

UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington

CS-4

February 1937

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THE COTTON SITUATION  
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Summary

Mill activity and cotton consumption throughout the world continued to show a further improvement from the high levels of recent months. Cotton consumption in the United States in January and in the 6 months August through January were record highs for these periods. Production and sales of cotton goods are at new peaks in Japan and China. British mills are reported to have the fullest order books at any time since 1922. The European cotton textile situation shows general improvement.

Spot prices in the United States averaged 12.84 cents in January compared with 11.62 in January 1936, and were the highest for any January since 1930.

In spite of the large consumption of all cotton in foreign countries, consumption of American cotton has been running smaller than in the corresponding months of the 1935-36 season, and exports from the United States in the first 6 months of the current season (August-January) were 14 percent less than a year earlier. The export outlook for the immediate future, however, has been brightened somewhat. A loan has been made by American bankers to Italy for the purchase of American cotton, and it is possible that larger quantities of cotton may be sold to Germany on a barter basis. It is probable that some increase will take place in the supply of "free" cotton in the United States as a result of the operation of the present Commodity Credit Corporation Plan covering the release of loan cotton. Also, the high and rising level of activity in the cotton textile industries of the world should tend to further expand the demand for all kinds of raw cotton.

The fourth and semi-final estimate of the Indian Government places the 1936-37 cotton area at 25,050,000 acres compared with 25,138,000 acres last year. The crop is estimated at 4,987,000 bales, or 4 percent larger than in 1935-36 and 12 percent above average production in the 10 years ended 1932-33. A further increase has taken place in acreage and production in the Sind area, where a large portion of the cotton grown consists of American varieties directly competitive with cotton grown in the United States. Ginning of cotton in Egypt up to February 1 were 12 percent larger than ginnings up to the corresponding date last year.

#### Domestic Prices Continue Strong

The price of Middling 7/8" cotton at the 10 markets averaged 12.84 cents in January compared with 11.62 cents in January 1936. With the exception of last July when the average 10-market price was 12.90 cents, this is the highest price for any month since September 1934 and the highest for any January since the corresponding month in 1930. The average prices for the weeks ended February 6, 13 and 20 were 13.01, 12.90 and 12.77 cents, respectively. The supply of American cotton in trade channels is now relatively small. The trade also seems to be taking into account the fact that an agricultural conservation program, similar to that of 1936, may be effective this year, and that the difficulties attendant upon a very large increase in cotton acreage within the space of one season also may serve to hold down cotton acreage in the United States in 1937. Other factors which continue to be important price-strengthening influences are the high level of domestic consumption in the United States, the very large utilization of all kinds of cotton in foreign countries, and the optimistic outlook for consumption of cotton textiles and raw cotton in the near future resulting from the large volume of unfilled orders held by world mills and increasing industrial activity and trade in United States and foreign countries.

A rise in the price of American cotton at Liverpool in January accompanied the strengthening of 10-market prices in the United States. The prices of foreign growths tended to rise also so that their prices relative to American changed comparatively little. The average price of three types of Indian expressed as a percentage of two types of American was 79.1 in both December and January, and was the highest ratio for these cottons since last March. The average of their ratios in the 10 seasons 1923-24 to 1932-33 was 81.3

Brazilian Sao Paulo Fair in January, at 96.5 percent, was little changed from recent months and was about the same as the 10-year average, but it was cheaper relative to American than during most of the 1935-36 season. Egyptian Uppers averaged 111.7 percent of American Middling in January and were higher than for any month since August, but they were cheaper relative to American than in most of last season and were considerably below the 10-year average ratio of 125.8.

