Marketing Cotton In Oklahoma

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The Seven Point Cotton Program[1] outlines the need for more efficient production through more use of labor-saving methods, machinery, better seed, fertilizer, insecticides, and management of soils and for more efficient marketing by selling on staple and grade. Demonstrations along these lines, now being carried out by producers, point to more profits and pleasure for Southern cotton farmers. The main question now is how to secure a wider use of these practices by farmers.

In marketing the demonstrations are of two types: (1) those practices which can be carried out on the farm or near the farm to improve the market outlet, and (2) those practices which affect the price and outlet for cotton but which are more distant from the "cotton field" and its operator.

The war period brought out the need for world outlets for cotton. Shipments to foreign countries, which were about four bales out of each ten produced before the war, fell to about one bale out of twelve during World War II. Cotton piled up in storage in this and other countries. In the United States the government made larger loans to producers to meet the higher costs of production. Farmers reduced cotton acreage by five million acres because of higher incomes from alternate crops as peanuts, vegetables, and feed crops. The labor shortage assisted in the shift.

Cotton acreage and prices were maintained at a level where sufficient cotton, linters, hulls, oil, and protein feed needed for the war effort would be produced.

The price which the farmer receives for cotton is determined by the supply of cotton, general price level for all commodities, and employment in the United States.

Domestic cotton consumption always follows industrial employment very closely. When industry is at full capacity, there is a good sale of cotton. When industry drops off, the consumption of cotton falls, so does the income of the cotton farmer. At present there is a splendid and expanding market for cotton lint, and seed in the United States. The consumption is up as there is high industrial employment.

[1] "7 Steps to Face the Future with Cotton," U. S. D. A. and State Extension Services of the South. AIS-41, January 1946. This program was adopted after field conferences with the industry.

The History of Cotton Loans and Prices

Cotton loan rates started at ten cents per pound for Middling 7/8 cotton for the 1933 crop. There was no loan in 1936. The loan rate was 8.5 cents for the 1937 crop. Loan rates were 90% of parity up through the 1943 crop. In 1944 this rate was 95% of parity and in 1945 was 92½% of parity or 19.84 cents per pound on 7/8-inch Middling. The loan premiums and discounts are based on the grade and staple differences that have prevailed in the ten spot markets from August to April. The loan rate has been quoted on 7/8-inch Middling. The trade uses 15/16-inch Middling cotton in its usual operations. The loan rate in 1946 is 92½% of July parity and based on Middling 15/16-inch averages 24.38 cents per pound.[1] This rate is 155 points (1.55 cents per pound) above the rate of Middling 7/8-inch cotton. This loan carries appropriate premiums and discounts for quality and freight rate deductions. The basis is on the gross weight of the bale.

The price of American cotton is now about four cents per pound above the Brazilian price for about the same grade and staple. These price relationships present problems in international trading which must be met. These prices must be brought together in the foriegn market or America will not sell much upland cotton in these markets. There is also the alternate plan of a continuation of the export program plan where the sales are made at the foreign market price and the losses taken care of by Commodity Credit Corporation payments. This type program has been extended to June 30, 1947.

The practice used in marketing seed cotton is important in determining the net price. Where there is a heavy production of cotton and there is a number of gins, buyers, compressers, oilmills, and others in the trade, the price is usually better than in areas where there is less cotton and less competition in handling. There is a trend toward more cooperative ownership and operation of gins, oilmills, and the marketing of lint where producers feel that conditions should be improved.

Value and Quality of Cotton Produced in Oklahoma

The market value of cotton is based upon its use to the consumer. Important factors are: (1) grade—consisting of color of fibre, foreign material, and preparation in ginning,

[1] Weekly Cotton Market Review, Valume 28, No. 1, August 2, 1946, U. S. D. A., Cotton Branch, Production and Marketing Administration.

(2) strength and length of staple, (3) location of cotton to the consumer, and (4) supply and demand for the particular staple length and grade.

The color of the lint is important in determining the value of a bale of cotton. High grade cotton is white. Cotton is whiter at the beginning of the picking season than later on. Tinged or yellow stained cotton is usually the result of frost. Spotted cotton may be the result of insect damage. Cotton left in the field a long time develops a blue color. It is also dull in appearance. Cotton lint will also take on soil stains.

Foreign matter in cotton lint is dried plant foliage, motes, seed coat fragments, sand and dirt. The foreign material may be fine or coarse. The percent of waste (foreign material) for the different grades is an important factor in grade values. Table I shows the mean percent of waste in the different grades.

