

## Cotton

## SITUATION

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## SUMMARY

Production from the 1947 cotton crop was estimated at 11.8 million 500-pound gross weight bales by the Crop Reporting Board based on conditions as of August 1. This estimate is 3.2 million bales larger than the 1946 crop of 8.6 million bales but is a half million bales less than the 1936-45 average. Lint yield per acre for the United States is computed at 270.8 pounds, 35.5 pounds more than last year's yield and 20.2 pounds above average. Prospective production is larger than last year in all states except South Carolina. Texas, with an increase of around 1.5 million bales accounts for nearly half the gain.

Cotton prices increased sharply in mid-July, rising to 39.35 cents, or almost 1/2 cent above the peak of last October and the highest level since 1920. During the last half of the month prices declined slightly over 3 cents and at the end of the month were near 3/4 cent below prices a month earlier.

The July 15 parity price of cotton is 28.64 cents a pound, the same as the record high of June 15. The loan rate for the 1947 crop is 27.94 cents per pound for Middling 15/16-inch cotton at average location. This compares with 24.38 cents per pound for Middling 15/16-inch cotton from the 1946 crop.

Domestic mills used an average of 34,680 bales per working day in June, a decline of 10 percent from the 38,476 bales per working day in May. This is greater than the usual seasonal decline and is attributed mainly to longer vacation periods for mill workers and to some out-backs because of a weakening of demand for certain types of cloth. However, through June of this season consumption totaled 9.4 million bales, nearly a million bales more than for the first 11 months of last season. Total consumption for the 1946-47 season is estimated at 10.0 million bales compared with 9.2 million bales in 1945-46.

Raw cotton exports from last August 1 through May totaled 3,155,000 bales. Indications are that about 300,000 bales were exported during June but that exports for July were exceptionally small. Total exports for the 1946-47 season are estimated at 3.5 million bales compared with 3.6 million bales last year. Of this total, slightly over a million bales were exported under various Government programs, and the remainder through commercial channels.

The August 1, 1947 carry-over of all cotton in the United States was probably about 2-3/4 million bales. This is the lowest since 1929 and compares with 7-1/2 million bales carried over a year ago.

United States cloth production in 1946 was slightly over 9 billion yards or 8 percent larger than in 1937-39. For the first quarter of 1947, the annual rate was 8.6 percent above the first quarter 1946 and 17 percent higher than the 1937-39 average. For most fabrics the first-quarter rate was from one-fifth to one-half larger than the 1937-39 average, but for colored yard goods and related fabrics the rate was 2 percent below the 1937-39 period.

Exports of cotton textiles ran at an annual rate of 1.5 billion yards during the first six months of 1947 compared with exports of 775,000,000 in 1946 which was the highest since 1920.

During the postwar years 1945-46 and 1946-47 the world position of cotton has undergone a striking transformation. World consumption of commercial and non-commercial cotton in the season ending July 31, 1947 is tentatively estimated to have been much larger than the preceding year but only about 95 percent of the pre-war (1934-5/1938-9) average. Production, on the other hand, while a little larger than in 1945-46 was roughly one-third less than the pre-war average. Although production is now edging upward, it has not yet given indications of the rebound which many expected would follow the war's conclusion.

The world carry-over of cotton has dropped sharply from the all-time peak in August 1945. The reduction in 1945-46 was at least 3 or 4 million bales and for the season just ended the carry-over is expected to decline by this amount or more. August 1, 1947 world stocks are expected to be about a third less than 2 years ago.

International trade in raw cotton may be a million bales less in 1946-47 than in 1945-46 and 4-1/2 million bales less than the 1934-39 average. During 1946-47 several importing countries have drawn heavily on their stocks and, consequently, their imports in 1947-48 will likely be nearer their rate of consumption.

World rayon production increased 18 percent in 1946 over 1945 and was the equivalent of slightly less than 4 million bales of cotton. Production in the United States increased 8 percent and was the equivalent of 2 million bales of cotton. Compared with the peak year 1941, world production is still down about 40 percent, but is increasing rapidly in a number of European countries, particularly in Belgium, Italy, France, and the United Kingdom.

