

THE

# Cotton

## SITUATION

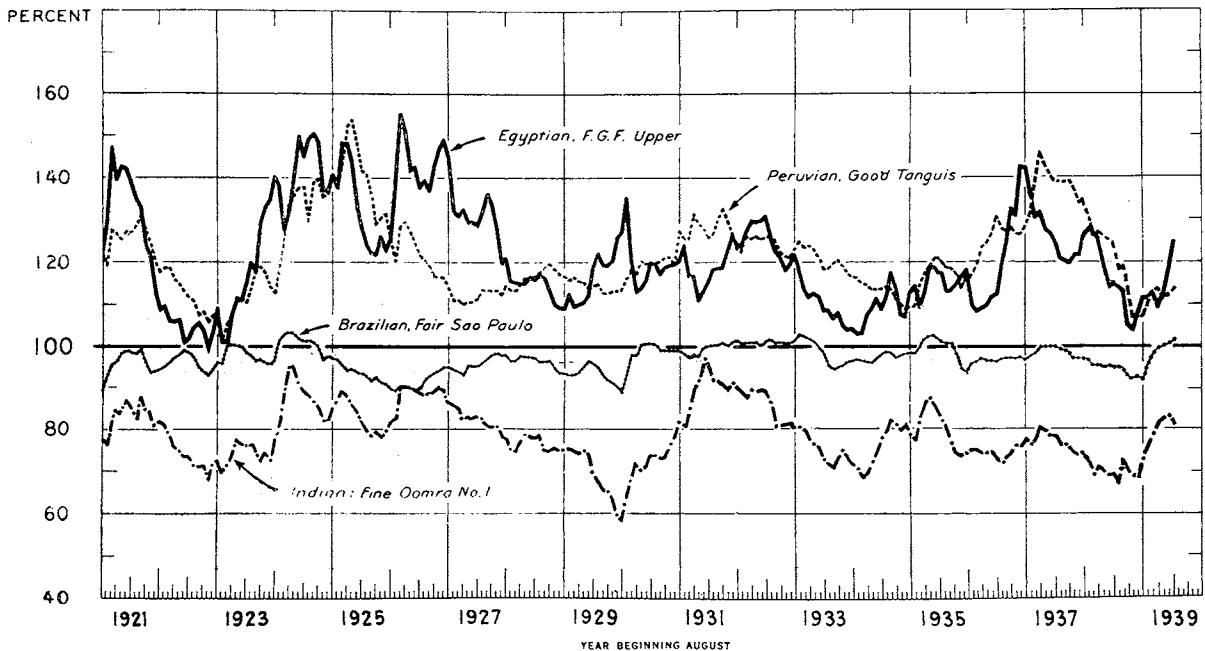
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

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COTTON: PRICES OF EGYPTIAN, INDIAN, PERUVIAN, AND BRAZILIAN, EXPRESSED AS PERCENTAGES OF AMERICAN MIDDLING, LIVERPOOL, 1921-39



U.S. DEPARTMENT OF AGRICULTURE

NEG. 20022 BUREAU OF AGRICULTURAL ECONOMICS

OVER SHORT PERIODS, SUBSTANTIAL CHANGES IN THE RELATIVE SUPPLY OF COTTON OF DIFFERENT GROWTHS RESULT IN MATERIAL CHANGES IN THEIR RELATIVE PRICES. OVER LONGER PERIODS, AND AS A RESULT OF THESE PRICE CHANGES, ADJUSTMENTS ARE MADE IN CONSUMPTION SO THAT THE QUANTITY OF EACH GROWTH CONSUMED IS BROUGHT BACK MORE NEARLY IN LINE WITH THE SUPPLY OF EACH. THESE SHIFTS IN CONSUMPTION TEND TO READJUST THE COMPARATIVE PRICES OF THESE GROWTHS IN LINE WITH THEIR COMPARATIVE QUALITY OR SPINNING UTILITY.

