Cotton 1950-54

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Future production of cotton will be influenced by demand, both foreign and domestic; changes in costs of producing cotton relative to costs of other crops; and the effect of changes in business activity particularly as they are reflected in off-farm employment and farm wage rates. The price farmers receive for cotton will be affected by these factors and by provisions of legislation affecting cotton.

The level of domestic mill consumption of cotton during the next five years will depend, in a large measure, on the level of economic activity and of disposable income in this country. The supply of artificial fibers, particularly rayon, and the price relationship between them and cotton and the extent to which foreign markets for United States cotton textiles are maintained are also important factors. Rayon production continues to increase. At the current rates, deliveries for the 1948 calendar year will exceed 1 billion pounds which is equivalent to about 2,350,000 running bales of raw cotton. Exports of United States made cotton textiles have been high during the last 3 years, accounting for about 10 percent of total domestic mill consumption compared with 3 percent during the 1935-39 period. If exports of cotton textiles from the United States revert to prewar pattern, as seems likely, domestic mill consumption would be lowered 3/4 million bales. This might be offset by increased exports of raw cotton.

Exports of raw cotton from the United States over the next few years will depend, to a large degree, on the ECA program as it affects the rehabilitation of the cotton textile industry in Europe. The volume of exports of raw cotton from the United States after ECA and other assistance programs end will depend on several factors. The ability of importing countries to pay for cotton in dollar exchange is one of the most important. This, in turn, depends on the success of economic rehabilitation in these countries and on their ability to reestablish their export trade in cotton textiles. The price of United States cotton in relation to other growths and to other competitive fibers will also be an important factor in determining the quantity of cotton exported.

Under the high level of economic activities, domestic mill consumption plus exports might average 12 to 13 million bales annually during the 1950-54 period, whereas under the lower level of economic activities, annual disappearance of United States grown cotton might drop as low as 10 or 11 million bales, especially if exports cannot be maintained in sizeable volume.

The carryover situation has changed materially during the last few years. World stocks of cotton decreased from about 26.5 million bales at the beginning of the 1945-46 season to 13.2 million bales on August 1, 1948. A large part of this decline occurred in the United States.

Each year since 1941, annual domestic mill consumption plus exports of cotton have about equaled or exceeded production. Stocks of cotton in the United States have decreased from about 13 million bales on August 1, 1938 to about 3 million bales in 1948. This situation has been brought about by acreages lower

than those during the prewar period coupled with high domestic mill consumption. This trend likely will be reversed in 1949. The big crop in 1948, which is largely the result of a record high yield, probably will add about 2 million bales to the carryover. Thus on August 1, 1949 the carryover of cotton in the United States might be about 5 million bales. Currently, domestic mill consumption plus exports are expected to be about 13 million bales between August 1, 1948 and July 31, 1949. Unless the acreage planted to cotton in 1949 is considerably less than the 1948 acreage or unless yields in 1949 are considerably below normal the supply situation, as defined in the 1948 Agricultural Act, will be such that marketing quotas probably would be proclaimed for 1950. The size of the acreage which farmers plant and the yields obtained in 1949 will have a very important effect on the cotton situation during the next few years.

Under the provisions of the Agricultural Act of 1948, price supports will be continued. In 1949, prices will be supported at not less than 90 percent of parity. In 1950, and subsequent years, prices will be supported at not less than 60 percent nor more than 90 percent of parity depending on the level of supply. If acreage allotments are in effect at the time of planting or if marketing quotas are in effect at the beginning of the marketing year, support prices will be increased by 20 percent but not to exceed 90 percent of parity.

Under the existing laws for determining cotton acreage allotments, 27 million acres is about as small an acreage as can be allotted. In 1938-42 farmers planted an average of about 24 million acres and produced an average of about 12 million bales. This acreage is only slightly higher than the 1948 acreage, however, the distribution among areas was quite different from that of 1948. Acreage allotments under the existing regulations for their distribution, would retard shifts in cotton production which have been taking place among areas. In areas such as the Deltas, the High Plains and the irrigated areas, where cotton acreage has been increasing, the minimum acreage allotment based on the method used in the 1938-42 period for distributing them may be lower than the acreage planted in 1948, whereas in most other areas acreage allotments probably would be higher than the acreage planted in 1948.

Under the high level of economic activities, the production and disappearance of cotton during the 1950-54 period might be fairly well in balance. But under the lower level of economic activity, off-farm employment opportunities and the demand for other products as well as for cotton would be less. Since cotton is a heavy user of labor, this would tend to improve the relative position of cotton compared with alternative enterprises that use less labor. Therefore the acreage of cotton during the 1950-54 period might be greater under the low level than under the high level of economic activity, assuming the same basis for determining and distributing acreage allotments. Perhaps, less fertilizer and poison would be used per acre, adoption of other improved practices might lag. Mechanization would move more slowly. Even so, production might be greater under the low level than under the high level of economic activity and probably would be in excess of disappearance.

For the longer term, acreage shifts among areas probably will continue. Mechanization and other technological developments will continue. But the changes may be retarded unless regulations pertaining to distribution of acreage allotments are changed.