STATISTICAL SUMMARY

Item	Unit or base period	1946		1947		Percent of year ago
		June	April	May	June	
<b>Prices:</b>						
Middling 15/16-inch, 10 markets	Cent	29.15	35.13	35.99	37.18	127.5
Farm, United States	Cent	25.98	32.26	33.50	34.07	131.1
Parity	Cent	23.31	28.52	28.40	28.64	122.9
Farm, percentage of parity	Percent	121	113	118	119	98.3
Premium of 1-1/8 inch over basis 1/						
Memphis	Point	175	318	360	361	206.3
Carolina "B" mill area	Point	316	482	505	534	169.0
Cloth, 17 constructions	Cent	50.72	86.15	83.54	83.34	164.3
Mill margin, 17 constructions	Cent	21.94	51.25	47.86	46.46	211.8
Cottonseed, farm price	Dollar	51.50	88.00	83.70	79.60	154.6
Cottonseed, parity	Dollar	42.40	51.90	51.60	51.90	121.4
Cottonseed, farm pct. of parity	Percent	121.5	169.6	162.2	153.4	126.3
<b>Consumption:</b>						
All kinds during month, total	:1,000 bales:	792.3	882.9	827.2	728.3	91.9
All kinds cumulative, total	:1,000 bales:	8,433.6	7,802.3	8,629.6	9,357.8	111.0
All kinds per day, total	: Bales	39,633	40,131	38,476	34,679	87.5
All kinds, annual rate	:Million bales	10.1	10.3	9.9	8.9	88.1
American-Egyptian cotton, Total	: Bale	1,113	635	613	534	48.0
American-Egyptian, cumulative	: Bale	18,516	7,885	8,498	9,032	48.8
Foreign cotton, total	: Bale	21,129	21,842	17,762	16,493	78.1
Foreign cotton, cumulative	: Bale	177,826	197,346	215,108	231,601	130.2
<b>Stocks, end of month:</b>						
Consuming establishments	:1,000 bales	2,281.2	2,112.3	1,928.8	1,677.0	73.5
Public storage and compresses	:1,000 bales	5,379.6	2,506.7	1,836.0	1,229.8	22.9
Total 2/	:1,000 bales	7,660.8	4,619.0	3,764.8	2,906.8	37.9
Egyptian cotton, total 2/	: Bale	49,024	36,821	30,062	56,654	115.6
American-Egyptian cotton, Total 2/	: Bale	7,881	6,129	5,066	3,428	43.5
<b>Exports:</b>						
All kinds, during month	:1,000 bales:	409.9	275.1	248.5	3/	4/ 54.4
All kinds, cumulative total	:1,000 bales:	3,164.5	2,906.3	3,154.9	3/	4/ 113.6
<b>Imports:</b>						
All kinds, during month	:1,000 bales:	18.6	9.9	10.7	3/	4/ 25.0
All kinds, cumulative total	:1,000 bales:	316.6	203.1	213.8	3/	4/ 70.1
<b>Index numbers:</b>						
Cotton consumption	:1935-39=100:	152	154	14.8	133	87.5
Prices paid, interest, and taxes	:1910-14=100:	188	230	229	230	122.3

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 May 1947 and May 1946.  
 Compiled from official sources.

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THE DOMESTIC SITUATION

1947 Cotton Crop Estimated at 11.8 Million Bales

An 11,844,000 bale cotton crop for the United States is forecast this year by the Bureau of Agricultural Economics. This is 3,204,000 bales more than the 1946 crop of 8,640,000 bales--which was the smallest since 1921--but is 546,000 bales less than the 1936-45 average. This forecast in 500- pound gross weight bales is based on information as of August 1.

Lint yield per acre for the United States, computed at 270.8 pounds, is 35.5 pounds more than last year's yield and 20.2 pounds above average. The acreage for harvest this year, allowing for average abandonment of the acreage in cultivation on July 1, is computed at 20,989,000 acres; Such an acreage would be 19.2 percent more than the 1946 harvested acreage but 12.0 percent less than the 1936-45 average of 23,845,000 acres.

