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Bureau of Agricultural Economics
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T H E C O T T O N S I T U A T I O N

SUMMARY

Prices of American cotton in both domestic and foreign markets, like prices of a number of other basic commodities, declined materially during April. In the first week of May cotton prices recovered slightly, then declined again, and during the second and third weeks of May domestic prices of Middling 7/8 inch cotton in the 10 markets fluctuated within a few points of 13 cents. This level was nearly 2 cents below the peak reached the latter part of March but about $1\frac{1}{2}$ cents higher than the peak in May 1936, according to the Bureau of Agricultural Economics.

The decline in the prices of American cotton in Liverpool from early April to the middle of May was greater than the decline in prices of foreign cotton. As a result, American cotton is now more favorably priced in relation to foreign growths, from the standpoint of encouraging foreign spinners to use larger proportions of it, than for many months.

Accompanying the decline in cotton prices during the last few weeks there was a substantial decline in domestic manufacturers' sales of cotton goods. Though sales of cotton goods by domestic mills were below current output, activity during April and early May continued at unusually high levels. In April domestic mill consumption was 25 percent larger than in April last year and was the largest for the month in history. Total consumption for the 9 months ending with April also established a new all-time high, and was 29 percent higher than a year earlier.

In many of the important foreign cotton-manufacturing countries, cotton mill activity and unfilled orders for cotton goods continued relatively high during April, although in a number of these countries manufacturers also reported a substantial decline in sales. Total mill consumption in all foreign countries combined apparently has been running at record levels so far this season. This is accounted for by the high consumption of foreign cotton since the foreign consumption of American cotton appears to have been the smallest in many years.

Because of the record level of cotton consumption in the United States thus far this season, indications are that the world consumption of American cotton during the year ended July 1937 will exceed substantially that of either of the two previous seasons. It now seems probable that the world consumption of American cotton during the present season will be about one million bales larger than the 1936-37 United States crop, resulting in a reduction of that quantity in the world carryover of American cotton on August 1 as compared with a year earlier.

DOMESTIC PRICES DECLINE

Spot cotton prices at the 10 markets declined considerably during April, recovered slightly in the first week of May, and declined again during the following 2 weeks. The high for the month of April was 14.82 cents on April 1 and the low was 13.05 on the 29th. The average for the month was 13.91 cents compared with 14.15 in March and 11.57 in April 1936. The averages for the weeks ended May 15 and 22 were 13.03 and 13.06 cents, respectively. The abrupt decline in cotton prices during April accompanied a fall in the prices of a number of other basic commodities.

The decline in the price of American cotton at Liverpool in April was not accompanied by an equivalent decline in the prices of the principal foreign cottons. In fact, prices of Egyptian Uppers and Indian were slightly higher on the average during the month than in March. The average price of three types of Indian expressed as a percentage of American was 80.2, the highest price for Indian relative to American since January 1936. The ratio of 97.4 for Brazilian Sao Paulo Fair, while only slightly higher than in recent months, was the highest ratio since June 1936. Egyptian Uppers at 124.5 percent of American Middling were higher relative to American than in any month since March 1933.

RELEASE OF GOVERNMENT-FINANCED COTTON VERY SMALL IN RECENT WEEKS

The Commodity Credit Corporation announced on May 21 that requests for the release of 1,309,000 bales were received in the period from February 1 to May 20. Since the amount released up to May 6 was 1,300,000 bales and up to April 23 was 1,243,000 bales, there has been a very sharp decline in the rate at which loan cotton has moved into trade channels as compared with the rapid rate of movement during February, March, and the first part of April. This reflects a slowness in the demand for spot cotton as well as the discouragement to release which comes from a declining cotton market (the release price is 25 points less than the 10-market average for Middling 7/8 on the preceding day plus or minus any allowance for quality or location). The average price for Middling 7/8 at the 10 markets has remained above the minimum release price of 12.75 cents.

EXPORTS IN APRIL ABOVE A YEAR EARLIER

Exports of cotton from the United States in April, amounting to 373,000 bales, were slightly larger than exports in the corresponding month last year. This is the fourth consecutive month in which exports have been about the same as or larger than a year earlier. Total exports in the 9-month period through April, however, were 8 percent less than shipments in the corresponding period last season. In the first 9 months of the present season as compared with the corresponding months last year, exports have been smaller to nearly all important foreign markets except Japan. Exports during April and the 9 months ending with April were 21 percent and 30 percent, respectively, smaller than were the exports in the 10 years ended 1932-33.

