

THE

Cotton

SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
 UNITED STATES DEPARTMENT OF AGRICULTURE

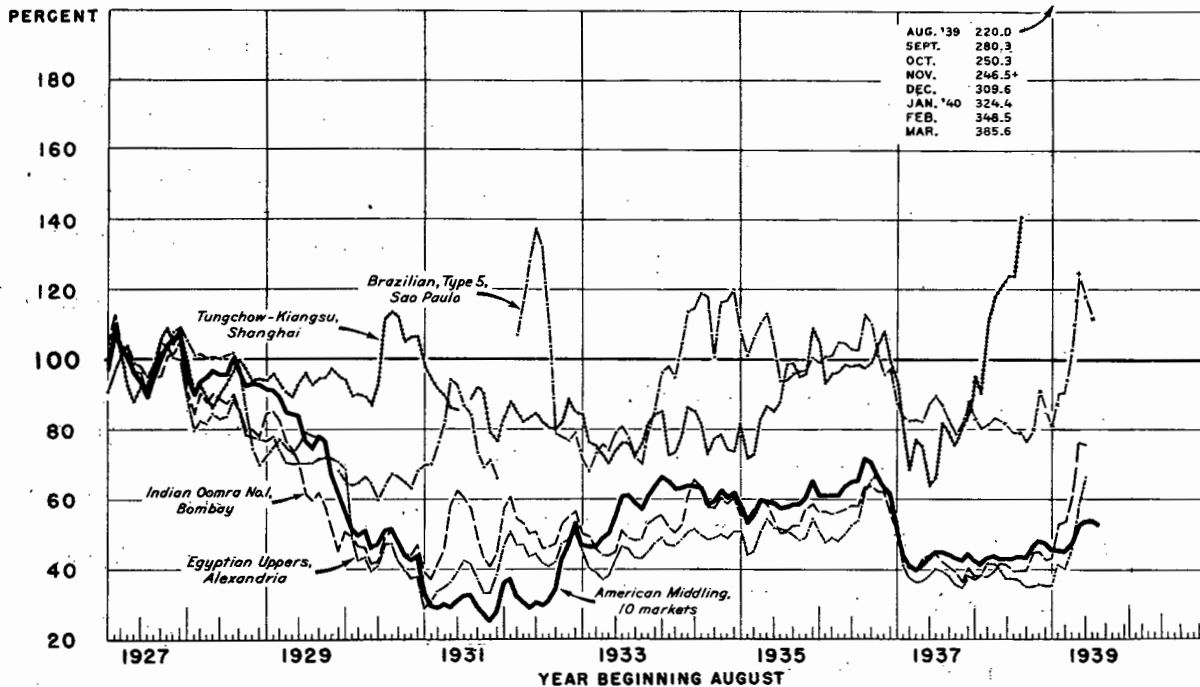
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COTTON PRICE RELATIVES IN FOREIGN CURRENCIES, SPECIFIED MARKETS, 1927-39

AUG. 1927-JULY 1928=100



U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

IN THIS CHART PRICES WITHIN THE COUNTRY OF PRODUCTION, EXPRESSED AS A PERCENTAGE OF THE PRICE IN 1927-28, ARE SHOWN FOR FIVE MAJOR GROWTHS OF COTTON. THE BREAK IN THE LINE REPRESENTING BRAZILIAN PRICES IN THE SUMMER OF 1932 IS CAUSED BY A CHANGE IN THE TYPE OF COTTON QUOTED, BUT OTHER PRICES ARE COMPARABLE THROUGHOUT THE PERIOD. STABILITY OF COTTON PRICES IN CHINA IN 1929 AND THE RISE IN 1930, WHILE PRICES IN OTHER COUNTRIES WERE DECLINING RAPIDLY, ARE ACCOUNTED FOR BY A DEPRECIATION OF THE CHINESE YUAN BY MORE THAN 50 PERCENT IN THAT PERIOD. LIKewise, THE ADVANCE IN INDIAN AND EGYPTIAN COTTON PRICES, RELATIVE TO PRICES IN OTHER COUNTRIES IN 1931 OCCURRED AT THE TIME OF THE DEVALUATION OF THE POUND STERLING TO WHICH CURRENCIES IN THESE COUNTRIES WERE TIED. BRAZILIAN CURRENCY WAS DEPRECIATED ABOUT 50 PERCENT IN THE 1930-31 SEASON, AND IN 1934 A DUAL EXCHANGE RATE HAD THE EFFECT OF LOWERING THE VALUE OF THE MILREIS FOR COTTON EXPORTERS. SOME OF THE EFFECTS OF THESE MEASURES ARE READILY APPARENT IN THE PRICE CHANGES SHOWN ABOVE. CURRENCY CHANGES ARE AT TIMES MORE IMPORTANT THAN FACTORS DIRECTLY AFFECTING THE COTTON SITUATION.