Prospective production is larger than last year in all States except South Carolina, Texas, with an increase of around 1,500,000 bales, accounts for nearly half of the gain. Other major increases are: Mississippi 553,000 bales, Arkansas 359,000, Louisiana 278,000, and California 222,000. Only slight upturns are indicated in North Carolina and Georgia. The South Carolina prospect is down 77,000 bales from last season's crop.

In Texas, Arkansas, Louisiana and the far western States weather has been favorable and cotton prospects are very good. In the three far western States production may exceed 1,000,000 bales for the second time on record. In Mississippi prospective production is more than 50 percent larger than last year's small crop; plant development, however, is irregular and weevils are a menace in the lower Delta and in southern counties. In Georgia and in the Carolinas weevil are causing considerable damage.

Cotton Prices Advance in Mid-July  
But Decline Later

Cotton prices in the 10 markets increased sharply in mid-July to a high of 39.35 cents, or near a 1/2 cent above the peak of last October. Prices declined in the last half of July about 3 cents and were near 3/4 cent below the first of the month level. Prices for July averaged 37.52 cents compared with 37.18 cents for June and 33.44 cents for July a year ago.

Mill buying has run rather light during the last several weeks. Total weekly sales in the 10 spot markets averaged 52,000 bales for July, and 34,000 bales for June.

July 15 Parity at 28.64 Cents; 1947 Loan  
Rate Announced

The parity price for cotton on July 15 was 28.64 cents, the same as in June and 12 points higher than the previous record established in April. The July 15 parity price is used for determining loan rate for the 1947 crop which was announced by the Department of Agriculture on August 1 and is 26.49 cents per pound for 7/8 inch Middling cotton and 27.94 cents per pound for 15/16-inch Middling cotton. Loan rates this year are about 3.5 cents above the rates for the 1946 crop, in line with increases in parity since July 15 of last year.

The loan rate is established each year on the basis of 92-1/2 percent of parity as of August 1, this rate being applicable to Middling 7/8-inch cotton, gross weight. Since market quotations apply to Middling 15/16-inch cotton, the loan rate is converted to a Middling 15/16-inch basis. This is done by adding to the "Middling 7/8"-rate the average market difference between it and Middling 15/16-inch cotton during the period August 1 1946 to April 20 1947. For the 1947-48 year the difference between the loan rate for Middling 7/8 and 15/16-inch cotton will be 145 points (1.45 cents) compared with 155 points a year earlier. The premium or discounts for the various grade and staple length combinations are shown in appendix table 1.

Mill Consumption Declined More than  
Seasonal for May and June

Domestic mills used an average of 38,476 bales per working day in May and 34,679 bales per day in June. This compares with an average of 40,325 bales per working day during the first 10 months of this season. The June daily rate was almost 5,000 bales smaller than the 39,633 bales per day last June. The index of cotton consumption at 133 for June compared with 148 in May and 154 in April reflects greater than seasonal decline during the past two months. The decline is attributed mainly to longer vacations for mill workers this year, to reduced demand for certain types of cotton goods, and to some uncertainty regarding the outlook for cloth prices and margins during the fall.

The 728,000 bales consumed in June compares with 827,000 bales in May and 792,000 bales in June 1946. Consumption through June totaled nearly 9.4 million bales compared with over 8.4 million bales for the first eleven months of last season. Total consumption during 1946-47 is estimated at 10.0 million bales compared with 9.2 million bales last year.

After reaching a peak of 53.37 cents per pound in March, mill margins--the difference between the price of a pound of cotton and the equivalent amount of cloth--have declined and averaged 46.46 cents for June. This reduction in mill margins from March to June reflected both a decline in cloth prices and an increase in cotton prices.

1946-47 Exports Estimated at 3.5 Million Bales

Exports during the 1946-47 season are tentatively estimated at 3.5 million running bales, compared with 3.6 million bales last year. Through May, 3,155,000 bales had been exported, or about two-fifths of a million bales more than for the first 10 months of last season. However, shipments were exceptionally high in June and July of 1946, averaging 388,000 bales per month. Indications are that about 300,000 bales were exported this June but that exports during July were exceptionally light. About 154,000 bales for UNRRA shipments were purchased in April and May, most of which were shipped by June 30.

