THE Cotton SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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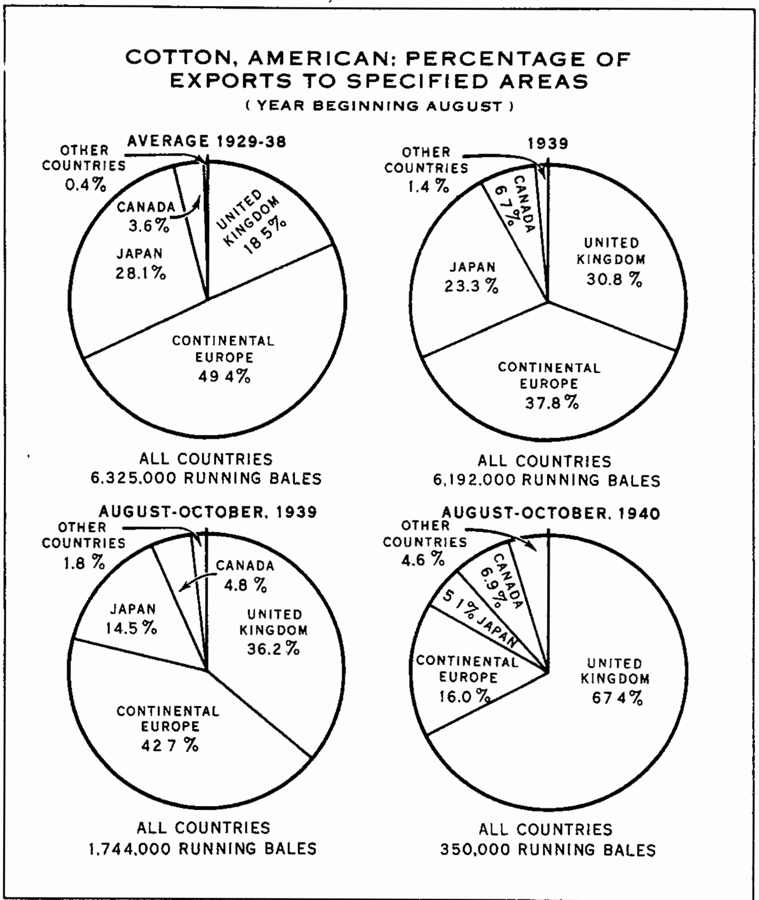

U S DEPARTMENT OF AGRICULTURE NEG. 38747 BUREAU OF AGRICULTURAL ECONOMICS

Cotton exports in 1939-40, though the largest since 1933, were smaller than the 1929-38 average. Exports for the first 3 months of the 1940-41 season were only one-fifth as large as in the same period of last season.

Approximately half of our exports of cotton formerly went to the Continent of Europe. This year, were it not for Russian takings of 54,000 bales, our exports to the Continent would be less than 1 percent of the total. Exports of cotton to the Orient have greatly declined in size and relative importance. During the 10 years 1929-38, the United Kingdom took less American cotton than the Orient, but last season and in the first 3 months of this season it took a much larger proportion. So far this season two-thirds of our exports have gone to the United Kingdom.

THE COTTON SITUATION

Summary

Exports of American cotton from August through October of this year were only one-fifth as large as in the corresponding months last season. Almost all of our exports now are going to the United Kingdom, Russia, Japan, and Canada, but these countries taken as a group have purchased far less cotton than they did during the first quarter of last season. Of particular interest in October was the exporting of 54,000 bales of cotton to Russia, which previously had not purchased as much as 1,000 bales in any season since 1934.

Recent reports indicate that American cotton is being undersold on the Canadian market by cotton from Brazil, the price differences for similar qualities being about 1-3/4 cents. This disparity is causing the Canadian mills to purchase most of their 7/8 and 15/16 inch cotton from Brazil, and it is doubtful if much American cotton of these lengths can expect to find a market in Canada during at least the next 6 months, even though mill activity in that country is at a very high level.