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THE COTTON SITUATION

Summary

The outlook for cotton exports during the remainder of the season was clouded this month by the official decrees of the British Government affecting the textile trade. The rationing scheme which restricts the sale of cotton and other textiles for domestic consumption to about 75 percent of pre-war trade was placed in effect to facilitate the filling of military orders and insure an adequate supply of goods for export. The home trade in the United Kingdom is estimated to account for about two-thirds of the output of cotton textiles, and the order may reduce consumption over a long period.

A factor which may more directly affect United States exports in the near future is the order which reduces the monthly allocation of freight space for American cotton to England from space for 100,000 bales, which has been provided in each of the last 3 months, to space for only 50,000 bales in May. Reports of the British Cotton Controller show cotton supplies equal to 8 months' requirements, so it seems unlikely that greater amounts of freight space will be provided in June and July. However, while this probably means that less than 300,000 bales of barter cotton will be shipped this season, and some of the higher estimates of exports have been reduced, it still seems probable that exports will exceed 6 million bales during the full season.

Domestic cotton consumption in March was lower than in March a year ago because of holidays which resulted in two less working days than in March 1939. Total domestic consumption for the first 8 months of the season

of 5,331,000 bales is a record for this period, well above the 4,609,000 bales in the comparable period last year, though only slightly higher than the 5,298,000 bales consumed in the first 8 months of 1936-37. To equal the record consumption (7,950,000 bales) of 1936-37, domestic mills will have to consume an average of 655,000 bales in each of the last 4 months of this season, or an average of 30,200 bales per working day. This rate per day compares with 29,800 bales in March, 32,000 in February, 34,400 in December, 26,600 in the last 4 months of 1938-39, and 30,900 bales per working day in the last 4 months of 1936-37. Consumption per day in the last 4 months of the season usually averages somewhat less than during March.

Cotton mill activity in Europe outside the German area, in Canada, and in China continued at a high rate, though in the United Kingdom it was slightly below that of last month. The lack of skilled workers was recognized in the United Kingdom by an increase in allowable spinner margins. In France the fixed price for American cotton was raised 10 percent, presumably to establish a price relationship favorable to use of other growths.

In Japan and India there were further reductions in cotton consumption, with more difficulty in price competition being experienced by Japanese textile exporters because of the increased costs of manufacture in Japan. The Bombay textile strike was settled in mid-April after forty days' duration. This should result in increased cotton consumption in India.

The rise in domestic cotton prices during the past month has been small in relation to the more volatile commodity prices such as wheat, but cotton prices in Liverpool have gained over 1/2 pence in the last month. The price of American cotton in Liverpool has advanced more than prices of other growths, making the sale of American cotton more difficult, but very little additional American cotton was expected to be sold in that market this season even under favorable circumstances.

PRICES

Domestic prices show slight gain

Prices of spot cotton in domestic markets have been very steady, with a slight upward trend over the past month. The average price of middling 7/8 inch in the 10 designated spot markets reached a low for 2 months of 10.18 on March 26 and from that point advanced to the 10-1/2-cent level. The quotation on April 25 was 10.45 cents, a net rise during the month of 27 points, and compares with 8.63 cents on April 25, 1939.

While there was a further reduction of domestic mill consumption in March, increasing sales of goods early in April improved the outlook, and the steady spot prices may reflect the need for further withdrawals of loan cotton before the season ends. If more loan cotton is needed, prices will have to remain at a level which will make this profitable. Announcement of termination on May 15 of the Commodity Credit Corporation's "exchange plan" which gave merchants the privilege of exchanging better-grade cotton for low grades, on a value basis, may also slightly increase the demand for loan cotton. While many of the fundamental weaknesses in the situation mentioned last month still remain, most indications point to a very small supply of cotton outside the Government loan or ownership when the season ends. This factor is contributing much to continued price stability in cotton.