Registrations under the Sales for Export Program since May 8, when the subsidy payment was reduced from 2 cents to 1/2 cent per pound, have been largely for shipments from the new crop which will be exported in 1947-48. The 1/2 cent rate has been extended beyond July 31 and will continue until further announcement.

1947 Carry-Over About 2-3/4  
Million Bales

Total 1946-47 disappearance of 13-1/2 million bales is estimated on the basis of 10.0 million bales for domestic consumption and 3.5 million bales for exports. The August 1, 1947 carry-over of all cotton in the United States is estimated at about 2-3/4 million bales. The official report on the actual carry-over will be released August 18. This carry-over compared with 7-1/2 million bales a year ago and is the lowest carry-over since 1929.

1946-47 Long Staple Cotton  
Import Quota Increased 46,000 Bales

On June 14 the President signed a Proclamation permitting the entry of a supplemental quota of 23,094,000 pounds of cotton having a staple length of 1-3/8 and over but less than 1-11/16 inches. This is equivalent to 46,188 bales of 500 pounds gross weight, and is supplemental to the regular quota of 45,656,420 pounds or 91,313 bales. The increased allotment is applicable only for the current quota year ending September 19, and was granted by the President on recommendation of the Tariff Commission which held hearings early this year to determine the needs for additional cotton of these staple lengths. Depletion of domestic stocks of staple cotton 1-3/8 inch and longer as a result of the exceptional demand for the types of sewing thread and specialty yarns made from such cotton was the reason given for increasing the quota for the remainder of this year. Karnak cotton from Egypt and Pima cotton from Peru were the principal types imported to fulfill this allotment.

Following the upward adjustment in the quota, entries were made immediately for cotton already in port, and by June 23 the Bureau of Customs announced that the supplemental quota had been filled. The regular quota which opened last September 20 was filled soon after the middle of November. No more cotton of this type will be permitted to enter until the beginning of the regular quota year next September 20.

Federal Crop Insurance on Cotton Curtailed

After five years <sup>1/</sup> in which Federal Crop Insurance has been available generally throughout the Cotton Belt, the cotton crop insurance program will be reduced to an experimental basis in 1948 with this protection against unavoidable causes of loss offered in about 50 selected counties. The sharply reduced scope of the program follow heavy losses which the Federal Crop Insurance Corporation suffered in its all-risk cotton insurance program.

This experience was climaxed in 1946 with indemnities of 149,403,645 pounds of cotton representing about 51 million dollars, which is more than three times the premiums collected for cotton crop insurance in 1946. The heavy losses paid on insured cotton acreage in 1946 were about 8 percent of the total indemnities paid by the Corporation which also offered national programs on wheat and flax and experimental programs on tobacco and corn in 19 counties each. The heavy cotton losses were due to various reasons but chiefly to unfavorable weather conditions which prevailed over much of the Cotton Belt. Too little rain in the Southern Plains area of Texas resulted in extremely heavy losses while too much rain and heavy boll weevil infestation resulted in high losses in Eastern Texas and the Delta.

With a generally better season throughout the Cotton Belt to date and program changes initiated on 1947 contracts to make the program more conservative on the amount of coverage offered in the early stages, the loss experience in 1947 on cotton crop insurance is expected to be much improved over the experience of 1946. The more favorable loss prospects are illustrated by the fact that by July 1 of 1946 more than a million acres of insured cotton had been released by the Corporation for other uses as of the same date this year less than 5,000 acres had been reported as released for other uses.

1/ 1944 not included.

Demand for Cotton Textiles Strong--  
First Quarter 1947 Output Above 1946 Rate

Though mill consumption of cotton during the 1946-47 season will be about 10 million bales, higher than in any peacetime year, the demand for cotton textiles at the retail level continues comparatively firm at prices much above prewar levels.

