

THE

# Cotton

SITUATION

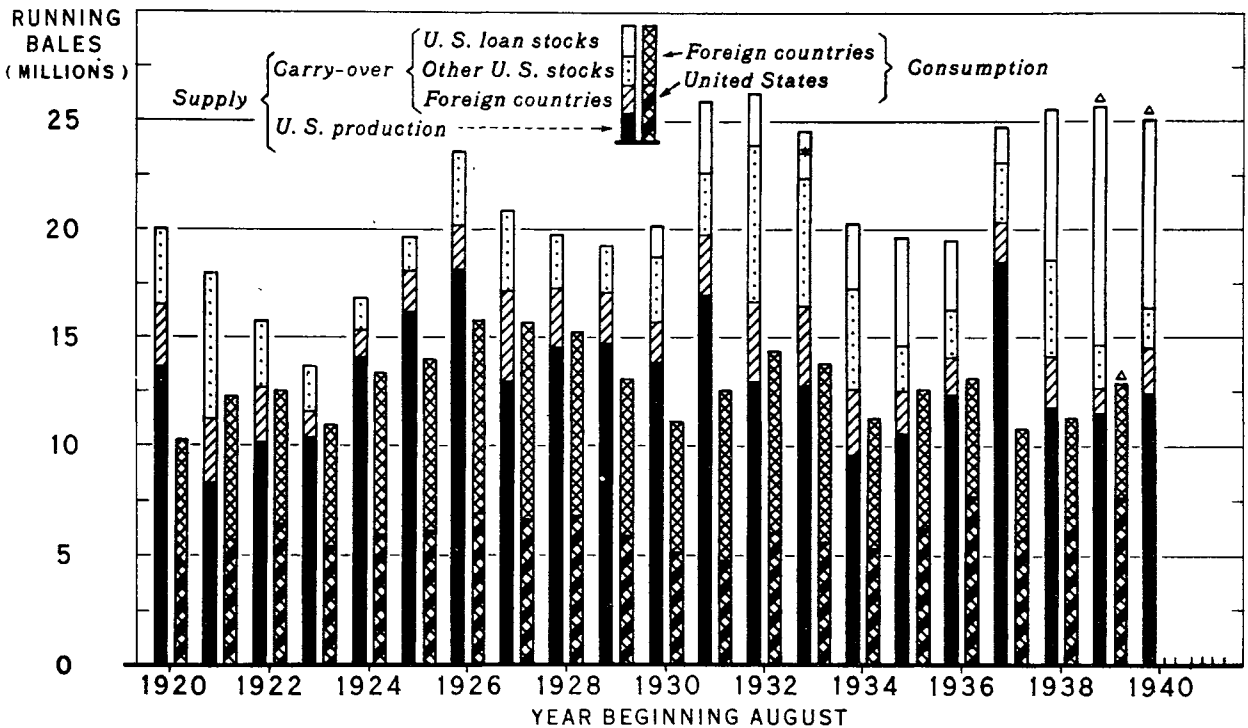
BUREAU OF AGRICULTURAL ECONOMICS  
 UNITED STATES DEPARTMENT OF AGRICULTURE

CS-47



SEPTEMBER 1940

## COTTON, AMERICAN: WORLD SUPPLY AND CONSUMPTION, 1920-40



\* LOAN STOCKS ON MAY 30, 1933

▲ PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

THE 1940-41 SEASON IS THE FOURTH CONSECUTIVE YEAR THAT THE WORLD SUPPLY (CARRY-OVER PLUS PRODUCTION) OF AMERICAN COTTON HAS BEEN CLOSE TO 25 MILLION BALES. EXCEPT FOR 1931-33 AND 1926 THE SUPPLY NEVER BEFORE EXCEEDED 21 MILLION BALES. IN THE LAST 3 YEARS THE CARRY-OVER HAS CONSTITUTED 50 PERCENT OR MORE OF THE SUPPLY, WITH 50 TO 78 PERCENT OF THE CARRY-OVER CONSISTING OF GOVERNMENT LOAN STOCKS.

THE NEAR-RECORD CONSUMPTION IN THE UNITED STATES LAST SEASON LARGELY OFFSET THE LOW CONSUMPTION OF AMERICAN COTTON IN FOREIGN COUNTRIES, THE WORLD TOTAL BEING ABOUT AVERAGE. WORLD CONSUMPTION DURING THE CURRENT SEASON NOW SEEMS LIKELY TO DROP CONSIDERABLY BELOW AVERAGE EVEN WITH A RECORD HIGH DOMESTIC UTILIZATION.