Prices in Liverpool

There has also been some recovery in cotton prices in the Liverpool market in the past month, a part of which is likely due to the extension of the war and the anticipated reduction of shipments of American cotton. American middling spot cotton at Liverpool on April 26 was quoted at 8.07 pence, as compared to 7.52 pence on March 26. At the official sterling rate of \$4.025, this represents a rise from 12.61 cents to 13.53 cents, or 92 points. On the other hand, if the prices are converted to cents at the commercial rate for sterling exchange prevailing at the time, the price on April 26 becomes 11.80 cents and the price a month ago was 11.31 cents.

There is some difference of opinion as to which exchange rate should be used for these conversions. Receipts from sales of cotton to England are sold at the official rate; nevertheless, the commercial rate apparently continues to influence cotton prices. An example of this occurred on April 9, when cotton futures in Liverpool advanced the allowable limit of 25 points or 1/4 pence. At the official rate of exchange this meant a rise of 42 cent-points, but with a drop in sterling exchange from \$3.57 1/4 the day before to \$3.45 1/2 on April 9, conversions to cents made at these commercial rates resulted in prices which were about unchanged for the day. There is no certainty that the price rise and drop in sterling were connected, but when only one rate was in effect prices usually reacted in this same manner to a drop in exchange. However, since spot cotton transactions are settled at the official rate, the table on spot prices has been reworked using the official exchange rates since last September. If this table is compared with the similar table published last month, discrepancies will be noticed wherever the two exchange rates deviated, but the columns showing percentage

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		Spread : Liver- : pool : New : Orleans	
	Mid- : dling : 7/8"	Low : Mid- : dling	Fine Oomra#1 : Ac- : tual : Mid- : dling	As a : % of : Ac- : tual : Mid- : dling	F.G.F. Unners: : Ac- : tual : Mid- : dling	Fair, Sao Paulo: : Ac- : tual : Mid- : dling	Midling 7/8"	Midling 7/8"		
10-yr. av. :	Ct.	Ct.	Ct.	Pct.	Ct.	Pct.	Ct.	Pct.	Ct.	Ct.
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. :	11.21	9.79	8.56	76.4	12.49	111.4	10.71	95.5	9.02	2.19
Oct. :	10.65	9.41	8.41	79.0	12.03	113.0	10.45	98.1	8.92	1.73
Nov. :	11.66	10.79	9.46	81.1	12.70	108.9	11.59	99.4	9.40	2.26
Dec. :	14.14	13.32	11.69	82.7	15.80	111.7	14.14	100.0	10.64	3.50
Jan. :	14.81	14.12	12.31	83.1	17.50	118.2	14.87	100.4	10.79	4.02
Feb. :	13.74	13.11	11.09	80.7	17.14	124.7	13.94	101.5	10.67	3.07
Mar. :	13.06	12.53	10.68	81.8	17.17	131.5	13.23	101.3	10.43	2.63
Feb. 2. :	13.90	13.23	11.29	81.2	17.29	124.4	13.99	100.6	10.40	3.50
9 :	13.92	13.33	11.25	80.8	17.11	122.9	14.17	101.8	10.72	3.20
16 :	13.62	13.03	10.90	80.0	17.01	124.9	13.87	101.8	10.74	2.88
23 :	13.48	12.90	10.90	80.9	17.14	127.2	13.74	101.9	10.80	2.68
Mar. 1 :	13.40	12.90	10.90	81.3	16.90	126.1	13.74	102.5	10.80	2.60
8 :	13.47	12.88	10.90	80.9	16.99	126.1	13.55	100.6	10.55	2.92
15 :	12.88	12.38	10.62	82.5	17.22	133.7	13.05	101.3	10.44	2.44
21 :	12.66	12.16	10.45	82.5	17.42	137.6	12.83	101.3	10.40	2.26
29 :	12.91	12.33	10.53	81.6	17.32	134.2	13.00	100.7	10.37	2.54
Apr. 5 :	13.15	12.56	10.46	79.5	17.42	132.5	13.15	100.0	10.47	2.68
12 :	13.62	13.03	10.88	79.9	17.84	131.0	13.62	100.0	10.55	3.07
19 :	13.57	12.98	10.78	79.4	17.69	130.4	13.57	100.0	10.52	3.05
26 :	13.53	12.95	10.67	78.9	17.64	130.4	13.53	100.0	10.58	2.95

