

"Mike" Readings To Affect Cotton Prices from Now On

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Arizona's cotton farmers are encountering something new in marketing this year. Micronaire readings have been added to the official government schedule of premiums and discounts.

A micronaire instrument determines the fineness and maturity of cotton fibers by measuring airflow through a sample of cotton. If the fibers are coarse, air flows through freely and a higher micronaire reading results. Fine or immature fibers, which fit close together, reduce the airflow and result in lower micronaire readings.

Now It's Required

The U. S. Department of Agriculture announced last April that "mike" readings will be required on all upland cotton pledged to the Commodity Credit loan program beginning with the 1964 crop. Since most cotton growers desire to maintain an option of using the loan program, a major share of Arizona's cotton crop will probably be miked.

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For some time, farmers and others have wondered what effect mike readings will have on cash income. While the answer can't be given with complete accuracy, we can get a fairly good indication from the announced premiums. For the 1963 Arizona crop, mike readings were distributed as follows:

	Percent of Micronaire 1963 Upland Reading Crop (Ariz.)	1964 Prem. or Discount
	(Percent)	(Points per Pound) ¹
2.6 and below	0.8	—300
2.7-2.9	2.1	—150
3.0-3.2	4.6	— 50
3.3-3.6	9.1	Even
3.7-4.8	57.0	+ 13
4.9-5.1	18.7	Even
5.2-5.4	6.9	— 10
5.5 and above	0.8	— 25
Weighted Average		— 1½

¹A "point" to a cotton man, is 1/100th of a cent. Thus 100 points equals 1 cent. Since a bale of cotton weighs about 500 pounds, a discount of 1 point would amount to 5 cents per bale.

Several things stand out in the above tabulation:

First, if the micronaire program had been in operation during 1963, the loan value of almost 85 percent of Arizona's crop would have been unaffected or would have been increased by 13 points per pound (65 cents per bale).

Second, the loan value on a minor portion of the crop (about 3 percent) would have been discounted heavily—150 to 300 points per pound or \$7.50 to \$15 per bale. This is the portion of the crop with mike readings of 2.9 and below.

Difference Is Slight

Third, on the average for all bales, the program would have resulted in a slight lowering of loan values. This decrease would have been about 1½ points per pound or 6½ cents per bale. This difference is so close to zero, that it is difficult to predict whether it will persist in 1964. Very slight shifts in the distribution of mikes would be enough to change the decrease in loan values to an increase.

On the average, therefore, and going by past results, the micronaire program will probably make little difference to the total loan value of Arizona's upland cotton crop. For any particular farmer, however, the mike program may have more pronounced effects. These effects will be most severe on farmers producing cotton that mikes 2.6 and below. The loan value will be reduced \$15 per bale for all such cotton.

Premium On Quality

The micronaire program is essentially the same as other grading programs. It operates to reward the producer who produces qualities the market desires and penalizes those who produce undesirable qualities. In this way it tends to stimulate production of the most desirable market characteristics.

A major benefit of all grading programs is that grading reduces risk and uncertainty. In other words, buyers can be more certain of what they're buying. Experience in marketing tells us that anything which reduces risk usually tends to increase total demand for the product. In this sense, the micronaire program is a forward step for the cotton industry as a whole.

The effect on loan values of the micronaire program will vary from state to state, depending on the average mike in each area. Taking the 1963 crop again, the effect in several states would have been as shown in the table at the left.

We can see from this tabulation that the effect on loan values would vary widely. California producers would have benefitted most, with an increase of 8.83 points per pound on the average (44 cents per bale). New Mexico producers would have suffered a decrease of almost 36 points per pound (\$1.80 per bale). On the average for the entire United States, though, there would have been very little effect at all—a very slight increase of one quarter of one point per pound (1¼ cents per bale).

Mike Reading	1964 Premiums and Discounts		Percent of 1963 Crop			
	Ariz.		Calif.	N. Mex.	Texas	Total U.S.
	(Points)					
2.6 and below	—300	0.8	0.1	5.8	2.0	0.8
2.7-2.9	—150	2.1	0.7	11.7	6.9	2.5
3.0-3.2	— 50	4.6	2.2	14.2	12.2	5.1
3.3-3.6	Even	9.1	5.7	21.1	16.6	9.3
3.7-4.8	+ 13	57.0	87.0	47.0	54.0	71.5
4.9-5.1	Even	18.7	4.0	0.2	5.5	7.9
5.2-5.4	— 10	6.9	0.3	0.0	2.1	2.5
5.5 & above	— 25	0.8	*	0.0	0.7	0.4
Average Premium or Discount:	1.33	+8.83	—35.95	—15.82	+0.25	
(Points per Pound)						

* less than 0.05 percent.