Exports from India in March amounted to 485,600 bales, the largest export for the corresponding month in any year on record, with the exception of 1925. Exports in the 8 months ended March totaled 2,316,000 bales, or 25 percent more than last year and 27 percent more than the average for the 10 years ended 1932-33, and were the largest for any corresponding period on record. The large volume of exports so far this season compared with earlier years has been due to very heavy shipments to the United Kingdom and Japan, especially to Japan.

The very active condition of the textile industries in foreign countries thus far this season and the record high level of consumption of all kinds of cotton has been accompanied by an extremely heavy movement of Indian, Egyptian, Brazilian and other foreign cottons to mills in overseas importing countries, and by shipments of large quantities of cotton from interior growing points to domestic mills in countries such as India and China which are both growers of raw cotton and manufacturers of cotton goods.

Exports of American cotton have been much below average, however, and indications are that foreign mills have been consuming a smaller quantity of American cotton than for many years. American cotton as a percentage of total foreign consumption, and exports from the United States as a percentage of exports from the principal exporting countries, undoubtedly compare still more unfavorably with previous years than do the absolute quantities of American cotton exported to and consumed in foreign countries. In part, this increased use of foreign-grown cotton in place of American is due to the fact that prices of foreign cotton for the last 3 years or more have been lower relative to American than on the average during the last 10 or 15 years. It has also been due in part to the increased production of foreign cotton relative to American, aside from any important influence the shift in the area in which the cotton is produced may have upon the relative prices of American and foreign growths 1/.

THE TEXTILE SITUATION

Domestic Mill Activity Still High

Although mill sales of goods continue below mill output, domestic mills continued to operate at a very high level during April. Total consumption of 719,000 bales was smaller than in March, partly because of fewer working days, but 25 percent larger than in April last year and the largest for the month in history. Total utilization in the 9 months ended April was 6,011,000 bales, also the largest for the period in history. A continued high level of mill activity was made possible by the backlog of unfilled orders which is still comparatively large. It is reported by the New York Cotton Exchange service that the average consumption per working day in April was somewhat less than the record high average of 33,900 bales in March. Mill sales of goods during April and the first half of May were considerably below mill output. It is common for buyers to hold off during the declining cotton market just as the reverse is true of a strong market. It is reported that the slight decrease in mill activity in April was not due to the reduction in the backlog of orders but to the fact that some mills that have been running well over 80 hours per week have decided to bring their operations down to that level because of the agitation for an 80-hour per week maximum.

1/ Because of the similarity between a substantial portion of the American and foreign crops and because over a period of years demand adjusts itself to changes in the relative supplies of the different qualities, it is possible for the trends in the supplies of two or more cottons of about the same or of decidedly different qualities, to be in opposite directions and yet their relative prices show little or no trend.

The European Cotton Textile Situation Continues Favorable 1/

United Kingdom.- The cotton textile industry in the United Kingdom continued active during April. Shipments of cloth and yarns were satisfactory both for the home and export markets. A large volume of mill takings of raw cotton reflected this favorable demand situation for cotton goods. Imports of raw cotton increased even faster than mill takings so that stocks of raw cotton tended upward during the month, contrary to the usual seasonal movement. Indications in early May pointed to a continuation of the high rate of mill activity for at least the immediate future, although the decline in prices for raw cotton has apparently been accompanied by a decline in yarn and cloth sales and may even result in cancellation of some of the cloth contracts making up the large volume of unfilled orders held by the mills.

Germany.- The position of the cotton textile industry in Germany in early May was substantially unchanged as compared with previous months. Mill activity continued to be fairly high although based to an increasing degree upon synthetic fibers rather than raw cotton. The expansion of artificial fiber production was proceeding at a rather rapid rate.

Czechoslovakia.- The cotton textile industry in April showed further signs of benefiting from a marked revival in domestic demand, and export business also showed some improvement. During the first quarter of 1937 the trade replenished its stock of cotton yarn and cotton goods to a considerable extent and mill activity has increased in most of the plants in the country.

Austria.- The outlook for the cotton textile industry in Austria is rather unfavorable at present as a result of the disruption of trade with Rumania. Recently the Rumanian Government insisted that Austria pay for its crude oil import from Rumania in foreign exchange rather than by exports of cotton yarn to Rumania through a clearing arrangement. Austria has greatly decreased its purchases of Rumanian oil and Rumania has taken retaliatory measures against Austrian cotton yarn. The Austrian cotton textile industry is dependent to a considerable degree upon exports of cotton yarn, almost half of which have gone to Rumania.

France.- The relatively favorable position of the French cotton industry in recent months was maintained throughout April, although some reduction in yarn and cloth sales took place. The unfilled orders on hand in spinning and weaving mills at the end of the month were sufficient to last for some time, so it is highly improbable that there will be any recession in the activity of the industry in the near future. Any substantial further improvement in the condition of the industry will depend upon economic conditions in the country as a whole.