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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

With shipments largely confined to three countries, Great Britain, Japan, and Canada, exports of American cotton for August and September are likely to total only about 125,000 bales. This compares with 870,000 bales last year and a 10-year average of close to 1 million bales. It is the lowest for these months for more than 60 years. Without a marked increase in the seasonally adjusted rate, exports for the season (including cotton traded to Great Britain for rubber) will not reach 2 million bales. Through a reduction in stocks, foreign consumption of American cotton, however, is expected to greatly exceed exports from the United States.

In contrast with the exceptionally unfavorable export situation, consumption prospects in the United States are very favorable. In August, domestic mill consumption established a record all-time high for that month. With improved manufacturers' sales and higher mill margins, consumption this month may establish a record high for September. With large Government defense purchases, improved business conditions, and larger Government subsidies on cotton textiles to domestic and foreign consumers, domestic mill consumption for the season seems likely to materially exceed 8 million bales. The record high, established in 1936-37, is just short of 8 million bales. Last season consumption totaled 7,750,000 bales.

Despite the high level of domestic consumption, disappearance of American cotton (consumption plus exports) in August was unusually small. The same will also be true for September. This, and an increase of 1-1/3 million bales in domestic crop prospects in August, contributed to the decline in spot prices

during August and early September. Even with ginnings to September 16 less than half as large as to the same date last season, ginnings materially exceeded domestic disappearance and increased the stocks of raw cotton available to domestic merchants and manufacturers.

The September estimate of the 1940 domestic crop of 12,772,000 bales of 500 pounds gross weight is nearly 1 million bales larger than the 1939 crop. This estimate in terms of running bales, plus a world carry-over of just over 12-1/2 million bales, gives an indicated world supply of American cotton of nearly 25-1/4 million bales, including 2 million bales in foreign countries on August 1 last. This makes the fourth consecutive year that the world supply of American cotton has been close to 25 million bales. With the exception of 1931-33 and 1926, the world supply of American cotton never before these years exceeded 21 million bales.

Such data as are now available indicate that the 1940-41 world supply of foreign cotton will equal or exceed that of the previous season. It probably will not be greatly different from the 23 to 26 million bale supply of each of the past four seasons.

On August 1 the United States Government owned or held as collateral against loans about 8-3/4 million bales of the 1940 carry-over. On September 20, Government holdings totaled 8,600,000 bales, including 46,000 bales from the 1940 crop. In view of the exceptionally unfavorable export outlook, Government holdings of 1940 crop cotton are expected to increase greatly during the next 3 months. This increase will be offset to some extent by the shipment of cotton which was traded to Great Britain for rubber in the summer of 1939.

-- September 27, 1940

## PRICES

United States: Spot prices decline,  
futures advance

Domestic prices of spot cotton continued to decline up to the middle of September, as had been the case in each of the 2 preceding months. Prices of New York futures contract, on the other hand, advanced during this period. The decline of approximately 1/2 cent in spot prices between mid-August and mid-September, along with a slight advance in futures quotations, materially changed the spot-future price relationship. On August 16 the average spot prices in the 10 markets averaged from 3/4 to 1-1/4 cents above New York futures quotations for the 6 active contract months, but on September 16 averaged only 0.07 to 0.63 cents above. By September 25 futures quotations were 1/4 to 1/3 cent above those of September 16, and 1/3 to 2/5 cent above those of August 16. Despite a slight increase in spot prices the 10-market average on September 25 was from 0.07 cent below to 0.41 cent above New York futures.

The change in the spot-future price relationship during the past few weeks was largely due to the adjustment of both spots and futures more nearly to the 1940 loan rates. The average 1940 loan rate for Middling 15/16" in the 10 markets is 9.3 cents. Earlier in the season spot prices were being held above the loan rate by the relatively small stocks of cotton in trade channels. But, despite the exceptionally small ginnings to September 16 and the record or near-record rate of domestic consumption, stocks of cotton not under Government ownership or under loans were much larger in late September than a month earlier.