Supply of "Free" Cotton in United States Larger Than Year Ago;  
Stocks of Government-Financed Cotton Smaller;  
Domestic Consumption Plus Exports Running at  
Higher Rate

On January 31 the supply of cotton in trade channels in the United States amounted to about 7,400,000 bales, according to estimates of the New York Cotton Exchange Service. This is an increase of 32 percent over the approximately 5,600,000 bales of "free" cotton on January 31, 1936. The total supply of cotton on hand in the United States at the same time last season was 10,700,000 bales or about 300,000 bales more than present stocks (January 31) of 10,400,000 bales. On January 31 of this year, however, Government-financed stocks amounted to 3,000,000 bales compared with more than 5,000,000 on the corresponding date a year earlier. Consumption of American cotton in the United States totaled 3,767,200 bales in the 6-month period from August to January of the present season, an increase of 814,000 bales or 28 percent over consumption in the corresponding period a year earlier. Exports in the first 6 months of this season were 569,000 bales, or 14 percent less than last year. In the last 6 months of the 1935-36 season consumption amounted to 3,267,000 bales and exports to 1,969,000 bales.

There is some reason for believing that in the second half of the present season, domestic consumption of American cotton will not show as large a percentage increase over the corresponding months a year earlier as was shown in the first half. But if such an increase should actually take place, domestic consumption in the 6 months from February to July inclusive would amount to 4,178,400 bales. If the improvement shown in exports in January is maintained, exports from February to July would compare more favorably with last year than was the case in the first 6 months of the present season. Assuming, however, that exports in both the first half and the second half of the present season bear the same relation to last year, exports from February to July would amount to 1,693,000 bales. Total domestic consumption of American cotton in the 1936-37 season would be about 7,950,000 bales and exports 5,100,000 bales. The carry-over in the United States on August 1 would be approximately 4,500,000 bales of which only about 1,500,000 bales would be "free" cotton, assuming no reduction in Government-financed stocks which, as stated above, amounted to about 3,000,000 bales on January 31. Stocks of "free" cotton in the United States on August 1, 1936 amounted to about 3,300,000 bales, and in the 5 years ended 1928-29 averaged 2,489,000 bales.

It must be recalled, of course, that some of the loan-stock cotton will move into domestic and export markets and that domestic consumption, exports, carry-over, and the quantity of the Government-financed cotton released are to some extent interdependent factors. While the intensity of the domestic and foreign demand will affect the extent to which cotton is released from the loan stock, the quantity released and the terms under which it is released, by affecting the supply of cotton available to the trade, will, in turn, affect consumption, exports and carry-over.

The Commodity Credit Corporation announced that 250,812 bales of loan cotton were covered by requests for releases received through and including February 18, not including requests in transit or in process of completion. Between February 1 and 15 the average 10-market price was well above 12.75 cents. However, during the week ended February 20 the market hovered right about 12.75 cents. Loan cotton is being released at 25 points under the 10-market price of Middling 7/8" on the preceding day (with allowances for differences in value arising from staple, grade and location) only if the 10-market price is 12.75 cents or higher. It is reported to be the belief of the trade that actual outright purchases of loan cotton plus purchases of equities (rights to request release) amount to considerably more than 250,000 bales, but that the rate at which the cotton is being released is more apt to decline than to increase during the remainder of the release period.

Exports from United States Still Running Lower than Last Season-  
Exports from India and Egypt Larger

Exports from the United States were 538,280 running bales in January or slightly less than shipments of 542,776 bales in January 1936. In the 6 months ended January 31, exports totaled 3,435,000 bales or 14 percent less than exports of 4,003,600 bales in the corresponding period a year earlier, and 32 percent less than the average for the 10 years 1923-24 to 1932-33.

As compared with last season (August-January 1935-36), smaller quantities of American cotton were taken by all of the major import countries with the exception of France and Canada. In the month of January, exports to the United Kingdom, France and Italy were larger but exports to Germany, Japan and Canada were smaller than in January a year earlier. The outlook for the immediate future is brightened somewhat by (1) the loans made by American bankers to Italy for the purchase of American cotton, (2) the possibility that barter trade with Germany may be increased, (3) the release of some Government-financed cotton into trade channels, and (4) the need of foreign cotton mills for large quantities of all kinds of cotton.