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 official rates of exchange.

relationships between different growths of cotton remain unchanged except in the fractional parts, which vary slightly because of the use of rounded figures,

During the past month, prices of American spot cotton in Liverpool have advanced more than prices of other growths, and more than the spot price in New Orleans. As a result, the price relations among growths are now less favorable for the sale of American cotton abroad than for several weeks. On April 26, the price of Indian Oomra #1 fine was equivalent to 78.9 percent of the price of American middling, compared with 82.5 percent on March 21. Similar comparisons on other growths show Egyptian Uppers fully good fair at 130.4 percent compared with 137.6 and Brazilian Sao Paulo, fair, at 100, or even with the price of American middling, compared to 101.3 percent a month ago. Likewise, the Liverpool spot price, when converted at the official exchange rate, was 2.95 cents above the New Orleans spot price on April 26, compared with only 2.26 cents above on March 21.

EXPORTS

AMERICAN: Estimates reduced slightly as barter cotton may not be shipped

Exports of cotton from the United States during March totaled only 434,000 bales, or 31.5 percent above exports in March 1939, compared with 747,000 bales in February, which was 163 percent above the same month a year ago. For the period August-March, exports totaled 5,350,000 bales, 92 percent above last year, but slightly less than the 10-year average (1928-37) of 5,450,000 bales in this period.

From August 1 through April 25, domestic exports totaled 5,578,000 bales, or 88 percent above exports of only 2,965,000 bales in the comparable period last season, according to the reports of the New York Cotton Exchange.

A factor which may become of importance in our export outlook during months immediately ahead was the announcement in the third week in April that freight space for only 50,000 bales of American cotton would be provided during May by the British Government, instead of space for 100,000 bales which has been provided during each of the last 3 months. No announcement of available space for cotton during June and July has been made, but from the official announcement that stocks of cotton in Great Britain are equal to needs for 8 months, it does not seem likely that more space will be allocated for American cotton in the last 2 months of the season. In addition, the announcement states that part of this freight space allotment will be used for cotton to be shipped under the cotton-rubber barter arrangement. During May plans call for the shipment of 20,000 bales of barter cotton, leaving space for only 30,000 bales of commercial cotton.

Since the first barter cotton was shipped last fall it has been generally assumed in the trade that all the 600,000 bales (plus a possible adjustment because of our subsidy program) would be exported this season. However, to the end of January only 217,000 bales had moved out, and at that time Great Britain announced that no more freight space would be provided

Cotton: Exports from United States to specified locations,
specified periods

Destination	Year beginning			8 months,		
	August			Aug. - Mar.		
	5-yr. av: 1931-32 to 1935-36:	1936- 37	1937-38	1938- 39 1/	1938- 39 1/	1939- 40 1/
	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales
Austria .....	.1	.3	.4	2/	2/	2/
Czechoslovakia	1.6	12.0	136.7	153.7	3/153.7	2/
Poland and Danzig :	188.3	174.2	232.9	165.6	137.2	4/ 5.3
Germany	1,168.9	649.6	653.9	321.3	255.9	19.0
Belgium	138.8	154.0	189.5	88.3	75.9	189.0
Bulgaria	2.3	.9	5.5	1.0	.8	.8
Denmark	29.2	36.5	31.2	33.4	24.9	25.8
Estonia	9.5	8.3	9.6	10.5	8.3	5.0
Finland	22.2	28.9	42.1	33.6	29.5	16.7
France	617.9	655.2	715.8	338.0	319.7	669.0
Greece	11.1	.4	.1	.0	.0	6.7
Hungary .....	.1	.5	4.4	1.6	1.4	15.8
Italy	591.2	397.6	505.4	275.9	229.0	442.4
Latvia	2.3	6.1	9.1	8.8	6.4	4.2
Lithuania .....	.0	.2	.3	.4	.4	.2
Netherlands	101.8	86.9	116.8	68.3	56.4	156.8
Norway	10.3	11.9	11.7	14.9	13.3	26.8
Portugal	57.1	37.0	38.3	10.3	9.5	31.6
Rumania	1.8	.0	.4	2.9	2.9	3.4
Spain	268.2	.3	1.3	16.8	15.4	237.2
Sweden	73.6	87.4	84.0	94.3	77.7	188.2
Switzerland	1.1	1.9	6.5	1.1	1.1	34.9
United Kingdom ...:	1,252.5	1,144.4	1,551.8	401.4	350.9	1,636.7
U.S.S.R.	40.8	.7	.4	.0	.0	.0
Yugoslavia .....	.1	14.5	16.3	15.9	13.4	31.8
Total						
Europe 5/.....:	4,590.8	3,509.6	4,364.4	2,058.0	1,783.5	3,747.4
Total						
exports 5/....:	7,086.5	5,440.0	5,598.4	3,326.8	2,785.9	5,350.4