DURING 1937-38 AND 1938-39 LIVERPOOL PRICES OF THE FOUR IMPORTANT FOREIGN GROWTHS SHOWN IN THIS CHART DECLINED MATERIALLY IN RELATION TO PRICES OF AMERICAN COTTON. AN IMPORTANT FACTOR CONTRIBUTING TO THIS WAS AN INCREASE DURING THIS PERIOD IN GOVERNMENT LOAN STOCKS FROM LESS THAN 1,700,000 BALES TO ABOUT 11,400,000 BALES. THE ADVANCE IN THE RELATIVE PRICES OF THESE GROWTHS DURING THE CURRENT SEASON IS LARGELY ATTRIBUTED TO THE UNITED STATES EXPORT-PAYMENT PROGRAM WHICH WAS DESIGNED TO HELP RESTORE THE COMPETITIVE PRICE POSITION OF AMERICAN COTTON IN FOREIGN MARKETS.

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T H E C O T T O N S I T U A T I O N  
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Summary

Domestic and foreign consumption prospects now indicate that the world carry-over of American cotton on August 1, 1940 is likely to be about 1 million bales smaller than the record high carry-over of 14 million bales on August 1, 1939. The carry-over in the United States seems likely to be about 2 million bales less than at the beginning of the current season -- when the total was about 13 million bales -- but stocks of American cotton in foreign countries are expected to increase by 1 million bales or more. The world carry-over will be the third largest on record and about two-fifths larger than the 10-year (1929-38) average.

Domestic consumption of nearly 4,600,000 bales of American cotton during the 7 months ended February, established a record high for the period, despite a marked decline in mill activity since December. Even with some additional decline in mill activity, total consumption for the current season seems likely to exceed 7,500,000 bales compared with 6,700,000 bales last season. This, together with prospective exports, seems likely to result in a total distribution of more than 13,500,000 bales as contrasted with 10,100,000 bales in the preceding year.

Foreign consumption of American cotton is expected to be somewhat larger this season than last but will be much smaller than United States exports. As a result, the foreign carry-over of American cotton will show a marked increase over the small stocks of August 1 last year. This increase seems likely to equal or exceed 1 million bales, thereby offsetting roughly half or more than half of the decrease in domestic stocks. On this basis the foreign carry-over of American cotton on August 1 next would total about 2 million bales or somewhat more.

Cotton mill activity in the Allied and neutral countries of Europe appears to have changed comparatively little in February and early March. In most of these countries mill consumption continued high. Manufacturers' sales, however, were apparently relatively small in Great Britain, France, and at least a few other countries. But mills generally are said to have fairly large unfilled orders. The lack of skilled mill workers which has existed in France and England is believed to have been alleviated somewhat in France within recent weeks.

In Japan, mill activity in February was again materially reduced. Mill consumption was about 10 percent smaller than in January, which in turn was 18 percent less than in December. The decline in mill activity is attributed largely to a shortage of fuel.

The decline in domestic cotton prices during the past few weeks has been accompanied by a substantially greater decline in Liverpool. As a result the spot price of American cotton in Liverpool, converted to cents per pound, was the lowest relative to domestic prices on March 21 since the outbreak of war in September. In Liverpool, prices of American cotton continue comparatively low relative to most other growths.

#### PRICES

Domestic prices again recede, but continue  
much higher than last year

Prices of spot cotton in domestic markets showed a slight downward trend during the month ended March 25. A decline of  $\frac{3}{5}$  cent from February 26 to March 26 erased most of the advance which had occurred between late January and the latter part of February. The average of 10.18 cents on March 26 was only slightly higher than that of January 23, which was the lowest for any day since early December. Despite the recent decline, the average price of 10.46 cents from March 1 to 26 was 21 percent higher than the March 1939 average.

A number of developments have contributed to the slight weakness in domestic cotton prices during recent weeks. These include a materially lower rate of exports in comparison with a year earlier than existed from December to February, further declines in domestic mill activity, and possibly the increased realization that the rate of foreign mill consumption of

American cotton is running much below that of exports. Along with these may be included the further decline in domestic industrial production and lack of strength in commodity and security prices.

The higher prices as compared with a year ago are also accounted for by a number of factors. Perhaps the most important is the higher rate of domestic cotton mill consumption (see section headed DEMAND AND CONSUMPTION) which is due largely to the higher domestic industrial production and consumer incomes. The higher foreign demand along with the domestic Export Payment Program also has contributed to the higher prices as compared with a year ago (see section headed EXPORTS).