During the past month price increases of 1/3 to 1/2 cent have occurred in both spot and futures markets, with somewhat greater gains in the latter. These accompanied general improvement in business conditions, increased cotton mill activity, and price advances in commodity and securities markets.

Domestic cotton consumption continues high. In October both the number of bales consumed and the seasonally adjusted index of consumption were at a near-record level. Unfilled orders for unfinished cotton goods were larger in late November than in September or October despite large shipments in recent weeks. Manufacturers' prices of cotton textiles have made general but moderate advances during the past few weeks.

Cotton consumption abroad continues to be greatly restricted. This is especially true on the Continent of Europe where, as a result of the British blockade, the supply of raw cotton is scarce. In Great Britain cotton mill consumption has apparently changed little since September. It continues relatively high, even though since October 1 sales of goods for non-military domestic use have been restricted to three-eighths of the level of the 6-month period, April 1 - September 30, 1939. Consumption of cotton in the Orient is also far below that of a year ago even though mill consumption in India has been at a record high level.

-- November 27, 1940.

PRICES

United States: Spot and futures prices show gains during month

Since about the end of October domestic prices of both spot cotton and futures contracts have strengthened somewhat. The price of 15/16" Middling in the ten markets, which had declined from June to mid-October, rose to 9.80 cents on November 26. With the exception of November 19, when the price was 4 points higher, this was the highest price since August 22 and 42 points above the average for October 26. In the New York futures market prices advanced from 57 to 64 points between October 26 and November 26.

The gains in both spot and futures prices apparently were in response to generally improving business activity, increased cotton mill activity, price advances in commodity and securities markets, and current trade comment on the possibilities of "inflation".

Foreign countries: Price changes during month improve the competitive position of American cotton at Liverpool

By November 22, prices of Egyptian cotton had declined from the October average on the Liverpool market, whereas prices of American, Indian, and Brazilian cotton increased. A slight narrowing of the price differences between American cotton and that of India and Brazil resulted, thereby strengthening the competitive position of the American staple. Since November 15 the price of Brazilian cotton in Liverpool has exceeded the price of American Middling for the first time since last March.

The rising price of American cotton in domestic markets and the declining price at Liverpool narrowed the spread between New Orleans and Liverpool prices from 4.25 cents for October 25 to 4.12 cents on November 22.

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

Season, month or day	Liverpool, England: American: Mid-dling Fair Staple	Liverpool, England: American: Low Mid-dling	Liverpool, England: Indian Fine Oomra #1: Actual	Liverpool, England: Indian Fine Oomra #1: As a % of American Middling	Liverpool, England: Egyptian F.G.F. Uppers: Actual	Liverpool, England: Egyptian F.G.F. Uppers: As a % of American Middling	Liverpool, England: Brazilian Fair, Sao Paulo: Actual	Liverpool, England: Brazilian Fair, Sao Paulo: As a % of American Middling	Osaka, Japan: American: Strict Mid-dling	Osaka, Japan: Indian Acola 1/: Actual	Osaka, Japan: Indian Acola 1/: As a % of American strict Middling
	Cents	Cents	Cents	Pct.	Cents	Pct.	Cents	Pct.	Cents	Cents	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
Sept.	14.20	13.57	10.28	72.4	21.31	150.1	13.67	96.3	12.03	8.51	70.7
Oct.	13.65	12.98	10.26	74.9	20.81	152.5	13.35	97.8	3/	3/	3/
Oct. 4	13.77	13.10	10.23	74.3	20.93	152.0	13.35	96.9	3/	3/	3/
11	13.40	12.73	10.11	75.4	20.54	153.3	13.13	98.0	3/	3/	3/
18	13.63	12.96	10.30	75.6	20.81	152.7	13.37	98.1	3/	3/	3/
25	13.79	13.11	10.41	74.4	20.98	152.1	13.52	98.0	3/	3/	3/
Nov. 1	13.70	13.03	10.38	75.8	21.01	153.4	13.43	98.0	3/	3/	3/
8	13.80	13.13	10.63	77.0	21.08	152.8	13.62	98.7	3/	3/	3/
15	13.53	12.53	10.55	78.0	19.86	146.8	13.60	100.5	3/	3/	3/

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

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, all prices in foreign countries based on net weight.