The quantity of various types of cloth being produced currently to satisfy the expanded market of 1946 and 1947 compared with production in 1937-39 is shown in table 1. Total cloth production in 1946 was slightly over 9 billion yards, or 7.5 percent higher than the average of the years 1937 and 1939 of 8.5 billion yards. The annual rate had increased to near 10 billion yards for the first quarter of 1947. The 1947 first quarter rate of production for specialty fabrics was 47 percent higher than in 1937-39. The output of narrow sheetings and allied coarse and medium yarn fabrics, used mainly for non-apparel and work clothing, was almost 50 percent higher than in 1937-39. For all other groups except duck which was two-fifths greater, the output in the 1st quarter of 1947 ranged from 2 percent less to 27 more than in the prewar period.

Table 1.-Cotton Broad Woven Goods: Production, United States, average for 1937 and 1939, 1946, and estimated 1947

Item	Average : 1937-39		1946			1947	
	Million linear yards	Million linear yards	Actual	% of "37-39: average	Est. from 1st Qt. Prod.	% of "37-39: average	
Total .....	8,474	9,111	9,881	107.5	9,881	116.6	
Duck .....	199	234	279	117.6	279	140.2	
Narrow sheeting, allied coarse and medium yarn fabrics .....	1,589	2,191	2,360	137.9	2,360	148.5	
Print cloth yarn fabrics ...	3,132	2,881	3,152	92.0	3,152	100.6	
Colored yarn cotton goods and related fabrics .....	741	617	725	83.3	725	97.8	
Wide cotton fabrics .....	556	562	662	101.1	662	119.1	
Fine cotton goods .....	1,041	1,272	1,321	122.2	1,321	126.9	
Napped fabrics .....	486	451	495	92.8	495	101.9	
Towels, towelings and wash cloths .....	433	413	448	95.4	448	103.5	
Specialties and all other fabrics .....	298	490	439	64.4	439	147.3	

Compiled from reports of the Bureau of the Census.

In contrast with the rise of 10 percent in unfinished or gray cotton goods production, the output of finished cotton cloth was 37 percent higher in 1946 than in 1939. However, a large proportion of the increase consisted of non-apparel type fabrics, such as tobacco cloth, cheesecloth and gauze. The production of these three types of finished goods was 6-1/2 times as great in 1946 as in 1939. The output of drills, twills and jeans, used for work clothing and industrial purposes was one third higher than in 1941 (comparable data for 1939 not available) but the trend was downward during 1946 and for the first quarter 1947. The production of prints, plain and fancy, used for housedresses and other volume apparel garments, in 1946 was 10 percent ahead of 1939, and the production of broadcloth, which is important for men's shirts, in 1946 was less than half that of 1939.

Though the production of some types of cotton goods and finished cotton cloth was considerably higher in 1946 and the first quarter of 1947 than for the later prewar years, the increase is relatively small compared with the rise in income payments. It is somewhat less than the increase in the index of income payments adjusted for the rise in general consumer prices which has been less than the rise in cotton textile prices. Even though many cotton textile items are becoming much more plentiful at retail outlets and rayon products are available in much larger quantities than before the war, the demand although showing slight weakening for some items has continued comparatively strong at the current high prices.

#### First half 1947 Cloth Exports at Record Level

Exports of all types of cotton fabrics, including mixtures, totaled 727,500,000 square yards during January 1 through June 30, 1947 compared with 407,000,000 square yards during the first half of 1946. At this exceptional rate, exports during the first half of 1947 were equal to over 90 percent of the total exported in 1946, and, if continued at this average rate for the remainder of the 1947 calendar year, would approximate 1.5 billion yards. Exports in 1946 totaled 775 million square yards and were higher than for any year since 1920. The annual average for the period 1941-45 was 577 million square yards and 234 million square yards for 1934-38. The United States exported about 40 percent of the estimated total world exports of cotton cloth in 1946 compared with slightly less than 25 percent during the period 1940-44, and less than 5 percent of the world total in 1934-38 when world exports were considerably higher than for the war and postwar years.

#### Japanese Textile Sales Program Revised

The Reconstruction Finance Corporation recently modified its program permitting cloth converters and exporters to participate in the sale of textiles made in Japan from American raw cotton.