Compiled from Monthly Summary of Foreign Commerce of the United States.

1/ Preliminary.

2/ Included in Germany.

3/ Exports for 9 months, Aug.-April, contained in Germany, if any since April 1939.

4/ Exports for 2 months, Aug.-Sept., contained in Germany, if any since Sept. 1939.

5/ Totals were made before figures were rounded.

for barter cotton for 3 months. With the announcement that space for 20,000 bales is to be provided during May, and the further statements that Britain has ample stocks of cotton on hand, it is possible that no more space will be allotted for barter cotton in June and July than in May. If this should prove to be the case, total shipment of this cotton for the season would amount to only about 277,000 bales instead of 600,000 bales. While this news has caused some revision in the higher trade estimates of total exports during the season, there is still little doubt that more than 6 million bales will be exported in the current season.

To show the possible effects of further extension of hostilities in the European war, a table has been prepared giving cotton exports from this country to all European countries. The material for certain of the smaller countries may be especially interesting; since shipments are expected to cease to those countries engaged in the war or effectively blockaded. It will be noted that several of the smaller neutral countries have already taken substantially more cotton this season than they usually take in a full year, and some of this cotton may be moving to the German-controlled areas. In a few instances, as in Czechoslovakia, the statistics may be slightly misleading. When cotton is consigned directly to the country, it is reported as exported to that country, but cotton destined for some of these land-bound countries was sometimes consigned to agents at ports, notably Bremen, and hence classified as exports to Germany rather than to the country where the cotton was actually consumed. However, the table will serve as a guide to possible changes in cotton shipments in the European area.

FOREIGN COTTON: Egyptian exports for March, and Brazilian for first 7 months below exports a year earlier.

Exports of cotton from Egypt during March were again smaller than in the same month a year ago. Shipments to the United Kingdom and France were above those of a year earlier, but reductions to other countries made total exports 13 percent below March last year. For the 8 months of this season, exports were 6 percent above the comparable period a year ago. Shipments of Brazilian cotton in February (the last month for which official data are available) were 37 percent below February 1939 shipments. For the first 7 months of this season Brazilian exports were 513,000 bales, or 25 percent smaller than in the like period of 1938-39.

DEMAND AND CONSUMPTION

UNITED STATES: Consumption declines further, but outlook in April somewhat better

For the first time this season, domestic consumption in March was smaller than in the same month last year. The rate per day was above that in March 1939, but because of the smaller number of working days, total consumption declined. Consumption during the month totaled 626,000 bales, as against 663,000 in February and 650,000 bales in March last year. For the 8-month period, domestic mills used 5,331,000 bales, compared with 4,609,000 bales in the same period last year, and the 10-year average (1928-37) of 4,063,000 bales. The 10-year average of total consumption during the seasons