TABLE I.—Summary of total visible picker and card waste[1] for the different grades of cotton tested at the spinning laboratory of the United States Department of Agriculture, Clemson, South Carolina.

Grade	Tests	Percentage of Waste Mean
	Number	Percent
SGM	4	6.12
GM	76	6.83
SM	109	7.46
M	73	7.85
SLM	32	9.80
LM	24	10.97
SGO	9	12.82
GO	10	15.16

SOURCE: Bureau of Agricultural Economics, U. S. D. A., Miscellaneous Bulletin 310, "The Classification of Cotton," page 15.

During this period of high price and scarcity of labor, there is a tendency for the cotton having a high percent of waste to be worth less proportionately per bale than in former years. This cotton requires more time to process. Since more labor is involved, it is less sought after by mills.

Oklahoma cotton, over a period of years, has been noted for its low grade. In Table V (Appendix) it will be noted that since 1940 a high percent of the lint has been of grades which contain a high percent of waste as given in Table I.

[1] In this compilation, cottons classed as Extra White, Spotted, and Tinged, have been included with the corresponding white grades.

Preparation is a term to describe the kind of job done in ginning. The preparation has a lot to do with the spinning turnout. Cotton with smooth preparation contains less waste and produces a uniform yarn. Rough preparation indicates the presence of a lot of tangled fibres which are cut by the gin and are called "neps." If the seed cotton is damp or otherwise out of condition larger lumps or matted masses of fibre appear in the sample and the term "nappy" is applied. The preparation is then considered to be rough. Preparation is designated as being smooth, normal, rough, or gin cut. Rough preparation may lower the sample one or two grades. Figure No. 1 shows the proper method of comparing samples with the standards for grade.

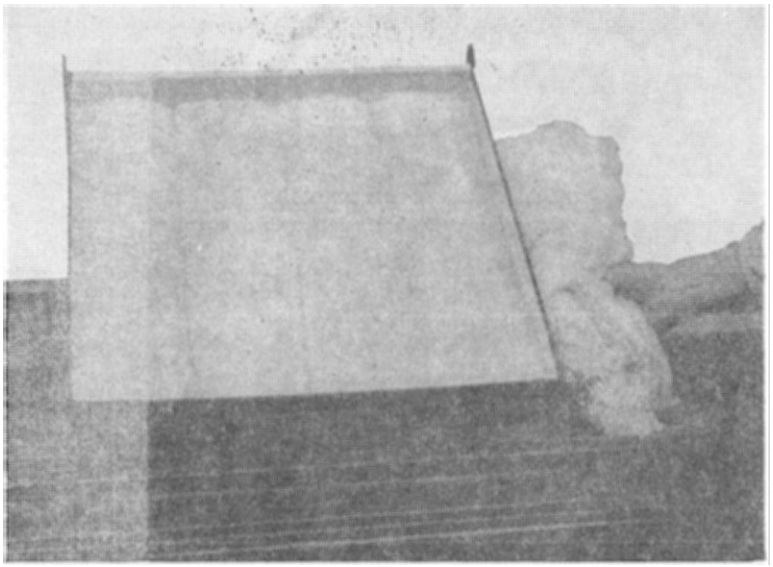

Figure No. 1.—The proper method of comparing samples with the standards for grade.

U. S. Standards of Grades

The official standards for upland cotton as designated by the Secretary of Agriculture are composed of thirty-two grades. The basis for these grades are the color, foreign material, and preparation of the cotton. There are six color designations (Table II) with a number of grades within each color which takes into consideration the other grade factors also.

TABLE II.—Official Standards for Grade of American Upland Cotton.[4]

Gray	Extra White	White	Spotted	Tinged	Yellow Stained
		No. 1, or Middling Fair			
		No. 2, or Strict Good Middling			
GMG	GMEW	**No. 3, or Good Middling**	GMSp.	**GMT**	GMYS
SMG	SMEW	**No. 4, or Strict Middling**	SMSp.	**SMT**	SMYS
MG	MEW	**No. 5, or Middling**	MSp.	**MT**	MYS
	SLMEW	**No. 6, or Strict Low Middling**	SLMSp.	**SLMT**	
	LMEW	**No. 7, or Low Middling**	LMSp.	**LMT**	
	SGOEW	**No. 8, or Strict Good Ordinary**			
	GOEW	**No. 9, or Good Ordinary**			