Exports from India in the 5 months ended December 31 totaled 943,800 bales of approximately 478 pounds compared with 713,800 bales in the corresponding months of 1935 and 718,700 bales in the 10-year period ended 1932-33. As compared with the year before, larger quantities of Indian cotton were taken by nearly all important importing countries, including the United Kingdom, Germany, France and Italy; and an especially large increase occurred in exports to Japan.

Exports of cotton from Egypt in the 6-month, August-January, period amounted to 1,052,500 bales of approximately 478 pounds compared with 1,037,800 bales in the same period in the 1935-36 season and 826,800 bales in the 10 years 1923-24 to 1932-33. Exports from Egypt to Japan were more than double those in the corresponding months a year earlier. Larger shipments also occurred to India and the United States, but smaller quantities were sent to the United Kingdom, France, Germany and Italy.

The Textile Situation

Domestic consumption high - mill margins advance

The domestic mill situation continues to be very favorable and activity is well up to the generally high level of recent months. In some

recent weeks, sales of goods have been less than current production, but this is said to be due in part to the fact that many mills are booked ahead so solidly that they cannot take any more new business for delivery at any reasonably near future date. Goods prices have remained firm for the most part and have strengthened on some lines. Mill margins (based on 17 constructions of grey cloth) averaged 18.22 cents in January compared with 17.70 in December and with 13.70 cents in January 1936. January margins are the highest for any month since October 1925.

Consumption of all kinds of cotton in the United States amounted to 678,064 bales in January compared with 590,484 a year earlier and is a record high for the month. Consumption in the 6-month period August to January 31 totaled 3,848,195 bales, an increase of 28 percent over consumption in the same period a year earlier; it also is a record high. The largest previous consumption in this 6-month period was 3,627,494 bales in the 1927-28 season.

European mill activity, cotton consumption show further increase 1/

European cotton textile developments in January maintained, on the whole, the favorable trend which has characterized the situation for several months. Mill activity rose further in a number of countries, domestic wholesale and retail demand for cotton textiles remained high, and exports were generally sustained and even showed a gain in several countries. As a result, mill consumption of raw cotton developed favorably and spinners, stimulated also by a firmly rising market, bought an appreciable volume of raw material. Consumption of American cotton, however, is indicated in some quarters not to be keeping pace with the general rate of expansion, and American is said to have been somewhat neglected in spinner purchases, partly as a result of price-relationships favoring competitive types of foreign cotton.

Immediate outlook favorable.-- The European cotton textile picture is now more generally favorable than it has been for a long time. In fact, nothing in the present situation can be pointed out as likely to bring an early reversal of the favorable tendencies present in most countries. On the contrary, it seems likely that the present rate of activity will at least be maintained everywhere for some time to come. There are certain weak spots in the situation, however, such as heavy forward buying in France, the sudden growth of Italy's exports with the resultant accumulation of clearing balances in her favor, the German foreign exchange difficulties, and the increased production costs in Great Britain with their possible ultimate effect on exports.

The underlying and most important factor in the outlook is the slowly but steadily progressing recovery in world trade and purchasing power. The rise in world prices of agricultural products and raw materials, generally, in 1936 has materially enhanced the capacity to buy in a large number of textile importing countries the world over. This is being reflected in current orders and promises to be a buoyant influence for months to come. Advance orders for both domestic and export account have been booked to such a significant extent in most of the European countries as to last the industry at present rates of occupation for a considerable length of time. Even in the case of Germany and Italy, there is some prospect for eventual improvement in raw material supplies. The recent United States Treasury ruling on the use of Reichsmarks for imports from Germany has been viewed hopefully by some German 1/ Prepared largely from a report received by the Bureau from Agricultural Attache Lloyd V. Steere at Berlin, under date of February 8, 1937.

interests, and it is thought that increased German takings of American cotton may be made possible. Italian buyers of American cotton, moreover, were recently reported to have obtained a credit to cover the purchase of 50,000 bales, and further transactions of this kind are announced as pending.