### Liverpool prices decline sharply

From early January to early March, prices of American and most foreign cotton in Liverpool showed a rather steady decline. Between March 8 and March 21 there was a rather sharp decline, particularly in prices of American cotton. On March 21, American Middling fair staple (approximately 7/8 inch) averaged 11.71 cents (converted at the open market exchange rate). This was 1.40 cents lower than on March 8 and 1.55 cents less than on February 23. The price of Middling 7/8 at New Orleans on March 21 of 10.40 cents was only 0.15 cents and 0.40 cents lower than on March 8 and February 23. From this it may be seen that the spread between Liverpool and New Orleans declined sharply. The spread of 1.31 cents on March 21 was the lowest for any Friday since prior to the outbreak of the war on the first of September.

The decline in Liverpool prices relative to domestic prices in recent weeks is probably due largely to reduced British demand resulting from the increasing stocks of raw cotton on hand and the rather large purchases previously made. It seems likely that British buyers are now considerably less concerned over the possibility of future increases in transportation costs, and less optimistic as to the outlook for British mill activity over the next year or more.

Since March 8, prices of American cotton in Liverpool have declined somewhat more than prices of other growths. As a result, the ratio of the prices of these growths to American increased considerably. On March 21, the price of Indian Oomra #1 fine was equivalent to 82.5 percent of the price of American Middling, compared with 80.9 on March 8. Similar comparisons for other growths are Egyptian Uppers 138 compared with 126, and Brazilian São Paulo, fair, 101.3 compared with 100.6. The price of Egyptian Uppers was higher relative to American Middling 7/8 on March 21 than for more than 2-1/2 years.

### EXPORTS

AMERICAN: Exports for last few weeks much less favorable but still much above last year

Since early February, weekly exports have been 18 to 100 percent larger than during the corresponding weeks last year, whereas for several weeks prior thereto they were 300 to 400 percent larger, according to trade data. In February, exports were officially reported at 747,000 bales or about 183 percent larger than in February last year and the largest for the

Table .- Cotton: Spot price per pound, specified growths at Liverpool and New Orleans, specified periods

Season, month or day	Liverpool								New Orleans	
	American	Indian	Egyptian	Brazilian	American	American	Indian	Egyptian	Brazilian	American
	Fine Comra#1:F.G.F.Uppers:Fair,Sao Paulo				Middling 7/8"				Spread	
	As a %	As a %	As a %	As a %	As a %	As a %	As a %	As a %	As a %	As a %
	of	of	of	of	of	of	of	of	of	of
	Mid- dling 7/8"	Mid- dling	Actual	Ameri- can Mid- dling	Actual	Ameri- can Mid- dling	Actual	Ameri- can Mid- dling	Actual	Ameri- can Mid- dling
	Cents	Cents	Cents	Pct.	Cents	Pct.	Cents	Pct.	Cents	Cents
10-yr. av. 1927-28										
to 1936-37	14.50	13.60	11.19	78.0	17.12	117.9	14.08	97.7	12.65	1.85
1936-37	14.62	13.16	10.87	74.4	17.40	119.0	14.12	96.6	12.79	1.83
1937-38	10.31	8.78	7.96	77.1	13.10	126.7	10.18	98.7	8.79	1.52
1938-39	10.15	8.71	7.14	70.4	11.80	116.5	9.63	94.9	8.73	1.42
1938-39 -										
Feb. ....	10.02	8.55	6.95	69.4	11.56	115.4	9.53	95.1	8.60	1.42
Mar. ....	10.17	8.71	6.85	67.4	11.58	113.8	9.68	95.2	8.69	1.48
Apr. ....	9.67	8.21	7.02	72.6	10.90	112.7	9.19	95.0	8.61	1.06
May ....	10.55	8.97	7.45	70.6	11.08	105.0	9.83	93.2	9.30	1.25
June ....	11.04	9.38	7.61	68.9	11.47	103.9	10.18	92.2	9.45	1.59
July ....	10.61	8.95	7.31	68.9	11.43	107.7	9.85	92.8	9.37	1.24
1939-40 -										
Aug. ....	10.16	8.53	7.38	72.6	11.35	111.7	9.37	92.2	8.95	1.21
Sept. ....	11.10	9.69	8.47	76.3	12.37	111.4	10.60	95.5	9.02	2.08
Oct. ....	10.63	9.39	8.39	78.9	12.00	112.9	10.43	98.1	8.92	1.71
Nov. ....	11.38	10.53	9.24	81.2	12.40	108.9	11.32	99.4	9.40	1.98
Dec. ....	13.82	13.02	11.43	82.7	15.44	111.7	13.82	100.0	10.64	3.18
Jan. ....	14.58	13.91	12.12	83.1	17.24	118.2	14.65	100.5	10.79	3.79
Feb. ....	13.52	12.91	10.92	80.8	16.88	124.9	13.72	101.5	10.67	2.85
Jan. 5	15.18	14.45	12.78	84.2	17.73	116.8	15.18	100.0	11.09	4.09
12	14.81	14.06	12.22	82.5	17.13	115.7	14.81	100.0	10.78	4.03
19	14.46	13.80	12.00	83.0	17.20	118.9	14.54	100.6	10.82	3.64
26	13.77	13.19	11.38	82.6	16.76	121.7	13.94	101.2	10.42	3.35
Feb. 2	13.69	13.02	11.11	81.2	17.02	124.3	13.77	100.6	10.40	3.29
9	13.75	13.17	11.11	80.8	16.90	122.9	14.00	101.8	10.72	3.03
16	13.38	12.80	10.71	80.0	16.71	124.9	13.63	101.9	10.74	2.64
23	13.26	12.68	10.72	80.8	16.85	127.1	13.50	101.8	10.80	2.46
Mar. 1	13.09	12.60	10.65	81.4	16.52	126.2	13.42	102.5	10.80	2.29
8	13.11	12.53	10.61	80.9	16.53	126.1	13.19	100.6	10.55	2.56
15	11.84	11.38	9.76	82.4	15.83	133.7	11.99	101.3	10.44	1.40
21	11.71	11.24	9.66	82.5	16.11	137.6	11.86	101.3	10.40	1.31