[4] Symbols in the boldface type denote grades for which practical forms or grade boxes of the standards are prepared for public distribution. The grades indicated by symbols in Roman type are descriptive grades and are not represented by grade boxes. Middling Fair White cotton is that which in color, leaf, and preparation is better than Strict Good Middling. Gray cotton is that which is more gray in color than that in the boxes for Wihte cotton; Spotted cotton is that which in color is between the White and the Tinged; Yellow Stained is that which is more yellow in color than the Tinged; and Extra White is that which is whiter in color than the White grades. The grades shown above the horizontal line are deliverable on futures contracts made in accordance with sec. 5 of the United States Cotton Futures Act. Those below the line are not deliverable on such contracts.

SOURCE: Bureau of Agricultural Economics, U. S. D. A., Miscellaneous Bulletin 310, "The Classification of Cotton," page 17.

As market prices are established for each of these grades the producer is interested in the grade he produces and offers the consumer.

For example, from twenty-four to twenty-nine percent of the lint from the State was of Low Middling grade for the year 1941 through 1945, (Table V Appendix) an average for these years of 24.3 percent. Each five hundred pound bale in this grade contained 54.8 pounds of waste, Table 1,[5] which had to be handled and the poundage discarded. This bale, if of 15/16 staple, would have a value of $111.25.[6] It contained $12.19 of waste so that the remaining 446 pounds costs the mill $24.96 per pound. Other difficulties in using more labor and disposing of the waste are further hidden costs in using low grade of cotton over the better grades.

Contrary to the general impression the grade has more to do with demand and price for the bale than the staple length.

[5] Waste in the better grades is not completely eliminated (See Table I) but is reduced to a point where present machinery and labor can handle the bale at customary costs of operation. Keen competition in selling and OPA ceilings are factors in the reduced use of bales with excessive waste.

[6] Production and Marketing Administration, Dallas, U. S. D. A., Cotton Quotations "Ten Designated Spot Markets" (Prices used for June 10, 1946 (Dallas, Texas). Issued at 209 78 Marietta Street, Atlanta 3, Georgia.

A large amount of Oklahoma cotton is of such low grade that it cannot be used in future trading. In seasons of short supply this may not injure the value very much but in seasons of long supply this low grade piles up. It must be sold on "description" or sample which increases the cost and speculative hazard in handling.

Grade of Oklahoma Cotton

Table V (Appendix) gives the grade of the Oklahoma cotton crop for the years 1938 to 1945, inclusive. It will be noted that grades were much better in 1938 than in 1945 on the average. The percentage of spotted cotton has also increased.

Producers should consider adopting practices which will improve the grade as this improves their price and Oklahoma's reputation for more usable cottons.

Staple Length

The other important factor in determining the value of a bale of cotton is staple length. This is the normal length by measurement of the fibre in the sample regardless of grade value in an atmosphere of sixty-five percent humidity and seventy degrees Fahrenheit. The standards for staple length were established by the Secretary of Agriculture in 1918.[7]

Staple Length is important as the long staples are required to make the finer yarns. The longer staples are usually the stronger. There is a distinct difference in value and use for long and short staple cotton. Staple length is determined by the classer pulling a number of fibers, smoothing them out, and then estimating or measuring the length. There are some variations in length within a bale but usually not of much importance if the cotton is all of the same variety and produced under the same moisture and soil conditions.

Table VI (Appendix) gives the percentages of the Oklahoma cotton crop in the various staple lengths for the 1938 to 1945 crop. This array of staple lengths are the ones used for upland cotton.

For the years the largest average staple length was recorded in 1940. Staple lengths on the average have not been maintained during the war period.

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[7] Since 1918 the original order promulgating standards for staple has been amended from time to time under authority of both the Cotton Futures Act and the Cotton Standards Act.

Figure No. 2.—The Oklahoma Cotton Growers, established in 1921, have been a factor in encouraging the production and marketing of high quality cotton in Oklahoma.

Smith-Doxey Classing

From the foregoing pages it will be observed that cotton classing is a job for a specialist. Somewhat different from the determination of whether a hog is fat and ready for the market as the hog is large and visible to the eye—cotton bales may vary $25.00 per bale at present values and look alike to the untrained observer.

Congress recognized this and in 1938 established a service of free cotton classing for farmers so that each might have an unbiased class on his cotton by a representative of the Cotton Branch of the United States Department of Agriculture.