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

Country of origin and destination	March					August to March				
	10-yr. av.: 1928-29 to 1937-38	1938	1939	1940	1940 as a % of 1939	10-yr. av.: 1928-29 to 1937-38	1937-38	1938	1939	1939-40 as a % of 1938-39
	1,000 bales	1,000 bales	1,000 bales	1,000 bales	Per-cent	1,000 bales	1,000 bales	1,000 bales	1,000 bales	Per-cent
United States to:										
Germany	91	18	30	0	---	1,012	537	256	19	7.4
United Kingdom:	90	101	32	111	346.9	1,080	1,394	351	1,637	466.4
France	44	33	16	51	319.8	614	673	320	669	209.1
Italy	51	42	32	57	173.1	443	409	229	442	193.0
Spain	19	0	1/	16	---	167	0	15	237	1,580.0
Belgium	12	15	9	11	122.2	126	159	76	189	248.7
Canada	13	23	11	36	327.3	164	183	153	293	191.5
Japan	125	102	126	74	58.7	1,172	438	720	750	104.2
China	18	5	16	24	150.0	212	10	60	379	631.7
Other countries:	54	67	58	54	93.1	460	804	606	735	121.3
Total	522	426	330	434	131.5	5,450	4,657	2,786	5,350	192.0
Egypt to:										
United Kingdom:	42	51	63	69	109.5	410	434	384	461	120.1
France	17	17	26	37	142.3	150	180	128	234	182.8
United States :	11	3	3	3	100.0	68	29	22	41	186.4
Germany 2/ ...:	15	21	13	0	---	109	152	110	12	10.9
Italy	10	10	14	12	85.7	85	86	84	79	94.0
Japan	98	10	14	9	64.3	83	55	108	123	113.9
British India :	7	9	9	3	33.3	51	101	60	95	158.3
Other countries:	23	35	39	24	61.5	235	269	299	225	75.3
Total	133	156	181	157	86.7	1,191	1,306	1,195	1,270	106.3
Brazil to:										
Japan	3/	1/	30	0	---	3/	56	169	83	49.1
United Kingdom:		10	8	37	462.5		131	148	168	113.5
Germany		18	16	12	75.0		265	117	70	59.8
France		3	6	7	116.7		27	79	55	69.6
Italy		1/	2	0	---		4	36	17	47.2
Netherlands ...:		1	1/	1/	---		8	20	26	130.0
Belgium		3	1	1/	---		15	17	18	105.9
Other countries:		5	36	6	16.7		43	103	76	73.8
Total	28	40	99	62	62.6	243	549	689	513	74.5

Compiled from official sources.

Less than 500 bales.

Includes Austria beginning January 1938.

Not available by countries.

1928-37 was 6,057,000 bales. Thus, the first 8 months have, on the average, accounted for 67 percent of the annual average consumption in this period. If this percentage were used to estimate total consumption for the present season, the indication would be 7,956,000 bales. As the season progresses without substantial change in these indications, it strengthens previous statements that, even with a more-than-seasonal decline for the remaining months, domestic consumption for the season should reach 7-3/4 million bales. With no more than seasonal decline, it would equal the record of 7,950,000 bales consumed in 1936-37.

Since cotton consumption in March is normally about 10 percent above February, and this year consumption declined from February to March, the index of cotton-mill activity, adjusted for seasonal variation, registered quite a sharp drop between these months. The index figure for March was 117, compared to 125 in February, 130 in January, a record high of 145 in December, and 114 in March last year. During the first 3 weeks of April there was some slight increase in mill activity, and less expectation in trade quarters of further curtailment of a substantial nature in the near future.

Manufacturers' sales of unfinished goods turned up sharply in the first 2 weeks of April, after having been well below production most of the time since the first of the year. Sales of print cloths exceeded 25 million yards on several days, and it was estimated that total mill sales for the 2-week period were about three times as great as production. Since that period in early April, goods sales have been slow, hampered somewhat by a dull demand from retailers because of the late spring.

From August 1 through March 31, domestic mills consumed 89,000 bales of foreign cotton, compared with 81,000 during the corresponding period last year. A total of about 37,000 bales of this consumption in the current year was Egyptian cotton, the bulk of the remainder being cotton from British India. The former is largely long-staple cotton not grown in this country, and the Indian imports are mostly very short cotton used largely in blanket factories. Consumption of American-Egyptian cotton during the 8-month period amounted to 15,600 bales, about 50 percent more than the 10,400 bales consumed in the comparable period last year.

EUROPE: Recent developments less favorable

Extension of the war to the northern countries perhaps means that no more cotton shipments will be made to any of the Baltic area. Norway and Sweden consumed 168,000 bales of cotton in 1938-39, 137,000 bales in 1937-38, and an average during the 5-year period 1932-36 of 140,000 bales annually. In addition, Denmark usually consumes about 35,000 bales. Over 80 percent of all this cotton has been American in recent years. It is reported that relatively large stocks of cotton are now on hand in the Scandinavian countries, so consumption for a while may not be materially affected by the restricted imports.