Italy.- Most Italian mills operated at capacity during April, largely as a result of a marked increase in exports. An additional import quota for raw cotton for the domestic market has recently been allowed, but the

1/ Prepared largely from a report from Agricultural Attache Lloyd V. Steere at Berlin under date of May 11, 1937.

bulk of the production of cotton textiles continues to be diverted to the export trade. The extent of the recent revival in Italian exports of cotton textiles is indicated by the fact that during the first 2 months of 1937 shipments of yarn to foreign markets were five times as large as in the corresponding months of 1936. Exports of cotton cloth were three times as large in the first 2 months of 1937 as in the corresponding months a year earlier. Italian cotton imports in January and February of this year were 41 percent larger than in the same months of 1936.

Russia.- The output of the cotton textile industry in the U.S.S.R. during the first quarter of 1937 is reported to have been 6 to 7 percent below that of the last quarter of 1936 and below the quarterly plan of some 66 million yards of finished fabrics. This unsatisfactory progress in textile production is attributed to the lack of timely steps to insure increased output. The overhauling of idle equipment, the procurement of additional parts, and the introduction of new technical devices and methods have either been extremely slow or lacking completely. According to the Soviet press, the 1937 plan provides for a total output of finished cotton fabrics of 4,466 million yards, as compared with 3,516 million yards called for in the 1936 plan. The actual 1936 production is not yet known but it appears that a figure of around 3,280 million yards can be assumed. Considerable difficulties will have to be overcome if the production plan for cotton fabrics for 1937 is to be carried out.

Japanese and Chinese Consumption Extremely High 1/

Japan.- The cotton textile industry was very active during April. Yarn production was the highest on record. This is the fifth consecutive month in which yarn output has been at record high levels. There was a brisk demand for yarn during the month and yarn prices increased. In the first part of May the demand for yarn and cloth was reported as light, but mills continued to hold a large volume of unfilled orders.

Imports of American cotton in April were slightly larger than in March, whereas imports of most other goods, particularly Indian, were smaller than in March. Imports of American were more than twice as large as in April 1936. Total imports of all kinds of cotton were 459,000 bales compared with 335,000 in April a year earlier. In the 8-month period from September to April, however, imports of American of 1,248,000 bales were only slightly above those for the corresponding period a year earlier, while imports of all cotton totaled 3,146,000, an increase of 28 percent over the preceding season. Imports of American are expected to continue comparatively heavy during the next 2 or 3 months as a result of the interruption of shipments from the United States by the shipping strike of a few months ago and as a result of the filling of large futures contracts made several months ago by Japanese merchants for American cotton at prices below the current level.

1/ Prepared largely from cables from Agricultural Commissioner Dawson at Shanghai under date of May 12, 18, 19 and 20.

China.- Mills continued to operate at full capacity in April and the demand for yarn and cloth was very brisk. Unfilled orders for yarn are reported to have been equal to 4 months' mill production at the current rate of output. Arrivals of raw cotton at Shanghai during April were considerably below the extremely heavy arrivals of recent months and were about 30 percent less than arrivals in April 1936. This slackening of shipments is believed to be due to transportation difficulties and the desire of farmers to hold for a time the unsold portion of their crop. Prices of Chinese cotton did not decline in April along with the decline in the price of other commodities, especially American cotton, in world markets. The brisk demand for cotton yarn coupled with speculative forces is believed to have been responsible for the strength in the price of Chinese cotton.

LARGE 1936-37 ACREAGE AND PRODUCTION IN FOREIGN COUNTRIES

As may be seen from the accompanying table, both the acreage and the production of cotton in practically all of the important foreign cotton-producing countries are materially larger than the average for the 10 years ended 1932-33. In most instances production in the current (1936-37) season was also larger than in the 1935-36 season. Among the most important producing countries the largest increase in production as compared with the 10-year average occurred in Brazil, Russia, and China, where the respective percentage increases were 241, 194, and 74. Many of the smaller producing countries have shown even larger percentage increases.

In many instances the increase in acreage in comparison with the 10-year average has been greater than the increase in production, while in other countries a part of the increase in production has apparently resulted from higher-than-average yields per acre.

In view of the fact that current reports from the U.S.S.R. place the 1936-37 crop as high as 3,500,000 bales and that procurings are reported to have exceeded 3,400,000 bales, it now appears that an estimate less than 3 million bales would hardly be justified and perhaps a figure of 3,250,000 is a more reasonable estimate. The latter figure, however, is substantially below the recent official estimates that have been received.