With the decline since early September in the possibilities of German invasion of Great Britain and further improvements in United States business conditions, domestic prices of securities and a number of important commodities have strengthened. These developments contributed to the recent advance in cotton futures contract prices, which occurred even though the official estimate, released on September 8, indicated a 1940 United States crop 1-1/3 million bales larger than the August estimate.

Foreign countries: Spot prices advance  
in Liverpool, Bombay, and Sao Paulo

Prices of spot cotton in Liverpool, Bombay, and Sao Paulo advanced somewhat during the past month. On September 20 American Middling, fair staple, in Liverpool averaged 14.09 cents. This was about 3/8 cent higher than a month earlier and the highest for any Friday since last February. It was nearly 3 cents higher than the September 1939 average. The Liverpool prices of Indian Oomra and Brazilian Sao Paulo were also higher on September 20 than for many weeks. Prices of Egyptian Uppers continued strong and except for the preceding few weeks were higher than for more than a decade.

Prices of Indian (Oomra) at Bombay and Brazilian (Type 5) at Sao Paulo were somewhat higher on September 20 than a month earlier and approximately equal to or higher than at any time since early June. (See accompanying table) These advances, along with the decline in spot prices in the United States,

Cotton. Spot price per pound, specified growths at Liverpool and Osaka, specified periods.

Season, month or day	Liverpool, England						Osaka, Japan				
	American		Indian	Egyptian	Brazilian	Ameri-	Indian				
	Fine Oomra #1		F.G.F.Uppers	Fair, Sao Paulo	can	Accla 1/					
	Mid-Cling	Low Mid-dlings	Actual	As a % of Ameri-can	Actual	As a % of Ameri-can	Actual	As a % of Ameri-can	Strict Mid-dling	Actual	As a % of Ameri-can strict Middling
Ct.	Ct.	Ct.	Pct.	Ct.	Pct.	Ct.	Pct.	Ct.	Ct.	Pct.	
10-year average 1927-28 to											
1936-37	14.50	13.60	11.19	78.0	17.12	117.9	14.08	97.7	14.74	11.37	77.1
1936-37	14.62	13.16	10.87	74.4	17.40	119.0	14.12	96.6	15.75	11.58	73.5
1937-38	10.31	8.78	7.96	77.1	13.10	126.7	10.18	98.7	12.70	9.95	78.3
1938-39	10.15	8.71	7.14	70.4	11.80	116.5	9.63	94.9	2/10.89	2/7.86	72.2
1939-40	12.64	11.79	9.94	78.4	15.76	124.1	12.49	98.6	3/	3/	
1939-40											
Aug.	10.16	8.53	7.38	72.6	11.35	111.7	9.37	92.2	3/	3/	
Sept.	11.21	9.79	8.56	76.4	12.49	111.4	10.71	95.5	3/	3/	
Oct.	10.65	9.41	8.41	79.0	12.03	113.0	10.45	98.1	3/	3/	
Nov.	11.66	10.79	9.46	81.1	12.70	108.9	11.59	99.4	3/	3/	
Dec.	14.14	13.32	11.69	82.7	15.80	111.7	14.14	100.0	13.23	11.29	85.3
Jan.	14.81	14.12	12.31	83.1	17.50	118.2	14.87	100.4	3/	3/	
Feb.	13.74	13.11	11.09	80.7	17.14	124.7	13.94	101.5	13.86	10.06	72.6
Mar.	13.06	12.53	10.68	81.8	17.17	131.5	13.23	101.3	13.60	9.39	69.0
Apr.	13.47	12.88	10.70	79.4	17.64	131.0	13.47	100.0	13.52	8.88	65.7
May	12.95	12.36	10.23	79.0	17.44	134.7	12.95	100.0	12.82	7.67	59.8
June	12.61	12.02	9.37	74.3	18.26	144.8	12.43	98.5	12.87	6.89	53.5
July	13.25	12.60	9.46	71.4	19.54	147.5	12.71	95.9	12.71	7.82	61.5
1940-41											
Aug.	13.50	13.00	9.76	72.3	20.50	151.9	13.10	97.0	12.31	8.37	68.0
Aug. 2	13.11	12.61	9.53	72.7	19.34	147.5	12.70	96.9			
9	13.15	12.65	9.61	73.1	20.14	153.2	12.73	96.8			
16	13.74	13.23	9.95	72.4	21.01	152.9	13.32	96.9	4/12.31	4/8.37	68.0
23	13.72	13.22	9.83	71.6	20.71	150.9	13.30	96.9			
30	13.80	13.30	9.89	71.7	21.32	154.5	13.47	97.6			
Sept. 6	13.97	13.47	10.08	72.2	21.72	155.5	13.47	96.4			
13	13.94	13.27	9.96	71.4	20.66	148.2	13.43	96.3			
20	14.09	13.42	10.23	72.6	20.95	148.7	13.58	96.4			