The situation in individual countries.- In the United Kingdom, a good volume of cotton textile business both for domestic and export trade was reported during January. British mills are now said to have the largest and most extended order books since 1922, despite materially increased prices. Basic conditions appear favorable for continued active demand from consumers. Such anxiety as is encountered is chiefly about increased costs and their ultimate effects on exports. Recent demand for raw cotton has reflected in some measure the general activity in cotton spinning, but only moderate buying has been reported for American cottons, the prices of which are high relative to competitive cottons, and the better qualities of which are said to be difficult to obtain. Good business was reported in Brazilians and heavy forward buying in Peruvian. In other growths the turnover was generally described as moderate to fair.

In Germany, the situation reported in December is practically unchanged, with mill operations continuing at fairly high levels and with increasing substitution of artificial fibers. A certain amount of optimism has recently developed over the possibility of obtaining increased supplies of American cotton under the recent United States Treasury ruling on certain types of transactions with Germany. It is thought that the ruling will enable the resumption of barter transactions, at least on a modest scale. On the other hand, others are rather skeptical as to the practical possibilities, and point to the fact that present supplies of cotton are very short and will hardly suffice to maintain the current rate of mill activity for any length of time.

In Czechoslovakia, the cotton industry has benefited from further improvement in the general economic situation, though exports continue hesitant. The devaluation of the crown does not appear to have greatly alleviated the unsatisfactory export position of the industry, and urgent demands are being voiced that some additional export aid be granted. It is reported that the Government may grant certain tax refunds and freight rebates on export textiles.

The textile situation in Austria is still quite favorable. The uncertain export outlook appears to be something of a weak spot, however, because of heavy dependence of yarn exporters upon business with Rumania where foreign exchange and clearing difficulties frequently interrupt trading. The production in Austria of fine counts of yarn spun from Egyptian cotton is rapidly increasing and will replace most of the fine counts hitherto imported. Austrian cotton weavers have recently set up a cartel and marked price increases are threatened.

The very favorable developments in France as reported for several months continued in January, following some post-holiday quietness at the beginning of the month. Full activity is reported from many centers and orders on hand are sufficient to last the industry for a considerable time. Prices have increased sharply and, as a result comparatively little stimulus to cotton goods exports has been experienced from the devaluation of the franc. A large part of the extraordinary revival in the industry seems attributable to heavy advance buying incident to rapidly rising prices, and to the expectation of a further decline in the gold value of the currency.

Nevertheless, it does not appear that this development is of such magnitude as to entail an early reaction that would curtail mill activity and consumption of raw cotton. Steady consolidation in domestic economic activities seems to be going on, despite labor and other troubles, and a basic improvement in ultimate consumer demand is evident.

Cotton reports from Italy <sup>2/</sup> continue encouraging, as it appears that the recovery of her formerly important export business in cotton goods is still making very satisfactory progress. As a result of this sudden expansion of Italian deliveries however, there has been a large accumulation of clearing balances in favor of Italy with certain clearing countries - a condition which may eventually necessitate reducing or checking the expansion of exports to those countries. On the other hand, Italy has needed large balances to clear up indebtedness to certain countries arising from the sanctions' episode.

Market developments in Italy are encouraging also from the standpoint of demand, but they are not so bright from the supply side. The restricted supply of cotton fiber for the production of goods for domestic consumption, the practical exhaustion of stocks of materials, and the eager demand for new textiles have had the effect of increasing materially the price of all goods made from cotton mixed with the substitutes that are now commonly used throughout the Italian cotton industry. It will be recalled that until several months ago, and before the improvement in the industry set in, old supplies of goods for the home market were still plentiful; prices however, were considered high until devaluation.

Cotton arrivals in Italian ports during January 1937 were about 20 percent above arrivals in January 1936 but considerably smaller than in December 1936. Increased mill activity is expected to increase Italian cotton buying from the proceeds of exported cotton goods. At the same time the opinion is expressed in some quarters that Indian and Brazilian cotton will be favored by Italian buyers at the expense of American in view of the favorable price of the former. This situation, however, might be avoided by transactions such as one recently reported, in which Italy was granted a purchase credit for 50,000 bales of American cotton. More transactions of this kind are expected for the near future, and 150,000 bales are reported as likely to be obtained under a similar arrangement.