Compiled from reports of the Liverpool Cotton Exchange except for the last 4 weeks, which are from cables to the Bureau of Agricultural Economics or from reports of the New York Cotton Exchange. Prices were reported in pence per pound and converted to cents per pound at current unofficial rates of exchange.

month since 1932. The 7 months total, August through February, of 4,917,000 bales was twice the total for the same period last season and the largest for the period since 1933-34.

From August 1 through March 21, domestic exports totaled 5,100,000 bales, an increase of 85 percent over the exceptionally small exports during the corresponding period last year, according to data released by the New York Cotton Exchange. This total was only 11 percent larger than in the corresponding period of 1937-38.

During the 10 years 1928-29 to 1937-38, exports of American cotton from August through March averaged approximately 80 percent of the 12-month August to July total. The 8-month total this year will probably be close to 5,200,000 bales. If the official figure for this 8-month period should total 5,200,000 bales and if exports during the last 4 months should equal 20 percent of the season's total, exports for the 12 months ended July 1940 would total approximately 6,500,000 bales. This would mean that about 1.3 million bales would be exported from April to July. Such a figure would be more than 2-1/2 times the exports during these 4 months last year. It is evident, therefore, that exports from April through July could represent a considerably smaller proportion of the season's total than usual and still have the 12 months exceed 6 million bales. At the present time the quantity of cotton registered for export during the current season under the Government Export Payment Program is approximately 5,830,000 bales. This figure does not include the 217,000 bales of cotton already exported under the cotton-rubber exchange agreement or any additional exports of such cotton should shipments of this cotton be resumed before the end of the season. Many observers believe that exports for the current season will include a considerable quantity of cotton (besides the barter cotton) which has not been registered for export payments. At any rate, it seems reasonable to expect that exports will about equal or somewhat exceed 6 million bales.

Up to March 21 exports of cotton and a relatively small quantity of linters to the United Kingdom totaled approximately 1,700,000 bales, which was 4-1/6 times the exports to the corresponding date last season. The 725,000 bales of cotton and linters exported to France from August 1 to March 21 exceeded exports to the same date last year by 98 percent. Since early January weekly exports to France have been from 3 to nearly 10 times the small exports during the corresponding weeks last year. Prior to that time, exports to France were for the most part smaller than in the corresponding period last season. The more favorable comparison during the past 3 months no doubt reflects the decision of the French and British to coordinate their purchases of raw cotton and the operation of cotton mills in each of the two countries. Up to March 21 exports to Italy were 92 percent larger than a year earlier, and exports to Japan approximately the same as from August 1 to March 21 last season. Exports to China during this period were nearly 6 times the very small exports last season and exports to a number of the small neutral European countries were from 2 to 3 times as large.