New features of the program include the expansion of the program to permit purchases by foreign importers, as well as by converters and exporters in the United States; the privilege of direct shipment from Japan to the country of ultimate destination, eliminating the necessity for bringing the textiles to the United States; the offer of 15 constructions instead of the 11 types initially offered under the program; and extension of the period for shipment from Japan to cover the months of July through October. Furthermore, offers to purchase a minimum of 200,000 linear yards may be made, whereas under the program as originally announced one million yards was fixed as the minimum acceptable offer. Otherwise, the terms of sale on the program are substantially unchanged.

New Programs for Financing of United States  
Cotton Imports into Germany and Japan

Germany

Final details of the agreement for financing the shipment of U. S. grown cotton into the zones of Germany occupied by the United States and United Kingdom are now being completed. Actual trade in cotton and shipment to Germany will be carried on through commercial channels and without direct Government participation. The American Cotton Supply Corporation, a New York corporation of American cotton shippers with a subscribed capital of \$1,000,000 from member shippers and \$19,000,000 credit from the Export-Import Bank, will supply the cotton. Its qualified members will be eligible to ship cotton. The Joint Export-Import Agency, a bizonal agency of the U.S./U.K. Military Governments, will approve the purchase of the American cotton by approved German cotton agents or merchants. The U.S. Export-Import Bank will finance the shipment of cotton by the purchase of drafts drawn by qualified shippers approved by the American Cotton Supply Company. Commitments for such drafts are not to exceed \$19,000,000 at any one time. These drafts will bear interest at 2-1/2 percent per annum and are to be taken up or paid for, together with charges, fees, etc., by the Joint Export-Import Agency, not later than 9 months after date of issuance. This agreement is to remain in effect through July 31, 1949.

The volume of cotton which may be exported to Germany under the plan of operation cannot be estimated accurately. Much will depend upon how successful the German mills are in processing the cotton and disposing of sufficient textiles to take up the bank drafts as they become due. This depends upon factors such as the number of spindles operating, coal supplies, and workers available. Guesses which have been made range from 125,000 to 175,000 bales for the 1947-48 season.

Japan

A similar agreement is being developed for Japan which is intended to require more cotton than the German plan. The plan calls for a similar but a distinctly separate company of American shippers which will be organized and will subscribe \$5,000,000 of capital and will obtain credits from the Export-Import Bank of approximately \$95,000,000, making a total fund of \$100,000,000.

Detailed arrangements as to shipment of cotton will be similar to that under the German agreement, with the Allied Military Government being responsible for the operation of the program in Japan.

The quantity of cotton that is expected to move under this agreement during the 1947-48 season is about three-fourth million bales.

These programs for supplying cotton to Germany and Japan will take the place of the processing agreements that have been in operation since the end of the war and under which U. S. Government agencies have supplied raw cotton to mills in these countries and accepted textiles as payment. Since the end of the war about 200,000 bales have been shipped to Germany and about 900,000 bales to Japan under these programs. The new programs will return to private shippers the responsibility of supplying cotton to mills in these countries.

#### THE WORLD SITUATION

##### 1946-47 World Mill Consumption Above a Year Earlier August 1 Stocks Reduced

World mill consumption of cotton during the 1946-47 season is tentatively estimated at 26 million bales, nearly 3 million bales above the 1945-46 consumption but about 2.5 million bales below the 1935-39 annual average. Total consumption this season including non-factory consumption is expected to equal about 27.5 million bales, which is equal to almost 95 percent of the pre-war annual average.

Cotton mills in the principal importing countries, such as continental Europe, Canada, China, and Japan, consumed about 8.5 million bales during 1946-47, or about 3 million bales over the previous year. Although representing considerable recovery from the low war level, the 1946-47 rate is less than 60 percent of the pre-war rate of 14 million bales.

In the countries which produce an exportable surplus of raw cotton, (with the exception of India) consumption this season is running near the wartime peak. These countries which include the United States, Argentina, Brazil, Mexico, Peru, Egypt, India, and Turkey, will consume about 15-1/2 million bales this year--compared with a pre-war average of less than 10-1/2 million bales.