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Cotton: Spot price per pound, specified growths at Liverpool and Osaka, specified periods-  
Continued

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Prices at Liverpool are compiled from reports of the Liverpool Cotton Association except for recent weeks which are from cables and 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. Prices at Osaka are from "The Ten-Days Return of Cotton", Osaka, and cables to the Bureau of Agricultural Economics. They were reported in yen per picul and converted to cents per pound using monthly exchange rates as reported by the Federal Reserve Board.

- 1/ Average of Hinganghat, Yeotmal and Akora, referred to as Acola or the Acola group.
- 2/ Average for 10 months.
- 3/ Not available.
- 4/ August average.

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Cotton: Spot price per pound and spread between prices in specified markets, 10-year average 1927-28 to 1936-37 and 1936-37 to date

Season, month or day	American Middling			Indian			Brazilian		Egyptian Uppers	
	: Spread :			: Spread :			: Spread :		: Spread :	
	: of :			: of :			: of :		: of :	
	New	Liver-	Osaka	Bom-	Liver-	Osaka	Sao	Liver-	Alex-	Liver-
Or-	pool	over	bay	pool	over	Paulo	pool	andria	pool	
leans	over	New		over	over		over		over	
	New Or-	Orleans		Bombay	Bombay		Sao		Alex-	
	leans	l/		l/			Paulo	l/	andria	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	
10-yr. av. 1927-28 to:										
1936-37 ...	12.99	1.51	1.75	10.06	1.13	1.31	14.11	-.03	15.34	1.78
1936-37 ...	13.45	1.17	2.30	10.08	.79	1.50	12.95	1.17	15.46	1.94
1937-38 ...	9.24	1.07	3.46	7.27	.69	2.68	9.26	.92	10.96	2.14
1938-39 ...	9.04	1.11	2/1.98	6.57	.57	2/1.38	8.40	1.23	9.92	1.88
1939-40 ...	10.23	2.41	3/	8.14	1.80	3/	9.04	3.45	3/	3/
Aug. ....	9.18	.98	3/	6.76	.62	3/	7.72	1.65	9.12	2.23
Sept. ....	9.22	1.99	3/	7.33	1.23	3/	8.69	2.02	9.34	3.15
Oct. ....	9.12	1.53	3/	7.46	.95	3/	8.73	1.72	9.14	2.89
Nov. ....	9.60	2.06	3/	8.61	.85	3/	9.76	1.83	10.37	2.33
Dec. ....	10.84	3.30	2.39	10.50	1.19	.79	11.91	2.23	13.26	2.54
Jan. ....	10.98	3.83	3/	10.46	1.85	3/	11.35	3.52	15.10	2.40
Feb. ....	10.87	2.87	2.99	9.16	1.93	.90	10.70	3.24	14.75	2.39
March ....	10.63	2.43	2.97	8.78	1.90	.61	9.69	3.54	14.92	2.25
April ....	10.74	2.73	2.78	8.82	1.88	.06	8.87	4.60	15.13	2.51
May ....	10.25	2.70	2.57	7.69	2.54	-.02	7.58	5.37	4/14.77	3/
June ....	10.74	1.87	2.13	5.84	3.53	1.05	6.69	5.74	3/	3/
July ....	10.55	2.70	2.16	6.24	3.22	1.58	6.79	5.92	3/	3/
1940-41 :										
Aug. ....	9.92	3.58	2.39	6.49	3.27	1.88	6.48	6.62	3/	3/
Aug. 2 ..	10.30	2.81	3/	6.60	2.93	3/	6.37	6.33	3/	3/
9 ..	10.10	3.05	3/	6.53	3.08	3/	6.62	6.11	3/	3/
16 ..	9.85	3.89	5/2.39	6.53	3.42	5/1.88	6.57	6.75	3/	3/
23 ..	9.70	4.02	3/	6.36	3.47	3/	6.45	6.85	3/	3/
30 ..	9.65	4.15	3/	6.44	3.45	3/	6.40	7.07	3/	3/
Sept. 6 ..	9.56	4.41	3/	7.23	2.85	3/	6.44	7.03	3/	3/
13 ..	9.45	4.49	3/	6.81	3.15	3/	6.64	6.79	3/	3/
20 ..	9.50	4.59	3/	6.79	3.44	3/	7.05	6.53	3/	3/