European mill activity in other areas continues high, though there were several restricting influences in operation for much of the past month. With the present difficulty of obtaining accurate and current figures on

consumption, it is possible only to speculate on the real meaning of the available news. In Britain, there was difficulty in booking new business for several weeks because of an expected change in allowable mill margins by the Cotton Controller. The announcement increasing these margins, made in the third week of April, recognizes the higher labor costs resulting from the still acute shortage of skilled labor in the British spinning areas.

A more important decree of the Cotton Controller, made late in April, prohibits the sale and distribution of an unlimited volume of textiles. Specifically, retailers' distribution of cotton goods will be reduced to 75 percent of the quantities they distributed last year, and no yarn orders will be filled for domestic merchants for 1 month. This step is taken to enable mills to fill war orders and to make goods for the export markets, which Great Britain is fostering by all possible means to increase its supply of foreign exchange needed for war purchases. If successful in this venture, it may be of great importance to cotton producers of the world. Extension of these restrictions in the domestic markets might lead to a situation like that existing in several other countries -- Germany, Italy, and most notably Japan. In the latter country there is a practical prohibition against manufacturing cotton goods for the home trade, and in the former two countries it has long been required that spinners mix certain percentages of artificial fiber into all fabrics to be used within the country.

It has been estimated that of the 2-1/2 to 3 million bales of cotton consumed annually in Great Britain, about two-thirds of it goes into goods for the home market. The present decree may, of course, be a temporary measure to meet an acute situation, but it is entirely possible that it may foreshadow a reduction in British cotton takings while the war lasts.

Orders which British mills have on hand give some indication that the quota restrictions may be temporary. Trade reports indicate that mills are booked so far ahead with government and private orders that they cannot guarantee delivery on new business until next fall, and stocks of cotton within the country were reported by the Cotton Controller as equal to 8 months' needs at the present rate of consumption. Mills generally have their cotton purchased for spring requirements. However, with increasing costs resulting from the war, English spinners and manufacturers are encountering difficulty in competing with exporters in neutral countries.

In Italy cotton mills are running at capacity rates, with sales booked through the summer. There have been reports that, because of the difficulty of obtaining pulp from the Baltic countries, less rayon staple fiber is being manufactured in Italy, which may partially account for the increased takings of American cotton.

In France and other European countries, textile business has been somewhat slower, with new business hesitant on account of the tense political situation, but government orders are still keeping consumption at a relatively high rate.

CANADA: Mill consumption at record level

Exports of American cotton to Canada this season seem likely to exceed 400,000 bales, and with mills running at a very high rate, this cotton will be largely consumed. Business activity in Canada has been greatly stimulated by war orders, and there is an outlook for continuation of present rates while the war lasts. Cotton consumption will reach a new record this year, and the outlook is good also for the coming season.

ORIENT: Mill activity increased in China, Japan, and India

Speculative activities in the Shanghai yarn market in recent weeks overshadow other developments, and have made mill operations very profitable. A recent cabled report from Shanghai says this speculation is due largely to further depreciation of the currency, and tells of yarn prices soaring to a record high of 1520 yuan per bale of 500 pounds, 20 counts. This represents an increase of 62 percent since March 1, and 420 percent over prices in June 1937 before the outbreak of hostilities. Since raw cotton prices have advanced much less than yarn prices, spinning mills are reported operating at profits of 50 percent net, as compared to only 5 percent profit 2 months ago.

In the Shanghai area cotton mill activity increased in March, with Japanese mills operating at 100 percent of normal, Chinese mills at 98, and British mills at 95. Total cotton consumption in China, including Manchuria, during March was estimated between 145,000 and 150,000 bales, compared to 135,000 bales in February.

Chinese mills are using a high percentage of American cotton this season, largely because of the short crop in China and the favorable price parity of American against Indian cotton when commitments were made earlier. Cabled advices stated arrivals of China cotton in the Shanghai area had decreased further and amounted to only 2 percent of consumption during March. Cotton mills at other ports and in the interior are less dependent on foreign cotton, but it seems that only small amounts of Chinese cotton will arrive at Shanghai until the new crop moves in September.