FOREIGN COTTON: Exports from Egypt, and India  
below last year

In January (the latest month for which official data are available) exports from India were 11 percent lower than in January last year. The

Cotton: Exports from specified countries, average 1928-29  
to 1937-38, and seasons 1937-38 to date

Country of origin and destination	February					August to February						
	10-yr.av. : 1928-29: to : 1937-38:	1,000 run. bales	1,000 run. bales	1,000 run. bales	1,000 run. bales	1940 as a % of 1939	10-yr.av. : 1928-29: to : 1937-38:	1,000 run. bales	1,000 run. bales	1,000 run. bales	1,000 run. bales	1939-40 as a % of 1938-39
United States to:												
Germany .....	83	24	26	0	---	921	569	226	19	8.4		
United Kingdom:	98	98	34	193	567.6:	990	1,293	319	1,526	478.4		
France .....	50	25	10	130	1,300.0:	570	640	304	618	203.3		
Italy .....	47	34	24	74	308.3:	392	367	198	385	194.4		
Spain .....	16	0	14	31	221.4:	148	0	15	221	1,473.3		
Belgium .....	13	11	5	42	840.0:	114	144	67	178	265.7		
Canada .....	17	17	11	38	345.5:	147	160	142	257	181.0		
Japan .....	131	108	66	92	139.4:	1,047	336	594	675	113.6		
China .....	24	5	4	77	1,925.0:	194	6	44	355	806.8		
Other coun. ...:	49	77	70	70	100.0:	405	716	547	682	124.7		
Total .....	528	399	264	747	233.0:	4,928	4,231	2,456	4,916	200.2		
	1,000	1,000	1,000	1,000		1,000	1,000	1,000	1,000			
	478 lb.	478 lb.	478 lb.	478 lb.	Per-	478 lb.	478 lb.	478 lb.	478 lb.	Per-		
					cent					cent		
Egypt to:												
United Kingdom:	44	52	73	39	53.4:	367	383	321	392	122.1		
France .....	17	14	20	36	180.0:	133	164	102	198	194.1		
United States :	9	3	4	2	50.0:	57	26	19	38	200.0		
Germany .....	17	15	17	0	---	94	131	127	12	9.4		
Italy .....	10	10	9	13	144.4:	75	76	70	68	97.1		
Japan .....	10	8	11	8	72.7:	74	45	93	114	122.6		
British India :	8	8	9	4	44.4:	44	92	52	92	176.9		
Other coun. ...:	31	31	35	31	88.6:	208	233	230	199	86.5		
Total .....	146	141	178	133	74.7:	1,052	1,150	1,014	1,113	109.8		
British India to:												
Japan .....	156	66	86	68	79.1:	498	194	552	397	71.9		
Italy .....	20	7	7	5	71.4:	97	42	38	18	47.4		
China .....	17	2	22	6	27.3:	87	29	65	97	149.2		
Belgium .....	19	13	13	1	7.7:	71	55	46	13	28.3		
Germany .....	20	10	22	0	---	78	51	86	6	7.0		
United Kingdom:	30	38	32	44	137.5:	95	86	108	156	144.4		
France .....	13	5	14	44	314.3:	46	22	48	92	191.7		
Other coun. ...:	16	25	34	37	108.8:	68	85	101	128	126.7		
Total .....	291	166	230	205	89.1:	1,040	564	1,044	907	86.9		

Compiled from official sources.

6-month totals (August to January) were nearly 23 percent less than in the first half of last season. Exports from Egypt, which in January were larger than the year earlier, were 25 percent smaller in February than in February 1939. From August through February, Egyptian exports, however, totaled 10 percent larger than during the first 7 months of last season. For the 6 or 7 months for which data are available, exports to Great Britain from each of these two countries were from 22 to 44 percent larger than in the corresponding period last season. Exports from India and Egypt to France were respectively 92 and 94 percent larger than in the corresponding period last season.

#### DEMAND AND CONSUMPTION

UNITED STATES: Mill activity further reduced  
but continues well above last year

Domestic mill consumption in February totaled 663,000 running bales, according to data released by the Bureau of the Census. This was approximately 9 percent less than in January but 18 percent above February 1939. The daily rate of consumption in February was only slightly less than in January but ordinarily the daily rate is higher in February than in January. Consequently, the index of cotton consumption adjusted for seasonal variations declined to 125 in February, compared with 130 in January and an all-time high of 145 in December. In February last year the index was 111. Trade reports indicate that mill activity showed some slight additional decline during the first 3 weeks of March. Mill activity is expected to decline somewhat further before the end of the season.