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

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: New Orleans	American Middling: Spread of Liverpool over New Orleans 1/	American Middling: Spread of Osaka over New Orleans 1/	Indian: Bombay	Indian: Spread of Liverpool over Bombay 1/	Indian: Spread of Osaka over Bombay	Brazilian: Sao Paulo	Brazilian: Spread of Liverpool over Sao Paulo 1/	Egyptian Uppers: Alexandria	Egyptian Uppers: Spread of Liverpool over Alexandria 1/
	Cents	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/	8.13	1.81	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
Mar.	10.63	2.43	2.97	8.78	1.90	.61	9.69	3.54	14.92	2.25
Apr.	10.74	2.73	2.78	8.86	1.84	.02	8.87	4.60	15.13	2.51
May	10.25	2.70	2.57	7.76	2.47	-.09	7.58	5.37	13.38	4.06
June	10.74	1.87	2.13	5.54	3.73	1.25	6.69	5.74	4/12.56	5.70
July	10.55	2.70	2.16	6.19	3.27	1.63	6.79	5.92	3/	3/
1940-41										
Aug.	9.92	3.58	2.39	6.57	3.19	1.80	6.50	6.60	3/	3/
Sept.	9.54	4.66	2.49	6.92	3.36	1.59	6.74	6.93	3/	3/
Oct.	9.47	4.18	3/	6.56	3.70	3/	6.77	6.58	3/	3/
Oct. 4	9.55	4.22	3/	6.63	3.60	3/	6.85	6.50	3/	3/
11	9.39	4.01	3/	6.54	3.57	3/	6.72	6.41	3/	3/
18	9.41	4.22	3/	6.55	3.75	3/	6.77	6.60	3/	3/
25	9.51	4.28	3/	6.51	3.90	3/	6.73	6.79	3/	3/
Nov. 1	9.45	4.25	3/	6.51	3.87	3/	6.73	6.70	3/	3/
8	9.70	4.10	3/	6.69	3.94	3/	7.01	6.61	3/	3/
15	9.88	3.65	3/	6.72	3.83	3/	7.13	6.47	3/	3/
22	9.93	4.12	3/	7.04	3.93	3/	7.05	7.07	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 August 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 September 1934, October 1934 to February 10, 1935 at open or free market rates, and from February 11 to date at composite averages of official and free market rates; except from November 16, 1937 through April 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 August 1939; since September 1939 converted at official rate of exchange. American prices in the United States based on gross weight; all prices in foreign countries based on net weight. 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/ Preliminary.

The spread of Liverpool prices over Bombay prices for Indian cotton widened from 3.90 for October 25 to 3.93 cents on November 22. For this same period the spread in the price of Brazilian cotton at Liverpool over Sao Paulo gained from 6.73 to 7.05 cents per pound. No prices have been available on Egyptian Uppers at Alexandria since June, nor on American and Indian at Osake since September.

EXPORTS

American Cotton: Exports lowest in 63 years despite substantial shipments to Russia

American exports of raw cotton, which totaled 350,000 bales for the 3 months ending October 31, were 80 percent smaller than in the corresponding period last season and the lowest for the 3 months since 1877. During the past 3 months the United Kingdom took 236,000 bales or 67 percent of our exports, Russia took 54,000 or 15 percent, Canada took 24,000 and Japan took 18,000. These four countries, which have accounted for 95 percent of our exports thus far this season, have taken less than a third as much as in the corresponding months last season. Exports to continental Europe excluding Russia totaled only 2,000 bales from August to October this year compared with 744,000 for the corresponding months last season and an average of 985,000 bales for the first quarter of the 10 seasons 1929-38. This drop is, of course, due largely to the British blockade. Finland, Portugal, and Sweden were the only European countries besides the United Kingdom and Russia to which any American cotton was exported during the first quarter of the current season. During the past few years American cotton has been exported to more than twenty continental European countries. China is another country that has taken considerable quantities of American cotton in the past to which none was exported during the first quarter of this season.