This type of service is known as Smith-Doxey Classing and is available to organized cotton producers throughout the United States. Two or more farmers organized[8] to promote improvement of cotton are considered organized groups under the present Smith-Doxey regulations.

[8] Two or more farmers "organized to promote the improvement of cotton" in production or marketing may apply for this free classing service. County agents can give more complete information.

TABLE III.—Number of Bales of Cotton Ginned and Classed under the Smith-Doxey Act and Percent Classed, in Oklahoma 1938-1939 to 1945-1946, Inclusive.

Year (Season)	No. Bales Ginned	No. Bales Classed Under Smith-Doxey Act[9]	Percent Classed Under Smith-Doxey Act[9]
1938-39	545,196	3,386	0.6
1939-40	520,433	45,017	8.6
1940-41	777,363	129,158	16.6
1941-42	697,910	215,380	30.9
1942-43	693,192	369,900	53.4
1943-44	373,470	228,666	61.2
1944-45	608,258	354,207	58.2
1945-46	279,429[10]	185,721	66.5

[9] Reports from Cotton Branch, Production and Marketing Administration, United States Department of Agriculture, 1104 South Ervay Street, Dallas, Texas.

[10] Report in *The Cotton Trade Journal* based on Census Report. March 20, 1946.

This table indicates that since the 1943 crop, over 58% of the crop has been classed each year. When it is considered that approximately 25% of Oklahoma cotton is marketed in the seed and there is no provision in the Smith-Doxey Act to provide for the classing of this cotton, it is apparent that the percentage of the crop which is available for Smith-Doxey classing is about as high as can be expected under present producer marketing plans.

One Variety Communities

An important factor in the improvement of cotton is the one-variety community. By this method a group of farmers can offer for the market a large number of uniform bales of cotton. These even-running lots of cotton should command a better price.

An attempt was made to study these factors over a period of years in Oklahoma. For illustration purposes the following summary of the Greenfield (Blaine County) Cotton Improvement Association showing the oldest one-variety community in Oklahoma is presented.

TABLE IV.—Greenfield (Blaine County) Cotton Improvement Association: Annual Figures of Number of Bales Produced, Acreage, Grade Index, Average Staple Length, and Number of Members of the Association for the years 1938 to 1945, Inclusive.

	1938	1939	1940	1941	1942	1943	1944	1945
No. Bales	1,180	990	2,484	3,847	1,282	2,285	2,126	1,220
Total Acreage	2,019	8,056	8,938	7,658	7,136	5,023	3,704	4,040
Grade Index	102.1	96.7	95.1	81.1	83.7	92.5	84.4	86.8
Average Staple Length	32.4	29.1	32.4	31.6	31.1	30.9	31.8	30.6
No. Members	*	289	321	310	323	165	139	130

* No report.

SOURCE: Records of Production and Marketing Administration, Cotton Branch, Oklahoma City, Oklahoma.

Market News Service

Market prices and news about the markets are valuable guides for the producers in determining when to sell and at what price. The present CCC loan and open market prices on cotton gives producers a splendid opportunity to study market outlets. The regulations on loans, maturity dates, and when to sell afford more reasons for current study. Bales of same grades and staples fit best into one market while others fit best into another market.

Market prices in daily papers, trade journals, radio, and government reports are valuable sources of material. As there are many combinations of grades and staple length of cotton, the market news report looks complicated. Although this may be true, producers are finding it valuable to master it. The present basis for this report is on Middling 15/16 cotton. When this base price is used, the "premium and discount" for the various spot markets (usually ten) is given in hundredths cents per pound. The quotation most frequently used in this State is the Dallas or Houston market. This daily cotton market report is free to any producer who writes for it to United States Department of Agriculture, Production and Marketing Administration, 441 Peachtree Street, N. W., Atlanta 3, Georgia.

Cottonseed is now being sold on grade. These grade and price reviews are issued weekly by the United States Department of Agriculture, Production and Marketing Administration, 1104 South Ervay street, Dallas 1, Texas. Those interested should write to this address. These give the prices per ton for seed in Oklahoma and Texas.

Summary

The marketing practices discussed above should materially improve the income of Oklahoma cotton producers over a period of years if they are carefully applied in local production and marketing.

1. Insist on a good job of ginning.

2. Know the value of the bale of cotton before it is sold—secure the Smith-Doxey class or class from several graders if not in an organized community. This class can be used in locating the highest buyer.