Favorable reports continue to come from Holland where cotton spinning mills have profited greatly from the general stimulus of devaluation. Spinners are sold out for delivery in both near and future months as a result of a sharp increase in the demand for cotton yarns, which cannot be fully satisfied by domestic spinning establishments. Exports of cotton goods to the Dutch Indies have been favorably influenced by the devaluation, and the general tone in the industry is more hopeful than at any time since the crisis. Similarly favorable conditions have been created by devaluation in Switzerland, where spinning mills have experienced a substantial revival, with demand from both domestic buyers and exporters considerably increased.

<sup>2/</sup> Based on information received from the American Consulate at Milan.

A very substantial increase in Russian production of cotton textiles in 1936 is indicated by figures recently released. Production of cotton fabrics by enterprises of the Commissariat of the Light Industry amounted, it is stated, to approximately 2,843,000,000 yards in 1936 as compared with 2,300,000,000 yards in 1935 and 2,348,000,000 yards in 1934. To these figures must be added the output of the local industries which, according to the 1935 plan, (no figure is at hand for 1936), was to amount to 373,000,000 yards. Assuming a similar figure for 1936, total production of the Soviet textile industry would appear to have amounted to a little over 3,000,000,000 yards as compared with 3,516,000,000 yards provided for by the plan.

This year's plan provides for a further large increase in production, one about in line with the increased production of raw cotton, with 4,233,000,000 yards indicated as the plan for the factories under Light Industry, and 4,466,000,000 for all enterprises taken together. This would be an increase of more than one-fourth compared with the 1936 plan and an increase of about 36 percent as compared with the above estimated figure of actual production in 1936.

Raw cotton consumption, sales of cotton goods at high levels  
in Japan and China 3/

Japan - Imports of all kinds of cotton into Japan totaled 384,000 bales during December and 574,000 bales in January compared with 378,000 and 461,000 bales, respectively, a year earlier 4/. Total imports of all growths from September to January amounted to 1,788,000 bales and were 28 percent larger than imports in the corresponding period a year earlier.

In the month of January and in the September-January period, imports of American cotton totaled 226,000 and 750,000 bales, respectively, or 26 percent less in the first case and 7 percent less in the second case than in the corresponding months of 1935-36. Imports of Indian cotton showed a large increase, being 119 percent larger in January 1937 than in January 1936 and 65 percent larger in the 5 months September through January than in the same period a year earlier. In the 5-month period, imports from nearly all countries, except the United States, were larger than in the previous season. Especially large increases occurred in receipts from Brazil which were 119,000 bales compared with only 8,000 last year. Imports from several smaller cotton producing countries have assumed significant proportions.

Mill takings of all kinds of cotton were 383,000 bales in December and 370,000 in January, or a third larger and a quarter larger, respectively, than in December 1935 and January 1936. Takings of American cotton of 174,000 bales were only slightly larger than in the preceding December, and in January were 26 percent less than in January 1936. Takings of Indian of 132,000 and 165,000 bales were nearly twice as large as in December and January a year earlier.

Wharf stocks of all kinds of cotton on January 31 amounted to 606,000 bales, an increase of 61 percent over stocks on January 31, 1935. All kinds of cotton shared in the increase.

3/ Prepared largely from cables received from Agricultural Commissioner Dawson at Shanghai, under dates of February 10, 11, 13 and 20.

4/ Import figures are those estimated by the trade. See The Cotton Situation, January 1937, page 10.



Heavy forward orders for all kinds of cotton were placed in December due to the impending exchange control, according to reports. The brief period during which imports of cotton were prohibited and the use of foreign exchange for its purchase was banned, however, make it seem unlikely that the cotton trade was seriously disturbed by the emergency regulations. The very large imports of all kinds of cotton into Japan and the high level of Japanese yarn production do not indicate any important disruption of the industry. Yarn output in Japan was 326,000 bales in January or almost the same as in December and was a record high for the month.

