

THE

Cotton

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<u>In This Issue</u>	<u>Page</u>
<u>DOMESTIC</u>	
Prices Regain Early April Loss	3
Exports Higher This Year	5
Speculative Trading Limits Reduced	7
<u>FOREIGN</u>	
Foreign Consumption Below Earlier Estimates	8
British Mills Still Slowed by Coal Crisis	9
Japanese Mill Output Up	11

SUMMARY

After a decline in early April, prices turned upward on April 15 and, during the next six trading days, rose to the highest levels since the peak of last October. At 36.60 on April 22 the 10 market average was still about 2 1/4 cents below the October peak. Factors contributing to the marked upward trend include the generally favorable reaction to wage settlements in steel and other industries, the strong demand for spot cotton to meet previous trading commitments, and a slight increase in mill buying in some areas.

The parity price of cotton advanced to a record high of 28.40 cents per pound on March 15, a cent higher than a month earlier. If parity should be as high on July 15, the loan rate for the 1947 crop would be about 27.75 cents for Middling 15/16-inch at average location.

Domestic mill consumption averaged 41,673 bales per working day in March, slightly less than in February but above the season's average for the first eight months. Through March, consumption totaled 6,919,450 bales compared with 5,957,068 bales for the same period last year. Total mill use during 1946-47 is expected to be about 10 million bales, over 3/4 million bales above last year. Exports totaled slightly under 2-1/4 million bales through February and may increase another million bales in the remaining five months. According to these estimates, the carry-over next August 1 will be 3 million bales, 60 percent less than the carry-over last August 1 and the lowest since 1929.

About the same number of workers are on farms in the Cotton Belt this spring as a year ago. Slightly fewer were reported as hired workers on April 1 but more were among the family worker group.

Somewhat more fertilizer will be available in the Cotton Belt this year than last but not enough for the demand, particularly for nitrogen fertilizer along the Atlantic seaboard and in the Mississippi Delta.

STATISTICAL SUMMARY

Item	Unit or base period	1946		1947		Perce of yea ago
		March	Jan.	Feb.	March	
Prices:						
Middling 15/16-inch, 10 markets	Cent	26.97	31.88	33.31	35.15	130
Farm, United States	Cent	22.70	29.74	30.56	31.89	140
Parity	Cent	22.32	26.66	27.40	28.40	127
Farm, percentage of parity	Percent	102	112	112	112	109
Premium of 1-1/8 inch over basis 1/						
Memphis	Point	115	170	202	161	140
Carolina "B" mill area	Point	350	375	406	349	99
Cloth, 17 constructions	Cent	48.93	83.34	85.42	88.19	180
Mill margin, 17 constructions	Cent	22.57	51.60	52.36	53.37	236
Cottonseed, farm price	Dollar	47.50	90.40	88.20	88.00	185
Cottonseed, parity	Dollar	40.60	48.50	49.80	51.60	127
Cottonseed, farm pct. of parity	Percent	117	186	177	171	146
All kinds during month, total	:1,000 bales	804.3	947.0	840.5	875.1	108
All kinds cumulative, total	:1,000 bales	5,957.1	5,203.9	6,044.3	6,919.4	116
All kinds per day, total	:Bales	38,283	42,090	42,023	41,673	108
All kinds, annual rate	:Millionbales	9.8	10.8	10.8	10.7	109
American-Egyptian cotton, Total	Bale	1,802	1,004	767	493	27
American-Egyptian, cumulative	Bale	13,985	5,990	1,869	7,250	51
Foreign cotton, total	Bale	18,119	23,401	20,443	22,230	122
Foreign cotton, cumulative	Bale	116,193	132,831	98,074	175,504	151
Stocks, end of month:						
Consuming establishments	:1,000 bales	2,391.3	2,259.0	2,250.6	2,257.5	94
Public storage and compresses	:1,000 bales	8,616.3	5,234.7	4,282.5	3,354.1	38
Total 2/	:1,000 bales	11,007.6	7,493.7	6,533.1	5,611.6	51
Egyptian cotton, total 2/	Bale	65,357	68,415	62,608	54,208	82
American-Egyptian cotton, Total 2/	Bale	21,423	6,459	6,387	6,463	30
Exports:						
All kinds, during month	:1,000 bales	318.9	289.7	385.1	3/	4/153
All kinds, cumulative total	:1,000 bales	2,001.3	1,849.1	2,234.2	3/	4/132
Imports:						
All kinds, during month	:1,000 bales	39.6	10.5	10.4	3/	4/ 40
All kinds, cumulative total	:1,000 bales	200.4	169.2	179.6	3/	4/ 93
Index numbers:						
Cotton consumption	:1935-39=100	147	161	161	160	108
Prices paid, interest, and taxes	:1910-14=100	180	215	221	229	127