Prices at New Orleans are from records of the Agricultural Marketing Service. Prices at Bombay are from Bombay Cotton Annual and Financial News through March 1940; since then from New York Cotton Exchange reports. They were converted from rupees per candy of 784 pounds at current rates of exchange (buying rates in recent weeks) as reported by the Federal Reserve Board.

Prices at Sao Paulo are from official publications and cables. Prices were converted from milreis per 15 kilograms at current rates of exchange until Sept. 1934, Oct. 1934 to Feb. 10, 1935 at open or free market rates, and from Feb. 11 to date at composite averages of official and free market rates; except from Nov. 16, 1937 through Apr. 10, 1939 when free market rates were used. Prices at Alexandria are from the Monthly Bulletin of Agricultural and Economic Statistics. Prices were converted from tallaris per cantar at current monthly rate of exchange through Aug. 1939; since Sept. 1939 converted at official rate of exchange.

1/ See preceding table for prices at Liverpool and Osaka. 2/ Based on average price for 10 months. The 10-month average price at New Orleans was 8.91 cents and at Bombay was 6.48 cents. 3/ Not available. 4/ Price on May 9, latest date available. 5/ Based on monthly prices.

reduced the spread between prices at New Orleans and those in Bombay and Sao Paulo. On September 20, American Middling 15/16" at New Orleans was about 2-3/4 cents higher than both the price of Indian Oomra at Bombay and Brazilian at Sao Paulo. In August the spread ranged from 3-1/4 to almost 4 cents above prices in these two foreign export markets.

Price changes in Liverpool were not in keeping with changes in these three export markets. In Liverpool the price of Indian and Brazilian changed almost in proportion with changes in the price of American. As a result, the ratio of the price of American to the price of these two important competitive growths showed little change. Prices in Liverpool have been materially affected in recent weeks by the uncertainty of the war and the difficulties and uncertainties as to future supplies. Since the beginning of the more intensified aerial warfare several weeks ago, prices of most important cottons in Liverpool have increased relative to prices of such growths in the exporting countries. On September 20 the price of American Middling fair staple at Liverpool was 4-3/5 cents higher than American Middling 15/16" at New Orleans, whereas in early August the spread was about 3 cents. During the same period the spread of the prices of Indian and Brazilian cotton in Liverpool over the prices of these growths in Bombay and Sao Paulo increased from 2.93 and 6.33 cents on August 2 to 3.44 and 6.53 cents on September 20.

Recent reports from Japan and China state that prices of American cotton are materially below normal in relation to prices of Indian and Brazilian cotton in Shanghai and Osaka. In Canada and Spain, Brazilian cotton of more or less similar quality to American is reported to have been contracted for recently at prices 10 to 15 percent lower than American.

#### EXPORTS

American cotton: Restricted outlets reduce shipments 70 to 80 percent

In August exports of American cotton, which were largely confined to Great Britain, Japan and Canada, totaled only 65,000 running bales, according to data released by the Bureau of Foreign and Domestic Commerce. This was 70 percent less than the relatively small exports in August 1939 and 78 percent less than the 10-year (1928-37) August average. During the first 3 weeks of September, the 59,000 bales of American cotton exported were 80 percent below the corresponding period last year, and lower still in relation to the average for these weeks. It now seems likely that exports for August and September combined will not exceed 125,000 bales. Last year exports during these 2 months totaled 878,000 bales and during the 10 years ended 1937 averaged 966,000 bales. Not since 1879 have exports for these 2 months combined been as small as this year. Unless there is a marked increase in the seasonally adjusted rate of exports, the total for the season will fall far short of 2 million bales including cotton traded to Great Britain for rubber. Last season the total was 6,200,000 bales and was itself 600,000 bales less than the 1928-37 average.