One development of significance during recent weeks was the entry of Russia into the market for American cotton. Fifty-four thousand bales were exported to that country in October, although at no time since 1934 had as many as 1,000 bales been exported to Russia in any season.

In addition to the British blockade, other reasons for reduced exports are the increased price competition from other growths in the few import markets accessible to American cotton, and the generally low level of cotton consumption in many countries. These aspects of the export situation are discussed more fully under the heading Demand and Consumption.

Official export data are not yet available for November, but reports from the New York Cotton Exchange indicate shipments of cotton during the first twenty-one days totaled 109,000 bales, including 2,000 bales of linters. Of this amount approximately 62,000 went to Great Britain, 23,000 to Russia, 12,000 to Canada, 8,000 to China, 5,000 to Japan, and 1,000 to Mexico.

Cotton: Exports from specified countries, average 1929-30 to 1938-39, and seasons 1938-39 to date

Country of origin and destination	Oct.					Aug.-Oct.				
	10-yr.av. 1929-30 to 1938-39	1938	1939	1940	1940 as a pct.of 1939	10-yr.av. 1929-30 to 1938-39	1938-39	1939-40	1940-41	1940-41 as a pct.of 1939-40
	1,000 bales 1/	1,000 bales 1/	1,000 bales 1/	1,000 bales 1/	Pct.	1,000 bales 1/	1,000 bales 1/	1,000 bales 1/	1,000 bales 1/	Pct.
United States to										
Germany	176	48	2/	0	---	374	110	19	0	---
United Kingdom	172	61	298	111	37.2	325	121	632	236	37.3
France	110	79	111	0	---	234	176	195	0	---
Italy	72	41	60	0	---	146	81	119	0	---
Spain	20	0	30	0	---	53	2	81	0	---
Belgium	20	14	13	0	---	41	30	52	0	---
Canada	30	46	59	14	23.7	50	72	85	24	28.2
Japan	170	75	104	8	7.7	349	224	182	18	9.9
China	28	1	59	0	---	60	1	71	0	---
Russia	5	0	0	54	---	12	0	0	54	---
Other countries	74	99	151	7	4.6	152	237	310	18	5.8
Total	877	464	885	194	21.9	1,796	1,054	1,744	350	20.1
	Oct.					Aug.-Oct.				
Egypt to										
United Kingdom	62	44	65	6	9.2	106	96	144	47	32.6
France	22	16	22	0	---	42	35	40	0	---
United States	5	1	10	0	---	12	5	25	18	72.0
Germany 3/ ..	16	25	0	0	---	34	58	12	0	---
Italy	13	12	7	0	---	26	31	17	0	---
Japan	15	10	27	16	59.3	24	34	46	27	58.7
British India	6	9	19	20	105.3	12	17	37	36	97.3
Russia	4/	0	0	0	---	4/	0	0	0	---
Other countries	34	32	43	3	7.0	75	78	105	4	3.8
Total	173	149	193	45	23.3	331	354	426	132	31.0
	Sept.					Aug.-Sept.				
Brazil to										
Japan	4/	18	12	20	166.7	4/	70	68	89	130.9
United Kingdom	4/	17	36	14	38.9	4/	61	68	26	38.2
Germany	4/	18	2/	0	---	4/	52	50	0	---
France	4/	7	5	0	---	4/	33	22	0	---
Italy	4/	1	4	0	---	4/	10	15	0	---
Netherlands.	4/	6	8	0	---	4/	12	16	0	---
Belgium	4/	2	5	0	---	4/	6	9	0	---
Russia	4/	0	0	0		4/	0	0	0	---
Other countries	4/	8	5	33	660.0	4/	17	42	61	145.2
Total	39	77	75	67	89.3	98	261	290	176	60.7

Compiled from official sources. 1/ American in running bales, counting round bales as half bales, foreign in bales of 478 pounds net. 2/ Less than 500 bales. 3/ Includes Austria since January 1, 1938. 4/ Comparable data not readily available.