The estimate previously used by this Bureau for the 1936-37 Soviet crop was 2,800,000 bales, and the estimate still being carried for the 1935-36 crop is 2,250,000 bales. The estimates being used by this Bureau both for the current season and for the 1935-36 season are smaller than those being released by the Soviet agencies because of the tendency in certain years in the past for the procurings to be reported even though the cotton was still unharvested and, in the case of the 1935-36 crop, reports to the effect that a substantial part of the crop was ruined by wet weather at harvest time and that some of the reported procurings that year included the weight of a substantial amount of excessive moisture. (See "Foreign Crops and Markets" for February 3 and April 6, 1936).

Little information is yet available with respect to the 1937-38 crop prospects. It is reported, however, that planting of cotton began in the U.S.S.R. toward the end of March, but was interrupted by unfavorable weather conditions during mid-April, when a sudden return of cold weather and even snowfall was reported from the main cotton growing areas. This has not only impeded the cotton-planting campaign, but has damaged the early planted cotton, a part of which has had to be replanted or patched up. Nonetheless, total May 1 plantings by collectives and individual peasants are reported as 3,993,000 acres, or 81.5 percent of the plan, as compared with 3,768,000 planted by the same date in 1936; and this notwithstanding considerable complaint that all preparatory field work is behind last year.

The 1937 plan calls for a total crop of ginned cotton of 755,000 metric tons, or 3,482,000 bales, which is about equal to the reported 1936 production. Since the high figure of 46 to 47 million pods (3,482,000 to 3,551,000 bales) is still mentioned as the outturn in 1936, it appears either that no effort is being made to increase output this year or that there is a possibility of a later downward revision of the 1936 crop estimate.

A radiogram from the United States Agricultural Commissioner's office at Shanghai, dated May 12, stated that continued rains with favorable planting conditions throughout most cotton districts of China was general during the past month. As a result it is believed that soil moisture in all North China districts is sufficient for planting and an early growth. Weather conditions in the Yangtze Valley continued relatively favorable, and the 1937 acreage is expected to be larger than in 1936.

Cotton: Acreage, yield, and production in specified countries, average for the 10 years ended 1932-33 and 1936-37

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Country	Acreage			Yield per acre ^{1/}			Production			
	10-year:	1936-37:	10-year:	1936-37:	10-year:	1936-37:	1936-37:	1936-37:		
	average:	as a	average:	as a	average:	as a	as a			
	1923-24:	1936-37:	percent:	1923-24:	1936-37:	percent:	1923-24:	1936-37:	percent:	percent:
to	^{2/}	age of	to	^{2/}	age of	to	^{2/}	age of	age of	
1932-33:	average:	1932-33:	average:	1932-33:	average:	1932-33:	average:	1935-36		
	1,000	1,000				1,000	1,000			
	acres	bales	Percent	Pounds	Pounds	Percent	478 lbs.	478 lbs.	Percent	Percent
United States ...	40,509	30,028	74.1	170	198	116.5	14,414	12,399	86.0	116.6
India	25,141	25,219	100.3	85	100	117.6	4,466	5,278	118.2	106.3
China	4,759	8,547	179.6	212	209	98.6	2,098	3,650	174.0	140.4
Russia	2,641	5,023	190.2	211	309	146.4	1,106	3,250	293.9	144.4
Egypt	1,782	1,781	99.9	400	525	131.3	1,486	1,957	131.7	110.6
Brazil	1,629	---	---	156	---	---	530	1,808	341.1	102.4
Peru	304	---	---	376	---	---	240	366	152.5	92.0
Mexico	390	786	201.5	262	219	83.6	212	361	170.3	143.8
Argentina	261	713	273.2	209	164	78.5	116	244	210.3	65.4
Uganda	675	1,488	220.4	108	89	82.4	151	276	182.8	101.5
Anglo Egyptian	:	:	:	:	:	:	:	:	:	:
Sudan	268	475	177.2	201	242	120.4	114	240	210.5	119.4
Chosen	462	560	121.2	135	101	74.8	131	119	90.8	63.0
Turkey	^{3/} 392	627	^{3/} 159.9	^{3/} 105	220	^{3/} 209.5	80	288	360.0	119.5
Bulgaria	11	72	654.5	136	193	141.9	3	29	966.7	74.4
Greece	41	138	336.6	178	201	112.9	15	58	386.7	118.4
Syria & Lebanon ..	^{3/} 56	99	176.8	93	155	166.7	10	32	320.0	128.0

Compiled from official sources, International Institute of Agriculture and estimates of the Bureau of Agricultural Economics.

^{1/} Yields are average of yield for each of the seasons, worked from actual number of bales and acres.

^{2/} Preliminary.

^{3/} Average of 9 seasons, 1924-25 through 1932-33.

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