The increased consumption last year together with a small commercial crop resulted in a substantial reduction in world stocks on August 1, 1947. Preliminary reports indicate a 1946-47 world commercial crop only slightly larger than the 1945-46 crop of around 20,000,000 bales which was the smallest since 1923. Various causes have contributed to the small crops since the latter part of the war despite exceptionally high cotton price compared with pre-war prices in most producing countries. Among the most important are the continued diversion of land from cotton to food crops, particularly in Egypt and the Orient; the shortage of farm labor at the prevailing wages; and unfavorable weather particularly in East Africa and areas in the Western Hemisphere, particularly in parts of the United States.

The reduction in stocks on August 1 occurred in both the principal importing and exporting countries. Many importing countries tended to use up the stocks accumulated through large imports during 1945-46. The United Kingdom, however, maintained its home stocks at a relatively high level, largely by moving in cotton acquired in earlier years and held meanwhile in the countries of production.

Several of the exporting countries reduced their stocks to the extent that they had only moderate amounts to carry over as of August 1, 1947. The United States, India, Argentina, Mexico, and Peru are in this position.

Indications now are that stocks reports for August 1, 1947 will show a greater decrease for the 1946-47 season than the decrease for the year earlier of over 3 million bales.

Despite increased consumption, world exports during the 1946-47 season probably were slightly less than the 9 million bales exported in 1945-46, due in part to some importing countries drawing heavily on stocks.

Much of the trade in cotton this year has been made possible by long-term and special short-term credits from the Governments of selling countries. Similar credit operations likely will figure actively in international cotton trade in the immediate future. In this connection, two recent developments may have important effects; namely, the beginning of lending operations by the World Bank and the activation of the International Monetary Fund.

Besides the trade which credits have made possible, a substantial part of the past season's total exports is attributable to the processing arrangements under which payments for raw material were made by returning a part of the cotton in the form of goods. Such arrangements have been in effect in eastern Europe, Italy, and Austria, and in the occupied countries.

#### World Prices Increase Significantly Since End of War

The world supply of cotton in relation to the demand has undergone considerable change during the past 12 months. For most countries, the net effects of the change has been significantly higher internal prices. In the United States, prices advanced in the early months of the 1946-47 season. After a pronounced decline in October, prices gradually worked upward to a new peak in mid-July. Despite a decline of about 3 cents in late July the average for the month was 12 percent above July last year.

In Brazil domestic prices of Sao Paulo Type 5 averaged 25.54 cents for July, about 5 percent below a year earlier. In Argentina prices this July are around 36 cents compared with about 28 cents a year ago. In Mexico, and Egypt, similar upward adjustments in prices have occurred. Prices in India and Peru were somewhat lower in July than a year earlier.

1946 World Rayon Production Up 18 Percent;  
U. S. Output Up 8 Percent

World production of rayon (both fillament yarn and staple fiber) totaled 1,672 million pounds during 1946 calendar year or 18 percent greater than production a year earlier. Production in 1946 was equivalent to slightly less than 4 million bales of cotton. Rayon filament yarn production increased 22 percent over the previous year while rayon staple output rose 10.5 percent. World production is still 41 percent below the peak year of 1941 when a total of 2,825 million pounds was produced.

Leading the world for the third consecutive year, production in the United States in 1946 totaled 854 million pounds or 8 percent greater than in 1945 and was equivalent to about 2 million bales of cotton. Production in the South American countries increased 15 percent in 1946 over 1945 and was 54 percent above the 1941 level.

Rayon production in Europe and Asia was seriously disrupted during the war. Production in Great Britain which in 1945 was slightly below the 1941 level, increased about 27 percent in 1946 to a new record high. Belgium, though not a large producer, increased output in 1946 about 4-1/2 times over 1945 and to a little over twice the 1941 level. France increased output slightly over 100 percent last year to near the 1941 level, whereas Italy increased output several times, but production there was still less than a fourth of the 1941 output. The 1946 combined output of Germany and Japan, the two largest prewar foreign producers, was slightly under 11 percent of the 1941 production for these countries:

Indian Cotton Export Restrictions  
Suspended Through August 1947

The Indian government announced on June 9 the temporary removal of restrictions on the export of cotton. Export quotas for the May-August period previously had been set at 800,000 bales, the quota for January-April was 500,000 bales.