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

Country of origin and destination	Aug.				1940	as a pct. of 1939	Country of origin and destination	Aug.				1940	as a pct. of 1939
	1928-29	1938	1939	1940				1928-29	1938	1939	1940		
United States to-	1,000	1,000	1,000	1,000	Pct.		1,000	1,000	1,000	1,000	Pct.		
Germany	59	26	18	0	---		United Kingdom	20	25	28	0	---	
United Kingdom	49	24	72	47	65.3		France	11	12	13	0	---	
France	36	22	33	0	---		United States	6	2	3	17	566.7	
Italy	25	14	13	0	---		Germany 2/	8	18	12	0	---	
Spain	12	1	11	0	---		Italy	5	8	8	0	---	
Belgium	6	5	8	0	---		Japan	3	13	13	1	7.7	
Canada	9	15	9	7	77.8		British India	2	4	5	6	120.0	
Japan	48	53	28	6	21.4		Other countries:	22	26	24	0	---	
China	16	0	3/	0	---		Total	77	108	106	24	22.6	
Other countries:	34	41	23	5	21.7								
Total	294	201	215	65	30.2								

Country of origin and destination	Aug. - July				1939-40	as a pct. of 1938-39					
	1928-29	1937-38	1938-39	1939-40							
Anglo Egyptian Sudan to	4/	14	7	8	114.3	4/	154	212	44	20.8	
United Kingdom	4/	1	1	0	---	4/	17	24	24	100.0	
France	4/	3/	1	0	---	4/	9	11	9	81.8	
Italy	4/	6	5	22	440.0	4/	76	52	59	113.5	
India	4/	1	2	4	200.0	4/	22	42	11	26.2	
Other countries:	4/	8	16	34	212.5	4/	165	278	341	147	43.1
Total	8	22	16	34	212.5	165	278	341	147	43.1	

Country of origin and destination	July				Aug. - July	Aug. - July					
	1928-29	1937-38	1938-39	1939-40							
Brazil to	4/	60	47	40	85.1	4/	204	406	219	53.9	
Japan	4/	19	29	22	75.9	4/	203	229	295	128.8	
United Kingdom	4/	48	86	0	---	4/	508	338	70	20.7	
Germany	4/	31	44	0	---	4/	88	177	56	31.6	
France	4/	4	17	0	---	4/	15	76	26	34.2	
Italy	4/	5	11	0	---	4/	21	48	37	77.1	
Netherlands:	4/	1	6	0	---	4/	27	32	22	68.8	
Belgium	4/	9	78	48	61.5	4/	81	303	258	85.1	
Other countries:	4/	60	177	318	110	34.6	447	1,147	1,609	983	61.1
Total	60	177	318	110	34.6	447	1,147	1,609	983	61.1	

Compiled from official sources. 1/ American in running bales (counting round bales as half bales) and foreign in bales of 478 pounds. 2/ Includes Austria beginning January 1938. 3/ Less than 500 bales. 4/ Not available by countries.

The most important factor now restricting domestic exports is the more or less complete blockade of continental Europe, except for Russia. Last season the United States exported 2-1/3 million bales to this area, even though parts of the region were blockaded after the beginning of the war in September. In the 5 years ended July 1939 the mills of this area consumed an average of 2,500,000 bales of American cotton. Furthermore, about the same amount of other imported cotton was consumed. This means that even in the few remaining accessible markets, American cotton is meeting increased competition from other exporting countries. One important indication of this increased competition is the relatively low prices of foreign cottons, as shown in the preceding section. Reduced exports and civilian consumption of cotton textiles in England and Japan, and larger stocks of raw cotton at the beginning of the season in these markets, are also contributing to the reduced exports of American and foreign cotton. Restricted freight allotments to Great Britain are also a factor in the low level of current exports.

Foreign cotton: Egyptian and Brazilian exports  
also greatly restricted

Exports of cotton from Egypt, which totaled only 24,000 bales in August were less than one-fourth as large as in August last year or the year before. This was true even though exports to the United States were about six to eight times as large as in August 1938 and 1939. Not only were there no Egyptian exports to continental Europe, but the lack of shipping allotments prevented any cotton from moving from Egypt to the United Kingdom. Recent reports state that arrangements were being made to provide shipping space for the movement of Egyptian cotton to Great Britain.