1/ Premiums for Middling 1-1/8 inch, based on near active month futures at New York.
 2/ Includes only stocks in mills and public storage and at compresses.
 3/ Not available.
 4/ Percentage comparison between February 1947 and February 1946.
 Compiled from official sources.

Total consumption of cotton in foreign countries during 1946-47 is expected to exceed the 1945-46 rate by about 2 million bales and it is estimated that world consumption will be about 26 million bales. World Carry-over August 1, 1947 is now estimated at slightly over 16 million bales, about a million bales less than the 1935-39 average.

Consumption is running lower in a number of European countries than was estimated earlier, primarily because of limited power and fuel supplies. Limited foreign exchange in Spain and Poland, by preventing purchases of sufficient raw cotton has kept mill output at a very low level. In the Far East, Indian mills are using about three-fourths as much cotton as in 1945-46, primarily because of strikes of textile workers. Cotton consumption in China this year is expected to be almost 2 1/2 times that of last year.

The fuel crisis in Great Britain which appeared immediately after the Christmas holidays continued to limit cotton mill operations early in March. Weekly mill consumption averaged only 15,000 bales during the first weeks in March compared with the November-December rate of about 35,000 bales. Employment in the British textile industry in December was only 3/4 of the 1939 average even though 20 percent above June 1945.

Cotton yarn and cloth production in Japan increased more than 800 percent during 1946 and, in January 1947, was running at the equivalent of about 65,000 bales of raw cotton. Slightly over 850,000 bales of the cotton being supplied Japan by the U. S. Government had been received by April 1 and about 450,000 bales had been used by the spinning mills. Supplies on hand plus about 50,000 bales yet to be received are expected to run the mills until about October 1. Slightly over 300 million yards of cloth produced in Japan had been turned over to the U. S. Commercial Company through March 31, 1947, in exchange for raw cotton. Most of the cloth has been sold with small countries in the Far East taking about two-thirds of the total.

The Allied Military Government recently proposed a plan for developing the Japanese textile industry to an ultimate capacity of 4 million spindles. An intermediate objective of 3-1/2 million spindles is planned. Capacity of 3-1/2 million spindles would produce slightly over 400 million pounds of cotton products for domestic consumption and about 250 million pounds for export. This would be equivalent to slightly less than 1-3/4 million bales of raw cotton and compares with an average of about 3-1/4 million bales for 1935-39. The industry now has about 2-3/4 million spindles in place, of which 1-3/4 millions were operating in January. This compares with 11-1/4 million spindles in 1939 of which about 8-1/4 million were active.

THE DOMESTIC SITUATION

Prices Regain Early April Loss

After a decline in early April prices turned upward on April 15 and, during the next six trading days, rose to the highest levels since the peak of last October. At 36.60 on April 22 the 10 market average was still about 2-1/4 cents below the October peak. Factors contributing to the marked upward trend include the generally favorable reaction to wage settlements in steel and other industries, the strong demand for spot cotton to meet previous trading commitments, and a slight increase in mill buying in some areas.

Mill buying as a whole is still at a comparatively low level and spot sales are running a third smaller than a month earlier. Sales in the 10 spot markets averaged 69,550 bales between March 21 and April 17, compared with an average of 109,200 bales during the previous four weeks and 112,375 bales during the same period last year.

During the first half of April, prices weakened in part as a result of the tendency of mill buyers to withhold commitments awaiting further information on 1947 crop prospects and a better opportunity to evaluate the demand for textiles during the next several months. Activity in the textile markets declined during the first two weeks in April.

Lack of exchange is limiting exports of cotton to some countries. Shortages of electricity and coal in several European countries have reduced mill consumption and will continue to be a limiting factor for the remainder of the year.

March 15 Parity at 28.40 Cents,
One Cent Higher Than Month Earlier

The parity price for cotton on March 15 was 28.40 cents per pound, a new record. This price is one cent over the February 15 parity price and more than 6 cents above that of March 15, 1946. If parity should be as high on July 15, the loan rate in 1947 would be about 27.75 cents per pound for Middling 15/16-inch at average location. On April 15, the parity equivalent of Middling 15/16-inch in the 10 spot markets was 27.88 cents per pound.