The decision to permit free exports of cotton until August 31 was influenced by the fact that exports from September 1, 1946 through April 30, 1947 totaled only 420,000 bales, whereas the export program for the full year ending August 31 calls for shipment of 1,500,000 bales. In part, as a result of the small volume of exports this season, prices have declined to support levels making it obligatory on the government to purchase an increasingly large quantity of cotton. Consumption during 1946-47 has been running about 25 percent below the 1945-46 level.

Table 1.-Premiums and discounts under the Government loan program for 1947 American upland cotton (Basis 15/16 inch Middling)

GRADE	Staple length (inches)													
	13/16	7/8	29/32	15/16	31/32	1	1-1/32	1-1/16	1-3/32	1-1/8	1-5/32	1-3/16	1-7/32	1-1/4
	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.	Pts.
<b>WHITE &amp; EXTRA WHITE</b>														
Good Middling & Better	-250	-95	-15	55	65	80	95	125	160	215	395	635	710	785
Strict Middling	-265	-105	-25	40	50	65	80	110	135	190	370	610	685	760
Middling	-300	-145	-70	Base	15	25	40	70	75	125	290	505	585	660
St. Low Middling	-445	-295	-210	-130	-115	-105	-85	-65	-25	20	85	275	325	390
Low Middling	-790	-645	-575	-500	-495	-475	-460	-455	-380	-365	-350	-325	-300	-275
St. Good Ordinary	-1160	-1025	-970	-905	-905	-895	-895	-895	-885	-885	-885	-885	-885	-885
Good Ordinary	-1375	-1220	-1150	-1075	-1075	-1070	-1070	-1065	-1045	-1045	-1045	-1045	-1045	-1045
<b>SPOTTED</b>														
Good Middling	-370	-230	-175	-90	-85	-70	-55	-30	-25	60	190	290	365	465
Strict Middling	-390	-255	-195	-115	-105	-95	-80	-55	-40	45	170	270	345	445
Middling	-570	-425	-370	-280	-275	-265	-250	-235	-260	-175	-125	-55	20	95
St. Low Middling	-895	-745	-700	-630	-630	-615	-615	-605	-605	-585	-565	-550	-550	-550
Low Middling	-1240	-1105	-1050	-975	-975	-960	-960	-955	-910	-910	-910	-910	910	910
<b>TINGED</b>														
Good Middling	-780	-630	-590	-505	-505	-495	-495	-490	-480	-450	-425	-375	-350	-325
Strict Middling	-810	-655	-615	-535	-530	-525	-520	-510	-505	-475	-450	-400	-375	-350
Middling	-1040	-890	-835	-765	-765	-760	-760	-750	-645	-630	-630	-620	-620	-620
St. Low Middling	-1255	-1130	-1075	-1010	-1010	-1005	-1005	-1000	-940	-940	-940	-940	-940	-940
Low Middling	-1445	-1315	-1260	-1200	-1200	-1195	-1195	-1190	-1130	-1130	-1130	-1130	-1130	-1130
<b>YELLOW STAINED</b>														
Good Middling	-1075	-925	-880	-825	-825	-815	-815	-805	-725	-715	-715	-715	-715	-715
Strict Middling	-1100	-950	-905	-850	-850	-840	-840	-830	-760	-750	-740	-740	-740	-740
Middling	-1220	-1070	-1025	-970	-965	-965	-960	-955	-920	-920	-920	-920	-920	-920
<b>GRAY</b>														
Good Middling	-485	-345	-310	-235	-225	-215	-195	-175	-125	Even	50	125	175	250
Strict Middling	-550	-410	-375	-300	-285	-275	-260	-245	-165	40	10	85	135	210
Middling	-655	-520	-475	-400	-390	-380	-370	-360	-300	-260	-235	-210	-185	-160

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