In Japan cotton consumption has continued to decline, the total for 7 months as reported by the Japanese cotton spinners being only 1,397,000 bales, the lowest amount in this period since 1930-31. Japan's need for cotton depends largely on its export of textiles, since domestic use of cotton by civilians is forbidden. Exports of cotton cloth by Japan during the first 8 months of this season have amounted to 1,612 million square yards, which was 7 percent higher than the 1,513 million yards exported in the comparable period last year but somewhat below exports in the like periods from 1934 to 1937.

The cotton textile situation in Japan has changed rapidly for the worst in recent weeks, and consumption prospects and estimates are now less favorable due to the heavy accumulation of piece goods which were not anticipated. On March 31, 1940, cotton cloth stocks in Japan were estimated at

more than 1 billion square yards, equivalent to more than 5 months' exports at current rate of shipment, which goes far to explain the refusal of the Finance Ministry to expedite the granting of exchange permits governing raw cotton imports. The Osaka Consulate has been informed no more figures on cloth stocks will be published after April 19, which indicates the seriousness with which authorities consider the present accumulation. The decline in sterling has hurt the competitive position of Japanese textile exporters, and prevented a boom in Japanese cloth exports, which many had expected might result from the European War.

Brazilian cotton is currently selling in Japan at unusually wide discounts under American cotton. Japan has recently renewed her trade agreement with India, which provides for a basic import quota of 1,000,000 bales of Indian cotton for exports of 300 million yards of cotton textiles to India, with compensating adjustments for larger or smaller amounts. It has been reported also that Japan is seeking to make barter arrangements with Egypt and some of the South American countries to take larger amounts of cotton from those countries in exchange for larger outlets for Japanese textiles.

Consumption of Indian cotton by Indian mills was only 200,000 bales of 400 pounds each during March, as compared with 245,000 bales in February, 263,000 bales in January, and 244,000 bales in March last year. Total consumption of Indian cotton in Indian mills during the 8 months August-March was 1,968,000 bales -- somewhat less than the 2,090,000 bales consumed in this period last year but above consumption in this period for any other recent year. The strike which prevailed in Bombay textile mills throughout March accounts for a large part of this reduced consumption. A settlement of the strike was made on April 15, after it had lasted 40 days. This may result in some increased consumption in coming months.

ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

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Brazilian cotton production

JUL 3 1944

The final estimate of the 1938-39 cotton crop in South Brazil, published early in April, shows production of 1,344,000 bales of ^{bales} ~~478~~ pounds net. This figure can be used to revise the table published on page 12 of the "Cotton Situation" for February 1939. This final estimate revises the total production in Brazil in 1938-39 from 1,913,000 bales to 1,985,000 bales.

The third estimate of the 1939-40 crop in North Brazil indicates lower production than shown in the above mentioned table. This latest estimate reduces production from 631,000 to 616,000 bales of 478 pounds net weight. The first estimate of the 1939-40 crop in South Brazil indicates production of 1,489,000 bales, giving a preliminary estimate for total 1939-40 Brazilian production of 2,105,000 bales.

Crop damage from cold weather east of Mississippi

The freezing weather which extended nearly to the Gulf in mid-April caused much damage to the crop east of the Mississippi River, and delayed

work of preparing fields for planting. Where cotton was up much replanting was necessary. Following the report on these conditions by the Weather Bureau prices on distant futures contracts (based on new crop delivery) advanced about a dollar a bale in relation to spot prices.

Loan cotton released

From December 13 to April 24 the Commodity Credit Corporation reports it has received requests for the release of 1,565,651 bales of 1938 loan cotton. Additional "equities" against loan cotton are known to be held by merchants, and the recent strength in prices may see further substantial amounts of this cotton repossessed for consumption and exports this season.

Warehouse stocks in Japan

A late cable reports March cotton imports into Japan unusually large relative to the low state of the textile industry. Stocks of all cotton in warehouses in Japan were 413,000 bales on March 31, of which 199,000 bales were American. Imports in March were estimated at 299,000 bales, of which 158,000 bales were American, as compared to imports of 196,000 bales in February, 82,000 bales of which were American. The heavy imports represented arrivals of cotton purchases during the period of heavy speculation last autumn. Difficulty in arranging for payments for American cotton under the present "link" system has resulted in hesitancy in making further commitments on the part of American exporters, since they are said to have received payment for practically none of the cotton now in port warehouses in Japan. Some exporters have had to wait as much as 3 months for payment on cotton actually imported under allotments granted by Japan Cotton Spinners Association, because no exchange permits were available.