During the week ended March 9 manufacturers' sales of unfinished cotton goods were apparently about equal to or possibly slightly larger than output for the first week in more than 3 months, according to trade reports. In the second week of March sales were reported to have declined sharply and to have been less than half as large as production. On March 20 mills were reported to have made substantial sales but for the 5 weeks ended March 23 sales were no doubt materially below output. Trade comments indicate that manufacturers' margins are now so low and purchases have been postponed to such an extent that the demand for unfinished cloth is expected to increase considerably in the near future if no unfavorable developments occur in the prices of commodities and securities.

Domestic mill consumption from August through February totaled 4,705,000 running bales compared with 3,959,000 bales in the corresponding period last season. This was the largest consumption on record for these months and exceeded the previous high of 1936-37 by nearly 200,000 bales. The figure for March will no doubt bring the total to above 5-1/4 million bales. Although the daily rate of consumption ordinarily averages less during the last 4 months of the season than in February and March, a somewhat more than seasonal decline could occur without preventing total consumption for the season from equalling 7-3/4 million bales.

From August 1 through February 29 domestic mills consumed 79,000 bales of foreign cotton compared with 69,000 bales during the corresponding period last season. It seems likely that consumption of foreign cotton for the season as a whole will probably be a little under 150,000 bales compared with 124,000 last season.



Consumption of American Egyptian from August through February totaled 14,300 bales compared with 3,000 bales during the corresponding months last season. The quantity of this cotton consumed so far this season is 1,800 bales larger than was consumed during the first 7 months of 1936-37. During that season the total consumption amounted to 20,100 bales, the largest for any year since 1935-36.

EUROPE: Mill activity outside German area  
continues high

Except in the German-controlled area, where cotton consumption is greatly restricted, European cotton mill consumption apparently continued relatively high during February and early March. In most of these countries the consumption of American cotton is believed to be running materially higher than last year. Not only is mill activity and total cotton consumption higher than last season, but also American cotton is believed to now constitute a larger proportion of the total being consumed. Scaracity of data makes it unusually difficult to determine how much American cotton is being consumed in the whole of Europe this season. It is believed, however, that the increases in the allied and neutral countries are more than offsetting the decline in the German-controlled area. Total foreign consumption of American cotton during the first 6 months of this season was about 280,000 bales larger than in the corresponding period last season, according to a recent estimate by the New York Cotton Exchange Service.

Recent reports indicate that in Great Britain manufacturers are still well booked with orders, even though sales are reported to have been slow for the past several weeks. A number of uncertainties growing out of the wartime control measures are said to have restricted sales during the past few weeks. These include possible revisions in the regulations pertaining to yarn and cloth margins, the possibility of subsidizing textile exports (either through currency depreciation or direct subsidy), and possible further increases in wage rates. Mill activity is apparently being well maintained at relatively high levels, despite a reported shortage of skilled labor.

Mill activity in France apparently continued at relatively high levels during February. A shortage of skilled labor was also reported in France, indicating that except for this, mills probably would have run at somewhat higher levels. In early March, however, the New York Cotton Exchange Service received reports indicating that some French mills, not working on Government orders, were finding it difficult to maintain their production.

In Italy, cotton mills are apparently running at a high level, with unfilled orders sufficiently large to maintain the existing rate of consumption for many weeks. The large shipments of American cotton to Italy so far this season has no doubt eliminated the shortage of raw cotton which was reported earlier in the season.

In a number of the neutral countries of Europe mill consumption appears to have been fairly well maintained, with domestic business constituting a larger-than-usual proportion of the total. Wartime conditions

have made export trade difficult for these countries. A considerable part of the output of these mills, like that of belligerent countries, is believed to have been used in meeting requirements for military and civil defense purposes. If it may be assumed that orders for such goods are likely to be much smaller from now on then continued difficulties in exporting cotton textiles would likely cause consumption to decline to unusually low levels.