March Consumption Rate Off from February--
Season Total Estimated at 10 Million Bales

Domestic mills used an average of 41,673 bales per working day in March compared with 42,023 bales in February. The index of cotton consumption for March was 160 compared with 161 for February and was about 4 points above the average for this season. The total of 875,124 bales consumed in March compared with 840,463 bales in February and is the highest March consumption since 1944. Consumption through March totaled 6,919,450 bales, up one million bales from the total for the same period last year. Allowing for a somewhat greater than seasonal decline in mill operations during the last four months, total consumption during 1946-47 is estimated at about 10 million bales.

Mill margins again increased to a new record level in March, averaging 53.37 cents compared with 52.36 cents in February and 22.57 cents in March of last year. Mill margins averaged 21.90 cents for the 1945-46 season and 12.90 cents during 1935-39.

Controls on the export of cotton textiles were removed on March 15 by the Office of International Trade, Department of Commerce. This action was taken, according to OIT, because of the increasing rate of textile production in the United States, and the substantial increase expected during 1947 from such prewar producers as Japan, Germany, France, and Italy. The increased world supply will, it is believed, lessen foreign demand for United States production.

Export controls on cotton textiles were put into effect in the summer of 1942. About 234 million square yards of cloth and 7.5 million pounds of yarn were exported annually during 1934-38. During the war export demand increased and quotas were established. About 575 million square yards of cloth and almost 16 million pounds of yarn were exported annually in 1942-45.

Exports Through February Totaled
2 1/4 Million Bales--Another Million
Estimated To Go This Season

Exports through February totaled slightly over 2 1/4 million running bales compared with 1.7 million bales for the same period last year. This includes about 800,000 bales that were exported by UNNRA largely to China and Yugoslavia and exports to Germany and Japan in exchange for textiles under the agreement between the United States and the Allied Military Governments of these countries. Leading major exports to other countries include: the United Kingdom, 264,031 bales; Italy, 289,388 bales; France, 228,659 bales; Canada, 189,079 bales; and China, 175,989 bales.

Registrations for export this season under the Export Sales Program totaled nearly 2.3 million bales through April 12. This includes registrations made prior to last August 1, for which shipment had not been made. Registrations under this program have varied considerably each week since February 13, when the subsidy was reduced from 4 to 2 cents per pound. In March, 950 bales were registered during the third week and 18,200 bales in the fourth. Weekly registrations between August 1, 1946, and the second week in February averaged 41,200 bales.

The Production and Marketing Administration notified exporters early in April that shipments under the Export Sales Program must be completed not later than June 30, 1947. Exporters are liable for damages of 10 cents per pound and the loss of the export payment if registered exports have not been shipped by this time.

1947 Carry-over Estimated
At 3 Million Bales

The August 1, 1947, carry-over of all cotton in the United States is expected to be about 3 million bales. This is 60 percent less than the last August carry-over of 7 1/2 million bales, and would be the lowest since the 1929 carry-over of slightly over 2 1/4 million bales. The total supply for the 1946-47 season is estimated at 16 1/4 million bales, and is made up of 7 1/2 million bales carry-over last August 1, 8 1/2 million bales in season ginnings, and 1/4 million bales imports. The supply this year is equal to about 80 percent of the 20.1 million bales available in 1945-46. Total disappearance is estimated at 13 1/4 million bales and is made up of 10 million bales used by domestic mills and estimated exports of 3 1/4 million bales. The estimate of 13 1/4 million bales for this year is slightly over 1/2 million bales above the disappearance last year.

Farm Labor Force in Cotton Belt
About Same as Last Year

A total of 4.7 million workers was reported on farms in the Cotton Belt ^{1/} on April 1 only 0.4 percent more than for a year earlier. Family workers made up most of the increase, particularly in the South Central areas. Total number of workers on farms for the country as a whole although seasonally low, was 1.3 percent larger on April 1 than a year ago. Employment on farms in the Cotton Belt last year averaged 5.2 million workers slightly above the 1945 average, but 4 percent below the 1940-44 average and 12 percent below the 1935-39 average.

^{1/} Includes the South Atlantic States, East South Central and West South Central States.