3. Study market prices, outlook, and other long-time trends in the production and marketing of cotton.

4. Sell cotton on staple and grade.

5. Secure a daily market report from a good trade paper or from the Cotton Branch, Production and Marketing Administration, Atlanta, Georgia, for use in determining the value of your cotton.

6. Keep certain accurate records so as to know the cost of various operations in the production and marketing of cotton.

APPENDIX

TABLE V.—Grade of American Upland Cotton Ginned in Oklahoma.

Crop Seasons 1938 to 1945, Inc. Expressed in Percentages.[1]
All Staple Length.

	1938	1939	1940	1941	1942	1943	1944	1945	Average
WHITE	87.8	83.6	81.4	74.0	74.0	83.6	75.0	67.8	18.5
S. G. M.	[3]	[3]	--	--	--	--	--	--	
G. M.	2.9	1.5	[3]	[3]	[3]	1	[3]	--	1.5
S. M.	30.6	29.2	3.7	1.8	1.7	5.2	1.2	.3	9.2
M.	43.0	39.7	34.4	12.7	13.6	28.9	9.6	4.0	23.2
S. L. M.	8.6	10.8	30.6	17.2	23.4	31.2	22.8	18.8	20.4
L. M.	2.1	2.0	7.2	24.0	25.7	14.2	28.6	29.0	16.6
S. G. O.[2]	.5	.4	4.7	15.3	8.6	3.4	9.4	13.9	7.0
G. O.[2]	[3]	[3]	.8	3.0	1.0	.6	3.4	1.8	1.7
Spotted	11.9	14.0	14.7	23.9	25.2	16.0	23.3	31.7	19.9
G. M.	.2	.1	.2	.2	.1	.1	.1		.1
S. M.	7.0	5.7	5.6	4.0	6.7	5.6	4.4	4.2	5.4
M.	3.9	6.2	3.9	5.4	9.5	7.2	10.1	13.1	7.4
S. L. M.[2]	.7	1.7	2.3	8.3	6.9	2.4	4.0	11.3	4.7
L. M.[2]	.1	.3	2.7	6.0	2.0	.7	3.7	3.1	2.3
TINGED	.3	2.1	2.5	1.2	.5	.2	1.5	.2	1.0
YELLOW STAINED	[3]	.1	[3]	--	[3]	--	--	--	
GRAY	[3]	[3]	.1	[3]	[3]	[3]	.1	--	
BELOW GRADE[2]	[3]	.1	1.3	.9	.3	.2	1.1	.3	.6

[1] Bureau of Cenus Report.

[2] Untenderable in settlement of future contracts subject to Sec. 5 of the U. S. Cotton Futures Act and Regulations of the Sec. of Agriculture.

[3] Less than 0.05 percent.

SOURCE: Cotton Quality Statistics, United States Department of Agriculture, 1938-1945.

APPENDIX

TABLE VI.—Staple Length of Oklahoma Upland Cotton in Percentages. All Grades in Each Staple Length.

Crop Year 1938 to 1945, Inc.

	1938	1939	1940	1941	1942	1943	1944	1945
3/4″ and Shorter					.6	5.2	.5	.7
13/16″ and Shorter	13.5[1]	13.9	2.2	6.5	10.9	19.5	8.1	14.9
7/8″	19.9	31.4	7.6	16.6	17.5	21.9	18.6	34.1
29/32″	20.0	28.4	8.1	9.9	8.0	13.8	16.9	11.8
15/16″	23.2	15.7	22.6	25.1	18.0	23.6	30.5	21.2
31/32″	13.8	6.5	22.3	13.2	11.2	8.8	12.5	6.6
1″	7.3	2.9	20.3	15.5	15.1	4.9	8.7	9.0
1 1/32″	1.8	.9	11.1	8.0	10.7	1.7	3.3	1.4
1 1/16″	.4	.2	4.6	4.4	5.8	.4	.8	.3
1 3/32″	[2]	[2]	1.0	.6	1.6	.1	.1	[2]
1 1/8″	[2]	--	.2	.1	.5	[2]	[2]	--
1 5/32″	--	--	[2]	--	.1	--	[2]	--
1 3/16″	--	--	--	--	[2]	--	--	--
No Staple[3]			[2]	.1				
Average Staple Length	29.8	29.3	30.9	30.2	30.2	28.6	29.5	28.9

[1] Shorter than 7/8.

[2] Less than 0.05.

[3] "No Staple" denotes bales for which no specific length is assigned because of character defects.

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