Cotton, American: Exports to specified areas for specified periods 1/

Area	Number of bales: Average 1929-30 through 1938-39	1939-40	Aug.-Oct. 1939	Aug.-Sept. 1940	Aug.-Oct. 1940	Percentage of United States total: Average 1929-30 through 1938-39	1939-40	Aug.-Oct. 1939	Aug.-Sept. 1940	Aug.-Oct. 1940
	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	Percent	Percent	Percent	Percent	Percent
United Kingdom ...	1,167	1,905	632	125	236	18.5	30.8	36.2	80.2	67.4
Continent of Europe	3,125	2,338	744	2	2/ 56	49.4	37.8	42.7	1.2	16.0
Orient	1,776	1,443	253	11	18	28.1	23.3	14.5	7.1	5.1
Canada	226	412	85	10	24	3.6	4.8	4.8	6.4	6.9
Other countries ..	31	93	30	8	16	0.4	1.4	1.8	5.1	4.6
Total ...	6,325	6,191	1,744	156	350	100.0	100.0	100.0	100.0	100.0

Compiled from reports of the Bureau of Foreign and Domestic Commerce.
1/ The data in this table, with the exception of the columns for August and September were used in preparing the chart which appears on the cover of this issue of The Cotton Situation. 2/ Includes 54,000 bales exported to Russia in October.

Foreign countries: Cotton exports also restricted from Egypt and Brazil

Exports from Egypt totaled 45,000 bales in October, or less than a fourth of the total in October 1939. For the first quarter of this season exports (totaling 132,000 bales) were only 31 percent as large as a year earlier. Even though the British Government is reported to have arranged to purchase all of the 1940-41 Egyptian crop, little more than one-third of Egyptian exports from August through October went to the United Kingdom as compared with 14 percent to the United States, 27 percent to British India, and 20 percent to Japan. It would seem quite possible that the outcome of the present struggle for the control of the Mediterranean will have a very definite effect on the exports of Egyptian cotton.

During August and September Brazil exported 176,000 bales of cotton. Compared with the same months last year Brazil's exports declined 39 percent, which is far less than the relative decrease in exports from the United States and Egypt.

Increasing quantities of Brazilian cotton are being exported to Japan. Early in the season it was reported that Japan might take up to 1/2 million bales of Brazilian cotton if sufficient shipping space could be arranged. It appears almost certain, however, that no such large amount of space can be arranged, and Brazilian exports to Japan will therefore be much below this figure. So far this season, Japan has received about 1/2 of Brazil's exports compared with 1/4 of the total in the corresponding period last season. Because of the price disadvantage of American cotton with respect to Brazilian cotton, it appears likely that Japan and China will draw as heavily on Brazilian supplies as shipping space will permit, and will take as small an amount of American cotton as is necessary for their needs. Canada, too, is taking increasing quantities of Brazilian cotton.

DEMAND AND CONSUMPTION

United States: Domestic Consumption reaches an all time high for the first quarter of the season

Domestic consumption of 771,000 bales of cotton in October is the highest for any month with the exception of March 1937, when consumption totaled 6,000 bales more. Consumption in October was 21 percent above September and 12 percent above October 1939.

The seasonally adjusted index of cotton consumption stood at 126 for October as compared with 120 a month earlier and 119 in October 1939. During the 6 months from April to October the index advanced 19 points. For the period beginning January 1919 the index stood higher than in October in only two instances, June 1933 and December 1939, when it was 129 and 128 respectively.

For the first quarter of the current season, consumption of cotton in the United States totaled more than 2 million bales, which is 6 percent above the same period last year and 36 percent above the average for these months during the decade 1929-38. This is the highest consumption on record for the first quarter of the season.