Total Fertilizer Supplies Up but Not
Adequate for Demand in Cotton States

A record quantity of fertilizer is available this year and farmers are expected to use a somewhat larger quantity than in 1945-46 and more than twice the average used during 1935-39. The demand has increased more rapidly than supplies, however, and some farmers may not be able to get either the quantity or the kind of fertilizer they desire.

The supply of fertilizer in the Cotton Belt this year compared with 1946 is expected to be about the same as for the country as a whole. Shortages may develop in some areas, since the allocation program is not in effect and the demand is particularly heavy in areas that previously have not used a considerable quantity of fertilizer for special purposes.

Supplies of nitrogen fertilizer for direct application are expected to be smaller than last year particularly in two areas. The Atlantic Seaboard States will have less mainly because the shortage of soda ash has reduced production of synthetic nitrate of soda. In the Mississippi Delta, exceptionally large quantities of fertilizer were available last spring. Supplies will be lower this year due to some delay in imports, and to the fact that new uses are receiving more of the domestic production.

Imports of Chilean nitrate of soda this year are expected to total about 600,000 tons, only slightly less than last year. Because shipments were delayed in the last half of 1946, less than one-half of the total had been received by April 15. However, loading facilities in Chilean ports are being used to capacity. Three-fourths of the fertilizer is being shipped to the United States, where it is unloaded, bagged, and sent directly to areas where seasonal demands are particularly heavy.

In a review of the current situation, a special committee of the Department of Agriculture estimated that under favorable conditions a total of about 757,000 tons of nitrogen, 1,525,000 tons of phosphoric acid, and 750,000 tons of potash will be available to all farmers in 1946-47. This compared with 702,000 tons of nitrogen, 1,444,000 tons of phosphoric acid, 740,000 tons of potash used last year. The annual average during 1935-39 is 371,000 tons of nitrogen, 720,000 tons of phosphoric acid, and 375,000 tons of potash ^{2/}.

In 1945, farmers in 12 of the Cotton States used almost 60 percent of the total fertilizer tonnage used in the United States. About 21 percent of the total used in these States was applied to cotton. Fertilizer was applied to about half of the cotton acreage in 1945 and 1946 compared with an average of 41 percent during 1935-44. Only 8.8 million acres of cotton received fertilizer in 1946 compared with the 1935-44 average of 10.3 million. However, the rate of application was 337 lbs. per acre compared with 286 lbs. in 1935-44. Total fertilizer used was about 1.5 million tons in both periods.

^{2/} Preliminary report of Subcommittee to Survey the 1947 Fertilizer Situation February 10, 1947, and supplementary table submitted March 24.

CCC to Pool 1946-Crop Cotton Under Loan

On March 20, the Department of Agriculture announced that all 1946 crop cotton, including American Egyptian, still under loan on August 1, 1947, will be pooled for producers' accounts by the Commodity Credit Corporation. The loans mature July 31, 1947. Of the 124,605 bales of 1946 crop cotton placed under loans through April 12 1947 loans were outstanding on 46,055 bales. Producers are urged by the CCC to give serious consideration to marketing the loan cotton before it is placed in pools. At present market prices, farmers should be able to dispose of this cotton at prices that will net them substantial profits above the loan and charges against the cotton.

Speculative Limit on Futures Trading Reduced

On April 3, the Commodity Exchange Commission issued a ruling to become effective May 10 limiting speculative positions in cotton futures to 30,000 bales in any one future or in all futures combined on any one market. This changes the previous limit of 30,000 bales in each of the seven active futures, or a combined total of 210,000 bales on any one market. The new limit applies to the net position, long or short, of speculative traders only and does not change the present limit of 30,000 bales per future for daily speculation and purchases and sales. Bonafide hedging positions are not affected.

Reduction in limits on speculative positions was proposed at a public hearing before the Commodity Exchange Commission last December 10. The hearings were called as a result of the price breaks that occurred between October 16 and 20 last year. The price break was the most rapid in recent history and resulted in closing the futures markets on three days during the following two weeks. Tentative results of investigations by the Commodity Exchange Authority, which were then incomplete were presented at the hearings and were the basis for the recommendations that the limits for speculative trading be reduced.