The data on imports for January and for the 5-month September-January period indicate that, while American cotton has recovered considerably from the very low degree of importance occupied during the last part of the 1935-36 season and the first month or two of the present season, its share in total cotton imports is still considerably less than in the corresponding period last year. As previously pointed out, imports of all kinds of cotton in the 5-month period were 28 percent larger than in the same months a year earlier, but imports of American cotton were 8 percent smaller. Most of the increase in total imports resulted from larger takings of Indian and various sundry growths, of which Brazilian was the most important. While imports from Brazil probably will not be resumed on any considerable scale before this coming summer, large crops now moving or to move into trade channels during the next few months from several of the smaller producing countries, especially from Mexico, Peru, Uganda and Argentina, make it seem probable that American cotton will receive more competition during the remainder of the season from these sundry cottons than has been the case in past years. The large crop in India indicates the likelihood of continued heavy importation and consumption of Indian cotton. The price of Indian, however, may be raised somewhat relative to American, and the purchase of the latter rendered somewhat more attractive if considerable quantities of loan-stock cotton enter consumption channels in the United States between February 1 and April 1. Furthermore, it is reported that there has been a rise in freight rates on cotton shipped from Indian ports to Japan. This should have a tendency to raise slightly the price of Indian relative to American.

As is indicated by yarn production and by imports and mill takings of raw cotton, an especially high degree of activity characterized the Japanese cotton textile industry in December and January. Yarn production was stimulated by very high prices for yarn and a strong demand for cloth in both the home and foreign markets. Total yarn production in the calendar year 1936 amounted to 3,607,000 bales of approximately 400 pounds each compared with 3,561,000 bales in 1935.

A sharp spurt in cloth exports took place in December which brought total exports for the 1936 calendar year almost up to the high level of 1935. Exports in December were 268,000,000 square yards compared with 209,000,000 square yards in the corresponding month a year earlier. Exports in the calendar year 1936 amounted to 2,709,000,000 square yards compared with 2,724,000,000 in 1935.

The curtailment rate for the first quarter of the 1937 calendar year is 25 percent of spinning capacity but it is reported that it will be raised to 27.4 percent of capacity in the second quarter. During December 661,000 new spindles were installed. It is reported that this very sharp increase in the number of new spindles in the space of one month was due to the desire of individual members of the Japanese Spinners Association to have a large basic capacity so that the application of rates of curtailment in the future would allow them the largest possible volume of output.

China.- Heavy arrivals at Shanghai, large deliveries of Chinese cotton to mills and a brisk demand and high prices for yarn and cloth characterized the Chinese cotton situation during January.

Arrivals of all kinds of cotton at Shanghai totaled 844,000 bales in the 4-month period October through January and were two-thirds again as large as arrivals in the corresponding period a year earlier. Arrivals of Chinese cotton of 811,500 bales were 74 percent above those of a year earlier while arrivals of American and Indian cotton were much smaller. Deliveries of all growths of cotton to Shanghai mills in the same 4-month period totaled 762,000 bales and were 72 percent above those for the corresponding period of the 1935-36 season, and the largest for any like period in history. The increase over 1935-36 was entirely accounted for by large deliveries of Chinese cotton for, while there was an increase in deliveries of miscellaneous growths, deliveries of all cottons other than Chinese, taken as a whole, were smaller than a year earlier.

Mills are reported to be working at almost full capacity and are expected to continue to operate at very high levels for at least two or three months due to the comparatively large volume of unfilled orders on hand. The margin between yarn prices and raw cotton prices is still such as to be very profitable to spinners. Demand for piece goods continues to be very brisk; more looms are being installed in existing factories, and plants formerly closed down are being reopened. It is reported that the coming spring season will probably strengthen the cloth market still further.