The improvement in cotton consumption in recent months was accompanied by general improvement in business activity, increased employment and payrolls, and large Government purchases of cotton textiles for national defense. Unfinished cotton textiles sold in excess of mill output in most recent weeks so that manufacturers' unfilled orders were larger toward the end of November than at the end of either September or October. Textile prices made general but moderate advances.

Canada: Use of Brazilian cotton increasing

Recent consular reports received by the State Department reveal that Brazilian cotton, which first seems to have entered the Canadian market on a commercial basis about 1936, is underselling American cotton of about the same quality in that market by approximately 1-3/4 cents. In view of the comparative ease with which one growth can be substituted for the other, Canadian mills are said to be unwilling to buy American cotton in lengths up to 1 inch when Brazilian cotton can be purchased at substantially lower prices. As a result, there is little opportunity for marketing American 7/8" and 15/16" cotton in Canada. It is also reported that many Canadian mills have changed their machinery in order to facilitate the use of Brazilian cotton which may tend to discourage the return to American cotton. Although cotton mill activity is at a high level in Canada, this situation creates a probability that little American cotton of the above-mentioned lengths will find a market in Canada for the next half-year or even longer.

Cotton: Monthly index of cotton consumption in the United States with seasonal average, January 1919-October 1940
(Adjusted for seasonal variation)
(1935-1939 = 100)

Season beginning August 1	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Average
1918						94	82	78	84	84	85	90	
1919	91	89	98	95	93	102	98	97	100	97	96	94	96
1920	87	83	75	60	54	65	74	73	73	78	80	78	73
1921	82	89	92	95	95	90	87	86	83	85	90	92	89
1922	96	91	95	103	99	97	100	101	102	107	105	99	100
1923	96	95	91	91	87	92	86	82	81	73	69	71	85
1924	74	80	89	90	94	97	98	97	101	97	93	97	92
1925	93	89	93	97	101	99	100	101	98	95	98	96	97
1926	101	105	101	100	104	101	104	110	107	113	122	124	108
1927	120	115	109	107	101	98	98	95	93	99	97	93	102
1928	99	96	103	105	105	107	107	107	107	115	112	109	106
1929	107	104	106	95	87	93	89	86	90	83	78	75	91
1930	70	72	74	76	75	75	78	81	86	84	84	86	78
1931	85	83	79	77	77	77	78	78	64	60	60	58	73
1932	75	89	89	87	83	81	80	79	85	107	129	125	92
1933	108	93	87	82	70	83	86	90	91	89	70	73	85
1934	77	58	86	83	83	90	87	83	80	80	77	76	80
1935	78	84	90	93	93	97	93	91	99	97	102	112	94
1936	114	112	113	114	124	122	121	122	124	125	125	118	120
1937	114	107	95	84	74	76	78	81	74	76	81	96	86
1938	101	95	99	103	105	103	103	102	103	103	106	111	103
1939	114	117	119	124	128	120	115	108	107	109	112	116	116
1940	124	120	1/126										

Compiled from records and reports of the Board of Governors of the Federal Reserve Board.
1/ Preliminary.

United Kingdom: Mill activity steady, export demand for textiles improves

Reports received by cable from Great Britain during November indicated that mill activity continues at about the same level that has existed since September. This is materially less than the high point reached last June or early July but relatively much higher than in most other foreign countries. With spinner consumption of American cotton at about 20,000 bales per week and November freight allotments for commercial shipments of American cotton fixed at 15,000 bales, it is evident that even if allowance is made for shipments of American barter cotton, mill consumption exceeds importations and the stocks of American cotton in the United Kingdom are being gradually decreased.

During the past few weeks reports indicate that sales of British textiles for export are being made in larger quantities than had been the case earlier this season. This demand came mostly from British possessions and South America. There is also a good domestic demand in the United Kingdom for textiles for military purposes, but the domestic demand for textiles for civilian purposes is at a very low level. Since the first of October civilian consumption of cotton has been limited to 37.5 percent of that in the base period whereas for the previous 6 months it was limited to 75 percent.