A final summary of the complete investigations by the Commodity Exchange Authority was issued in March and attributes the unusual speculation in cotton prior to the October price break to the following developments in the first nine months of 1946: "the heavy postwar demand for cotton and relatively short supplies; the uncertainty as to the continuation of OPA; the shift in speculative interest to cotton futures when stock margin requirements were raised to 100 percent; and the sharp reduction in margin rates by the cotton exchanges following the expiration of the Price Control Act". 3/

1946 Per Capita Consumption
At Record Peacetime Level, Cotton's
Share of Total Fiber Use Declines

Domestic mill consumption of cotton per capita averaged slightly under 34 pounds during the 1946 calendar year when U. S. mills used a total of 9.8 million bales. The 1946 rate was 5 percent higher than in 1945, 23 percent above the 1939 rate and the highest peacetime average on record. It was exceeded during 1941-44 when military uses, including exports of cloth, were estimated to be 20 to 40 percent of the total cotton consumed. Consumption during these 4 years averaged slightly over 38-1/4 pounds per person, or 13 percent higher than in 1946.

3/ "Collapse in Cotton Prices October 1946." CEA, USDA, March 1947.

The high rate of cotton consumption in 1946, compared with prewar years, can be attributed to a combination of factors. Depleted inventories after the war, heavy purchases by consumers and the high level of exports are the more important factors. The high level of industrial activity also contributed to higher consumption. These factors are not likely to have as much effect in 1947 to the extent that inventories were rebuilt in 1946 and consumer expenditures are shifted to other items, particularly durable goods. However, since 1946 supplies were not adequate for the demand, consumers might this year buy the equivalent of the 1946 per capita rate.

Despite the high rate of cotton consumption per capita, cotton's share of per capita consumption of apparel fibers declined from 76.0 percent in 1945 to 74.9 percent in 1946. Per capita rayon consumption increased 13 percent from 5.5 pounds to 6.2 pounds, and wool 15 percent, from 4.6 to 5.3 pounds. Wool and rayon together made up over 1/4 of the total fiber consumed. In 1939, rayon and wool made up less than 1/5 of the total fiber used.

THE FOREIGN SITUATION

Foreign Consumption Expanding Less Rapidly than Earlier Estimated

Consumption in foreign countries during 1946-47 is expected to exceed the 1945-46 rate by slightly over 2 million bales. This is about 60 percent of the increase suggested last fall in connection with the outlook program. However, domestic consumption is running higher than was expected and world consumption this year tentatively estimated at 26 million bales, only a million bales under last fall's forecast. World consumption during 1945-46 totaled a little over 23 million bales and during 1935-39 averaged 28-1/2 million bales. World carry-over August 1, 1947 is now estimated at slightly over 16 million bales, about a million bales less than the 1935-39 average. Present estimates are based on reported consumption and imports of raw cotton for the first three to five months for most of the major consuming countries and miscellaneous reports of mill activity for the majority of other countries.

Consumption is not running as high as earlier estimated in India, Great Britain, Italy, Germany, Spain, Poland, and France. Numerous factors have caused the rate of mill use to be less than was expected. The greatest reduction occurred in India where consumption during the August-February period ran at about 3/4 of the rate a year earlier. Strikes among mill workers were the chief cause of this decline. Great Britain has not increased consumption significantly above the 1945-46 rate and more recently the fuel shortage further retarded progress. In France, Germany, and Italy, fuel and power shortages slowed down expansion in mill output. In Italy, the increased demand for electricity for other industries forced many mills to operate only four days per week or less during December and January. Mill operations in Spain and Poland are being cut down because of a shortage of raw cotton. Lack of exchange with which to buy cotton has prevented Spain from keeping adequate supplies on hand, and there is little chance that this situation will improve. Poland has obtained a large part of her cotton from Russia, and cannot readily obtain supplies elsewhere. Prospective supplies for the remainder of the year are not sufficient to keep mills operating at the past six-month rate, which was equal to the prewar level.

China is the only major consuming country that has made more rapid progress than was expected. Abundant labor supplies and some assistance from the American ~~forces~~ in supplying fuel for cotton mills are the main factors causing the rapid increase in production. Shortage of exchange is now preventing the purchase of additional supplies of American cotton. However, present supplies should be adequate to keep mills operating during the rest of the year at the average rate for the first half of the season.