#### Production, Acreage, and Crop Conditions

India.- The fourth and final estimate of the Indian Government places the 1936-37 cotton area in India at 25,050,000 acres, or slightly more than the final revised estimate for last season of 25,136,000 acres. In the 10 years ended 1932-33, the cotton area averaged 24,761,000 acres. Production in 1936-37 is estimated at 4,937,000 bales of approximately 473 pounds net, an increase of 4 percent over the 1935-36 crop of 4,793,000 and of 12 percent over the 10-year average output of 4,466,000 bales.

Of especial significance with respect to competition between Indian and American cotton is the increased production of American varieties of cotton under irrigation in the Sind area in Northwest India. The total area reported sown to cotton in Sind between March and June 1936 amounted to 961,766 acres compared with 826,660 in the 1935-36 season. A considerable increase in cotton acreage has taken place every season since 1932-33. In the 5 years ended 1934-35 the area under cotton in this irrigated section of Sind represented about 1.9 percent of the total area under cotton in the whole of India. In 1936-37 it represents nearly 4 percent. The recent expansion of cotton growing in Sind has been due mainly to the completion of

extensive irrigation works in 1932 which have enabled a much larger area of land to be irrigated by canals. More than half of the total cotton area this season consisted of American varieties of cotton directly competitive in grade and staple with cotton produced in the United States. Production is estimated at 334,000 bales of 478 pounds.

Egypt.- Ginnings of all kinds of cotton, including Scarto, up to February 1 amounted to 1,647,000 bales of 478 pounds, compared with 1,407,000 bales ginned to the corresponding date last season. Ginnings of all important varieties shared in the increase. The 1936-37 crop is estimated to be a record high of 1,957,000 bales.

Trade reports state that weather conditions were reasonably good in Upper Egypt during January, that the ground was being prepared for the new crop and that planting would start early in February. Large sales of seed for planting are reported in lower Egypt as well as increased buying of Sakellaridis seed which indicates the probability of some recovery of acreage and production of Sakellaridis in the 1937-38 season.

Brazil.- Reports from Brazil continue to indicate that a large increase, amounting to about 30 percent, took place this year compared with last in the quantity of seed distributed for planting purposes in Sao Paulo. The planting of the 1936-37 cotton crop was completed in the state of Sao Paulo during November. If this increased distribution of seed should mean a comparable increase in acreage, with normal growing conditions, the expanded production in southern Brazil in 1936-37 compared with 1935-36 would more than offset this season's smaller crop in North Brazil.

Russia.- Reports continue to place the 1936-37 Russian crop at more than 3,000,000 bales. As pointed out in The Cotton Situation for January, however, in previous years early estimates of the crop made by the Russian Government and other agencies have subsequently been revised downward. For this reason the Bureau of Agricultural Economics is retaining its estimate of 2,800,000 bales.

The Plan of the Soviet Government for cotton production in the 1937-38 season provides for a further increase in output but apparently a smaller increase is expected than has been planned for in earlier years. According to statements in the press, about 3,459,000 bales of 478 pounds of ginned cotton is the goal for cotton production in 1937. This would be an increase of nearly a half million bales over the Bureau's estimate for this season but is only about 200,000 bales larger than the latest Russian estimate of this season's crop. The acreage under cotton is to be increased only slightly, the Plan calling for a total of 5,164,000 acres as compared with the 5,026,000 acres actually sown in 1936 and the 4,979,000 planned for 1936. The acreage of irrigated cotton grown in the so-called "old cotton regions" of Middle Asia is to remain the same with all the acreage expansion to take place in the "new" non-irrigated regions. These "new cotton regions" are to increase the acreage from 1,100,000 acres in 1936 to 1,280,000 acres in 1937, according to the Plan. It is of interest to note that for the first time the Plan specifically mentions Egyptian cotton, the acreage of which is expected to amount to 309,000 acres in 1937. While this apparently is not much more than was actually planted in 1936, the above figure indicates that the cultivation of high grade cotton has been definitely established in Russia.