Cotton 1949

By Joe H. Miller

The position of cotton is less favorable than in the past few years. Prices of raw cotton have declined from above parity to about the loan level. The domestic demand for cotton textiles has weakened with the result that domestic mill consumption of raw cotton during the current season is expected to be at the lowest level since the outbreak of World War II but still substantially above prewar levels. The carry-over of cotton at the beginning of the current season was larger than a year ago and because of the large crop in 1948 is expected to be even larger next year. A favorable aspect of the situation is that exports of raw cotton are expected to double those of last season and be higher than for any year since 1939.

The supply of cotton in the United States during the current season is estimated at about 18.1 million bales and probably will exceed disappearance by slightly over 5 million bales. The supply will consist of 14.8 million bales from the 1948 crop, a carryover at the beginning of the season of 3.1 million bales and imports of about 250,000 bales.

Mill consumption in 1948-49 is expected to be about 9.0 million bales, slightly lower than for last year. This decrease will be about equivalent to the anticipated decrease in exports of cotton textiles.

Current indications are that exports of 4 million bales in 1948-49 will be required to balance foreign production of commercial cotton against foreign mill consumption. Such exports would be the highest since 1939 when over 6 million bales were exported with the assistance of a subsidy program.

World production of commercial cotton in 1948-49 is estimated to be about 28 million bales and will exceed world mill consumption for the first time since the crop of 1944. Expected increases in consumption over last year by foreign mills will more than offset the prospective decrease in consumption in the United States and will bring the world total above 27 million bales. Even so, stocks of cotton at the end of the current season would be nearly 1 million bales larger than at the beginning of the season.

The 1949-50 season is considered a crucial period in cotton since domestic prices of cotton already are at loan levels and prospects are that both the domestic and world carry-over will increase during the current year.

If farmers substantially increase their cotton acreage next year and yields are favorable, the resulting large crop could have an adverse effect on the cotton situation for the next several years.

The Secretary of Agriculture has proclaimed that marketing quotas will not be in effect for the 1949 cotton crop. A large crop in 1949 would, no doubt, result in quotas being proclaimed for the 1950 cotton crop.

In this connection, a significant factor to the cotton producer when making his decision whether to increase, maintain or decrease his cotton acreage in 1949, is the probable loan rate that will prevail for the crop. The Agricultural Act of 1948 provides that the government will make loans on the 1949 crop at 90 percent of parity as of July 15, 1949. If the parity index does not decline more than 5 percent from the present level, the loan level would be about 26.50-27.00 cents per pound for Middling 7/8" at average location.