In the South American countries, consumption is expected to run about the same as last year. These countries generally have increased domestic consumption during the last few years. Consumption totaled 1-1/2 million bales last year compared with the 1934-38 average of 900,000 bales. In Central America, consumption has increased similarly compared with the prewar period. Mexico is the major cotton producing and consuming country in this group. Consumption in Mexico last year totaled about 370,000 bales, compared with an estimated 1934-38 average of 240,000 bales. Mills have been running at about the same rate this season as during last year, but considerable difficulties are reported to have been encountered in exporting as much cloth. These export difficulties may result in some decrease in domestic mill consumption this year.

In Canada, mill consumption is running about the same as last year, but substantially below the rate forecast last fall. After the strikes were settled last August, mill operators were not able to attract as many new workers as expected. Consumption this season is estimated at 375,000 bales compared with 371,000 last year. During 1934-38 consumption averaged 265,000 bales, and a wartime peak of 507,000 was reached in 1941.

British Mill Consumption Down from
Late 1946 Rate-- Employment Up
Since End of War

The 25 percent gain in British mill consumption during 1946 was more than offset by the fuel crisis that developed in January and continued to limit mill operations in March. At one time about 70 percent of the spinning and weaving sections of the industry was shut down because of the fuel crisis. Cotton consumption the first half of March was running at 15,000 bales per week compared with 35,000 bales before the coal crisis. Yarn production for the week ending February 22 totaled 4.5 million pounds compared with the November-December weekly average of 15.0 million pounds. Because of reduced output, allocation of cotton yarn for the production of goods for export during the first quarter of 1947 was reduced to 15,000 tons, or only 60 percent of the allocation for the previous quarter of 1947 was reduced to 15,000 tons, or only 60 percent of the allocation for the previous quarter.

Employment in the British textile industry in late 1946 was only 75 percent of the June 1939 average even though 20 percent above June 1945. (See table 1.) Employment in cotton spinning and weaving was 76 and 72 percent of June 1939, but 24 and 12 percent above June 1945. The gain over 1945 may be partly due to the special programs that were carried out in 1946 for recruiting new workers and encouraging old workers to remain on the job.

Table 1. - Employment in textile and clothing industries, Great Britain, December 1946 compared with June 1939 and June 1945 ^{1/}

	: Dec. 1946 as a percent of				
	: June : 1939	: June : 1945	: Dec. : 1946	: June : 1939	: June : 1945
	: 1,000	: 1,000	: 1,000	: Percent	: Percent
Textile industries	: 983	: 619	: 740	: 75	: 120
Cotton spinning	: 135	: 114	: 141	: 76	: 124
Cotton weaving	: 155	: 99	: 111	: 72	: 112
Woolen and worsted	: 208	: 130	: 161	: 77	: 124
Silk, rayon, nylon, etc.	: 72	: 46	: 60	: 83	: 130
Hosiery	: 126	: 63	: 79	: 63	: 125
Bleaching, dyeing, finishing, etc.	: 80	: 52	: 62	: 78	: 119
Other textiles	: 162	: 116	: 126	: 78	: 109
Clothing industries	: 631	: 403	: 502	: 80	: 125
Tailoring	: 235	: 172	: 206	: 88	: 120
Shirt, collar, etc., making	: 94	: 52	: 63	: 67	: 121
Hats and shoes	: 155	: 95	: 116	: 86	: 122
Other clothing industries	: 168	: 83	: 117	: 70	: 141

^{1/} Compiled from "Monthly Digest of Statistics."

Employment in cotton spinning and weaving was about the same, compared with 1939, as for the industry as a whole. Employment in silk, rayon, nylon, etc. though amounting to less than 10 percent of total employment in the industry was higher in December, compared with 1939, and showed a larger percentage gain than any other section of the industry. Employment in the woolen and worsted industry was equal to 77 percent of the 1939 level, or about the same as for cotton. The percentage increase in spinning and weaving workers since June 1945 was the same as for the cotton spinning industry.

The labor shortage partly results from the Government program for recruiting labor for the munitions industry during the war. Efforts were made during 1946 to get prewar workers back to textile mills and particularly into the spinning industry. Early in 1946 wages were increased about 10 percent and near the end of the year the working week was reduced from a 6-day, 48-hour week to a 5-day, 45-hour week.

The Government moved further toward state control of the cotton industry in March 1946 when it announced intentions to establish a permanent Cotton Buying Commission that would continue the function of the wartime Cotton Control Board and thus prevent reopening the Liverpool Market. A bill to establish a buying agency was introduced in the House of Commons on December 2. ^{4/} A Cotton Advisory Committee was set up last August to advise the Cotton Controller on purchases and sales of raw materials and on other matters pertaining to the industry pending the establishment of the permanent Cotton buying Commission.