Exports from Brazil during July 1940 were only 35 percent as large as in July last year, according to data recently received by cable from Sao Paulo. From August through July Brazilian exports were two-fifths less than in the corresponding period last season. A scarcity of transportation facilities is also restricting Brazilian exports. A recent radiogram from Shanghai states that except for transportation problems Japanese buyers would be purchasing considerably larger quantities of Brazilian cotton and less American, as a result of the wide price disparities.

#### DEMAND AND CONSUMPTION

UNITED STATES: August consumption highest on record  
for the month; outlook bright

Domestic mill consumption of 655,000 bales in August was 4 percent larger than in August last year, the largest for the month on record, and 10 percent above July. This increased the seasonally adjusted index of consumption to 124, from 116 in July and 114 in August last year.

Comparatively large orders for cotton goods have been placed by Government agencies during the past few weeks. This and expanding general business conditions along with a continued high level of retail sales contributed to the large sales of unfinished cotton goods by domestic manufacturers during

September. These sales materially increased manufacturers' unfilled orders and strengthened cotton textile prices. As a result, cotton consumption adjusted for seasonal variation in September will probably equal or exceed that of August. Trade reports indicate that domestic mills are now in a strong statistical position from the standpoint of unfilled orders. Most mills are said to have sufficient orders booked to insure an exceptionally high rate of activity until the end of the calendar year.

The demand for domestically produced cotton goods is expected to continue strong and result in a new record high domestic mill consumption of cotton during the 1940-41 season. Consumption is likely to materially exceed 8 million bales compared with 7-3/4 million bales last season and a record high of just under 8 million in 1936-37. This is due to: (1) large Government purchases of cotton products for defense purposes, (2) an expanded Government cotton products export subsidy program, (3) increased incomes of domestic consumers, (4) large Government subsidies to domestic consumers of cotton and cotton textiles by such means as the Stamp Plan, Mattress Program, and the Cotton Insulation Program, Cotton Paper Program, and Cotton Bagging for Cotton Bales, and (5) other increased Government efforts as well as increased efforts of private organizations to stimulate cotton consumption. These latter efforts include advertising and other promotional activities, as well as increased research designed to discover new or more attractive uses for cotton and more efficient manufacturing methods.

EUROPE: Cotton consumption declines in Great Britain,  
greatly restricted on the Continent

British mill activity declined somewhat further during the past month and is now probably 10 to 12 percent lower than in June or early July. It is still relatively high. However, because of the large output of goods for military purposes, sales of cotton goods by British mills are reported to have been quite small during the last few weeks, except for Government contracts. Cotton textile export sales were reported as having been very small, with foreign buying being retarded by the question of whether deliveries could be made according to schedule and by talk of price reductions on cotton goods for export. Current exports of cotton textiles are estimated not in excess of 5,500,000 pounds of yarn and 80 million square yards of cloth monthly. During the last full year prior to the outbreak of the war, when export data were discontinued, monthly exports of yarn and cloth averaged 11 million pounds and 120 million yards, respectively. Textile mills were reported still losing ground on stocks and orders during the week ended September 20.

Cotton mill consumption in continental Europe is believed to be running at a low level, because of a shortage of raw cotton. This seems likely even though continental European imports of raw cotton during the year ended July 1940 were quite large - a development which occurred despite the blockade of considerable proportions of the area during most of the season. With the high rate of consumption existing last season in the importing areas, together with the extremely small stocks at the beginning of the 1939-40 season, stocks of raw cotton in these areas probably were not large even at the time the blockade was extended to them. In such areas, at least a part of the stocks on hand at the time of the extension of the blockade to the area has no doubt since been distributed to other mills under German and Italian control.

In Spain reports indicate that supplies of raw cotton have recently dwindled to a very low level. This is apparently due to the lack of foreign exchange with which to purchase raw cotton. On September 3, however, financial arrangements were concluded for the importation of considerable quantities of cotton. These arrangements are believed to cover contracts for 100,000 bales of Brazilian cotton and to allow for additional purchases up to 50,000 bales. During August the Spanish Cotton Board awarded contracts to four Brazilian concerns covering purchases of about 100,000 bales of Brazilian cotton at prices 10 to 15 percent lower than the existing prices of comparable grades of American cotton, according to information cabled from Madrid in early September. Shipments of this cotton were to begin early in September and payments were to be made over varying periods of from 6 to 18 months.