Continental Europe: Stocks of raw cotton nearly exhausted in France and Italy

A consular report received from occupied France a short time ago reports that considerable quantities of raw cotton were destroyed by military operations in June. This and the shipment of much of the remaining stocks to German mills following the occupation by the Germans, greatly reduced the available stocks. Stocks of cotton at mills were estimated, at the time the report was prepared in early September, to be sufficient to operate the mills for only 3 months even on a basis of 24 hours a week. Furthermore, the German authorities were said to have requisitioned a large proportion of these stocks. French spinners expected Germany to incorporate into the German textile industry such of the French mills as are needed.

A report from Italy prepared in early September states that following Italy's declaration of war stocks of cotton declined sharply. By early September some mills were said to have already exhausted their supplies. The shortage of raw cotton resulted in exports of goods suitable for military use being prohibited and the proportion of artificial fibers to cotton being increased in many instances from 20 or 30 percent to 50 percent. This reduced the drain on stocks of cotton, but the report indicated that the existing supplies would hardly last beyond the beginning of December unless further restrictions were made. Italy had been negotiating with Turkey to obtain cotton, but one of the difficulties existing in early September was over the terms of settlement. Italy wanted to obtain the cotton on a barter basis and Turkey wanted immediate payment in dollars. The current Italian crop of about 50,000 bales is normally but a small proportion of the total annual consumption, but this year its relative importance will be much greater because of the difficulty in getting other cotton.

Inadequate supplies of raw cotton are reportedly reducing cotton mill activity in Spain even though most of the 50,000 bales purchased in Argentina last summer appear to have been delivered. This shortage resulted in part from Spain's inability to arrange terms of credit whereby it could purchase 120,000 bales of Brazilian cotton. These negotations were first announced last summer. Because of the War, Spain has also been unable to transport 19,000 bales which were bought in Egypt during the summer.

To overcome the present shortage of cotton it will be necessary to import cotton. In view of the breaking off of negotiations for the purchase of Brazilian cotton and the possibility that Argentina may not be willing to sell its cotton unless Spanish guarantees are adequate to afford protection against ultimate losses, it appears that Spain may turn to the United States in an attempt to buy substantial quantities of cotton later this season.

Cotton consumption in most of the other continental European countries, excluding Russia, has been limited to the stocks on hand before the extension of the blockade plus small quantities some of them may have produced domestically or imported from nearby areas. Indications are that a large part of these limited supplies of raw cotton are being requisitioned for military purposes so that the amounts available for civilian use are very small.

Russia's purchases in October were the first substantial quantities of cotton imported from the United States since 1934. It is rumored that Russia's exports of cotton to Germany this season were so large as to result in a shortage which has made it necessary to import cotton for domestic needs.

Orient: Consumption high in India but continues low in China and Japan

Trade sources report that the consumption of Indian cotton in India reached an all time high of 791,000 bales of 400 pounds each for the 3 months ended October 31.

During October mill consumption in China, including Manchuria, was about 115,000 bales, or about 2,000 less than a month earlier. In the Shanghai area Japanese and British mills restricted output still farther so that for October they were operating at 50 and 60 percent of full capacity respectively. In occupied areas output was even lower, 16 percent in Manchuria, 35 percent in North China, and 50 percent in Central China. In contrast with this, Chinese mills in the Shanghai area increased production from 70 percent of capacity in September to 95 percent in October and in unoccupied China, production was reportedly at 100 percent of full capacity. In this latter area 150,000 spindles were to have been added by November 15, raising the total in unoccupied China to 450,000.

With mill activity slightly reduced in October over the previous month and the demand for textiles more active as a result of lessened Japanese restrictions on the movement of goods into the interior of China, there was a reduction of surplus stocks of textiles.