^{4/} This bill is reported to have passed the House of Commons about April 15.

One report of this committee is of special interest. Because of the shortage of the dollar exchange, the report stated, it is desirable to encourage further growing of raw cotton within the sterling area, particularly in the African colonies. When the new Cotton Buying Commission is established it may encourage the growing within the Empire of the qualities of cotton most likely to be required by the Lancashire mills. Establishment of the Cotton Buying Commission is opposed by the cotton merchants and spinners and by the Liverpool Trade Association. These groups contend that the services of experienced brokers, and the wide choice in quality formerly furnished by the trade, will not be available.

Japanese Cotton Textile Production
Increased Several Times in 1946

During 1946, cotton yarn and cloth production in Japan increased over 800 percent from the low rate at the beginning of the year. Cloth production increased from 5.6 million yards in January to 50 million yards in December. Because of earthquakes which disrupted power supplies in certain sections, production dropped to 47 million yards in January 1947. The January rate was equivalent to 66,000 bales of raw cotton. The rate of production is now back to about the December level,

Table 2. - Number of spindles and looms operating, quantity of cotton used and quantity of yarn and fabric produced in Japanese textile mills for specified months since the end of World War II ^{1/}

Date	Spindles operating	Looms operating	Cotton used	Production	
				Yarn	Fabric
	1,000	1,000	Number bales	1,000 lbs.	1,000 sq. yd.
1945			^{2/}		
November	^{3/}	^{3/}	^{3/}	2,666	4,999
1946					
January	^{4/} 364.8	^{4/} 33.4	^{4/} 4,293	3,069	5,621
April	490.4	35.6	5,837	4,052	5,709
July	824.4	40.0	20,027	8,290	12,957
October	1,624.3	54.0	52,196	20,930	39,435
1947					
January	1,734.7	74.9	66,000	26,980	47,047

^{1/} Data taken from reports of Civil Affairs Division, War Department, except January 1947 from March 5 issue of N. Y. Journal of Commerce.

^{2/} Pounds of cotton reported used converted to bales by dividing by 478 lb.- January figure estimated.

^{3/} Not reported.

^{4/} Figures for February substituted as January data were not reported.

Rehabilitation of the Japanese textile industry is being carried on under the supervision of the Allied Military Government. Raw cotton is being furnished by the U. S. Government.

OFFICIAL BUSINESS

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- 12 -

Slightly less than 900,000 bales of cotton are being supplied to Japan from Commodity Credit Corporation stocks and about 850,000 bales had reached Japan by April 1. Sufficient yarn and woven fabrics are set aside from mill output to pay for the raw cotton. According to the Allied Military Government, about 450,000 bales had been used by April 1. It is estimated that supplies on hand plus about 50,000 bales yet to be received will run the mills through the summer months. Slightly over 300 million yards of cloth had been received through March 31, 1947 by the U. S. Commercial Company, the selling agency for the Government. Most of this cloth had been committed for sale with more than two-thirds going to the small countries in the Far East, and most of the remainder to the United Kingdom, Turkey, and Sweden. A number of other countries have shown interest in these goods.

A recent report issued by the Chief of the Textile Division, Economic Section, S.C.A.P., outlines plans of the Japanese Government and recommendations of the Allied Military Government for development of the Japanese cotton textile industry. 5/ Plans call for an ultimate plant capacity of 4 million spindles.

In the meantime, temporary plans call for a capacity of 3.5 million. This would produce sufficient textiles for home use and allow a reasonable amount for export. About 428 million pounds of cotton products are needed to provide for domestic consumption about equal to the 1930-34 average. Approximately 4/5 of this would be required by consumers and the remainder by industry. Exports would be about 25 million pounds, enough to pay for the raw cotton used. Producing the quantities of textiles for home consumption and export suggested under this program would require about 1+3/4 million bales of raw cotton. This would be slightly less than the average annual consumption in 1930-34.

The industry now has about 2.7 million spindles in place of which 1.7 million were operating in January. Another 1.2 million spindles are in storage. At present about 136,000 looms are in place of which 75,000 were operating in January. According to consular reports, Japan had 11.5 million spindles during the first quarter 1939 of which about 8-1/4 million were active.

5/ See New York Journal of Commerce for March 5 and April 7.