ORIENT: Cotton mill consumption further  
reduced in Japan and China

Cotton yarn production by Japanese mills in August totaled approximately 170,000 bales of 400 pounds, including cotton content of the 14,000 bales of mixed yarn produced. This was somewhat smaller than the 177,000 bales produced in July and 20 percent less than production in August 1939. Raw cotton consumption changed about the same as yarn production.

Exports of cotton cloth from Japan totaled 115 million square yards in August, compared with 117 million in July. This was 50 percent less than the 223 million yards exported in August 1939 and, with two exceptions, was the smallest monthly total since February 1932.

Cotton mill activity in Shanghai was further reduced in August, as stocks of yarn piece goods continued to increase and textile markets, both at home and abroad, remained restricted. Japanese mills were reported to have been operating at about 65 percent of capacity, Chinese at 70, and British at 47 percent. In July, activity in these mills was estimated at 70, 75, and 70 percent respectively. Mills in other parts of "occupied" China and in Manchuria continued at about the same low rate as in July (less than 50 percent), while those in Chinese controlled areas maintained operations at about 80 percent. Total mill consumption in China, including Manchuria, during August was estimated at about 115,000 bales, compared with 122,000 bales in July and 120,000 bales in August 1939.

The recent declines in cotton mill consumption have been due to the large accumulation of yarn stocks resulting from speculative hoarding induced by depreciation of the Chinese currency and expectations of increased exports to markets formerly supplied by Europe. More recently, considerable increases in stocks of piece goods have occurred, following the tightening of the blockade of important interior markets by the Japanese and by additional import restrictions in British, French, and Netherlands Empire areas.

## ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

AMERICAN COTTON: 1940-41 supply about same  
as in 3 preceding years

The September estimate of the 1940 domestic crop of 12,772,000 bales (500 pounds gross weight) is 1,343,000 bales larger than the August estimate and nearly 1 million bales larger than the crop of either of the 2 preceding years. This estimate in terms of running bales plus a world carry-over of just over 12-1/2 million bales gives an indicated 1940-41 world supply of American cotton of nearly 25-1/4 million bales. Such a supply is about the same as the 24-1/2 to 25-1/2 million bale supply of the three preceding seasons. In only 4 years prior to 1937 (1926, 1931, 1932 and 1936) have supplies been nearly as large as in the last 4 years. With the exception of these 8 years the annual supply has never exceeded 21 million bales.

Despite the prospective larger crop, ginnings to September 16 were less than half as large as to the same date last year, and considerably smaller than in any year since 1924, when ginnings to this date were first recorded. According to the Crop Reporting Board, "Picking began about 2 weeks later than usual in the States adjacent to the Mississippi River and about a week late in Georgia, Alabama, Oklahoma, and Texas." This apparently accounts for the unusually small ginnings to September 16 in relation to the estimated production.

FOREIGN COTTON: Supplies of Indian and  
Egyptian cotton larger

Very tentative estimates of the production and carry-over of Indian and Egyptian cotton indicate that the supply of each for 1940-41 will be larger than in 1939-40. Recent estimates released by the New York Cotton Exchange Service indicate a commercial supply of Indian cotton of about 7,690,000 bales of 478 pounds, compared with 7,310,000 bales for the preceding season. The estimated supply of Egyptian cotton was placed at 2,785,000 bales, or about 100,000 bales larger than that of 1939-40.

With the total 1940 cotton crop in China, including Manchuria, estimated at about 300,000 bales larger than the unusually small 1939 crop, and a larger crop expected in northern Brazil, it is quite likely that the total supply of foreign cotton other than Indian and Egyptian will also be larger this season than last. The crop in many of these countries, however, is harvested much later than in the United States. This, and the lack of crop reporting or forecasting agencies similar to the United States Crop Reporting Board, make it difficult to determine with a substantial degree of confidence the probable 1940 crop at this time. From the standpoint of the probable supply of commercial cotton, it is significant to note that in China more raw cotton may be consumed this season than last in and about the homes for hand spinning and weaving or for padding. This is especially likely if access to commercial manufacturing remains restricted.

The New York Cotton Exchange Service is now estimating that the 1940-41 world supply of foreign commercial cotton will be nearly 1-1/2 million bales larger than last season's supply of just over 23 million bales. This would make the fifth consecutive year in which the supply of such cotton was between 23 and 26 million bales.