During August and September of this year China imported 170,000 bales of cotton of which 101,000 bales were obtained from India, 55,000 from Brazil and only 6,000 from the United States. In view of the continuing difficulty in getting raw cotton from the interior of China to Shanghai it is expected that considerable quantities of Chinese cotton will be exported to Japan. This will result in imports into China being larger than they otherwise would be considering the size of her current Chinese crop.

Mill activity in Japan continues at a low level, and if export demand for Japanese textiles does not improve it appears likely that Japanese mill consumption will be reduced still further. This is especially likely since costs are rising and extremely large stocks of unsold textiles have already accumulated. Governmental regulations requiring the mixture of other fibers with cotton if the product is to be consumed domestically also tend to reduce the quantity of cotton consumed.

ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

American cotton: Season is late but loan stock rapidly increasing

The November estimate of cotton production of 12,847,000 bales was only 106,000 bales (less than 1 percent) greater than the estimate made a month earlier. The increase resulted from an increase of 2.1 pounds in the estimated yield per acre. The 1940 crop has matured much later than usual and on November 14 the proportion of the crop that had been ginned was the lowest since 1928.

Cotton loans completed by Commodity Credit Corporation on the 1940-41 crop through November 25

Week ending Monday	Weekly total: Bales	Cumulative total: Actual quantity (bales)	Cumulative total: Percentage of total on Nov. 25
	Number	Number	Percent
Sept. 9 1/	2,701	2,701	.1
16	10,092	12,793	.6
23	60,899	73,692	3.6
30	84,901	158,602	7.6
Oct. 7	173,464	332,066	16.0
14	219,140	551,206	26.6
21	290,233	841,439	40.6
28	285,131	1,126,570	54.3
Nov. 4	296,858	1,423,428	68.6
12 2/	226,654	1,650,082	79.6
18	271,432	1,921,514	92.7
25	152,036	2,073,550	100.0

Compiled from records and reports of the Commodity Credit Corporation.
1/ First day any loans on the 1940-41 crop were made.
2/ November 11 was a holiday.

From early September, when the first 1940 Government loans on cotton were made, to early November the number of bales per week placed under loan increased. Following the peak reached during the week ended November 4, when loans were completed on nearly 300,000 bales, the number of bales entering the loan declined sharply. Up to November 25, a total of 2,073,550 bales had been certified to Commodity Credit Corporation as collateral for Government loans. This includes 262,305 bales on which loans were made to cooperatives, and raised the total of Government owned and held stocks to approximately 10.2 million bales. It is highly probable that these figures underestimate the current 1940 loan stocks because of the lag in reporting them to the Commodity Credit Corporation. A much higher proportion of the cotton crop is entering the Government loan in Texas than in any other States.

In spite of an anticipated greater domestic consumption than ever before, exports are expected to be so small this year that the total disappearance of American cotton will be less than the current crop, with the result that the domestic carry-over on July 31, 1941 will be considerably greater than it was on August 1, 1940.

Foreign countries: Larger crop in prospect for 1940

In late October it was estimated that the 1940 cotton crop in foreign countries will be 17,759,000 bales. This is 2/3 million bales larger than the 1939 crop and 1/2 million bales larger than in 1938. More recently the Chinese crop has been revised upward 150,000 bales so that it is now estimated at 2,350,000 bales. This revision in China's production would require an upward revision in the estimate of total foreign production by a like amount were it not for the possibility that subsequent reports from other countries may have an offsetting effect.

Since the crop in the United States is also larger than in either of the past 2 years, the 1940 world crop is estimated to be materially larger than in 1939. Most of the major cotton producing countries are expected to have increases in production in 1940.

Reports from Bombay estimate the acreage planted to cotton acreage up to October 1 to be 18.7 million acres. This is 2 percent larger than the corresponding estimate made a year ago. Since the planting season was not yet over the total cotton acreage in India this season will not be known until somewhat later. However, during recent years about 4/5 of the acreage is planted by October 1.