5.77	-7.50	-7.69
Std. Dev. + or -	1.87	1.44	0.72	1.24	0.84	1.51
Avg. Fut. Price	66.97	66.97	60.97	60.97	56.80	56.80
1992						
Average Basis	-1.69	-3.57	-3.39	-5.41	-6.70	-7.47
High	1.03	-0.40	-0.50	-2.82	-5.48	-4.69
Low	-6.34	-8.19	-5.92	-7.75	-8.98	-9.33
Std. Dev. + or -	1.46	1.53	1.68	1.68	0.60	0.97
Avg. Fut. Price	60.09	60.09	53.85	53.85	60.19	60.19
1993						
Average Basis	-2.09	-3.42	-1.40	-4.43	-3.81	-4.93
High	-0.57	-0.06	-0.50	-2.75	-2.00	-0.61
Low	-5.50	-6.60	-2.00	-7.08	-5.26	-6.63
Std. Dev. + or -	1.14	1.87	0.56	0.92	0.54	1.15
Avg. Fut. Price	57.27	57.27	57.93	57.93	70.77	70.77
1994						
Average Basis	0.12	-0.11	-3.06	-2.43	-5.25	-4.76
High	1.00	2.48	-2.00	-0.98	-3.92	-1.57
Low	-1.00	-2.25	-3.71	-4.08	-6.50	-7.40
Std. Dev. + or -	0.75	1.10	0.57	0.77	0.66	1.41
Avg. Fut. Price	70.50	70.50	71.55	71.55	89.91	89.91

^{1/} Spot cotton price quotations for base grade compared to futures prices.

Source: Daily Spot Cotton Quotations, USDA/AMS/Cotton Division, Memphis, Tennessee.

NOTE: Basis is cash (spot price quotation) minus futures price.