ORIENT: Mill activity about unchanged in China and India,  
further reduced in Japan

Cotton mill activity in China was well maintained during February according to a radiogram recently received from Shanghai. Even though there was an exceptionally long Chinese New Year holiday period, total mill consumption in China, including Manchuria, during February was estimated at 135,000 bales which is approximately the same as consumption during January. In February last year consumption was estimated at 135,000 bales. Shanghai, Japanese, and Chinese mills were estimated to have been operating at about 95 percent of normal and British mills at about a normal rate. Mills at Tsientsin were operating at a rate of about 80 percent, which represents an increase over January due to increased arrivals of Chinese and foreign cotton. In Tsingtao, other occupied areas of North China as well as occupied areas of Central China, it is estimated that cotton mills were operating at a rate of about 50 percent of normal. In Manchuria activity was only about one-third of normal and mills were using raw material containing approximately 30 percent staple fiber. A serious cotton shortage was reported in Manchuria, and mills were expected to suspend operations unless imports were allowed.

Arrivals of China cotton at Shanghai during February continued to decrease sharply and amounted to less than 10 percent of Shanghai's monthly rate of consumption. The small receipts of China cotton is an important factor contributing to the relatively large imports of cotton. The shortage of China cotton, together with the marked depreciation of the Chinese dollar, has caused sharp price advances during the recent months. Recently, comparatively small rises in the price of the Indian growths have placed Indian cotton in a more favorable position.

The 263,000 bales of 400 pounds each of Indian cotton consumed by Indian mills in January was about the same as in December but larger than any other month since January last year. Consumption for February which totaled 255,000 bales was 3 percent less than in January, but 8 percent larger than in February last year. Indian mills consumed about 4 percent less Indian cotton during the first 7 months of the season than in the corresponding period last season, but more than in any other corresponding period in history. Should the competition from Japanese textiles be reduced as a result of the factors described below, this should tend to increase cotton mill activity in India. Unless exports of British goods are subsidized, Indian mills should further benefit, if they have not already done so, as a result of increased costs of producing and exporting British goods.

Despite a rather sharp drop in Japanese cotton mill consumption in January, data for February showed a 10 percent decline from January and a 26 percent decline from December. A radiogram received the latter part of February indicated that cotton consumption for February was expected to be about 30 percent below December. The planned decrease was originally believed to have been as great as 35 or 40 percent but improvement in power output made possible a moderate alleviation in the restriction of mill activity beginning February 20. Due to the power shortage cotton mill output for the year ending August 31, 1940 is expected to be at least 10 percent below that originally planned. The reduced mill output which is largely due to the shortage of operating power has increased the overhead costs and is reported to have already resulted in higher cotton textile prices. This is said to have reduced the competitive position of Japanese yarns and cloth in world markets.

#### ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

##### Two-million bale decline in domestic carry-over expected

The rate of domestic consumption and exports so far this season and the outlook for the last 4 months indicate a decline of 2 million bales or more in the United States carry-over of cotton on August 1 next, compared with August 1, 1939. Such a decline would still leave a domestic carry-over of American of nearly 11 million bales, the third largest in history. The average for the 10 years, 1929-38, was 6,600,000 bales. Present indications are that domestic consumption and exports will exceed 13-1/2 million running bales compared with a domestic crop of 11,600,000 running bales. As previously indicated, domestic mill consumption of American cotton from August through February was reported at 4,626,000 bales. The August to March figure will no doubt exceed 5-1/4 million bales. Even with a substantial further decline in mill activity, consumption for the season should equal or exceed 7-1/2 million bales. Exports of American cotton up to March 25 totaled 5,100,000 bales. This is only 780,000 bales less than the quantity now registered for export during the current season under the Government Export Payment Program. Unless exports from April to July this year represent a considerably smaller than usual proportion of the 12-month total, exports for the year ending July 31, 1940 will exceed 6 million bales.

##### Carry-over of American abroad to increase

Because of the European war, data on the foreign consumption of American cotton are not available but it is known that consumption has been running unusually low in relation to exports of American cotton. Should exports total only 6 million bales and foreign consumption of American increase to 5 million bales (compared with 4-1/2 million bales in 1938-39) foreign stocks of American cotton on August 1, 1940 would be about 1 million bales larger than a year earlier. It seems quite likely, however, that the increase may exceed 1 million bales, thereby offsetting something like 50 percent or more of the decline in the carry-over in the United States. On August 1 last year such stocks totaled less than 1,100,000 bales, the smallest foreign stock of American cotton since 1918.