

AN ANALYSIS OF A LOCAL COTTON MARKET
IN SOUTHWESTERN OKLAHOMA

By

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CHAPTER I
INTRODUCTION

This study, an analysis of a local cotton market in Southwestern Oklahoma, was made to determine the conditions existing in the market and to discover possibilities for improvement. Prices to growers are based, to a certain extent, on local market practices, central market premiums and discounts, and on the quality of the cotton sold as determined by grade and staple length. An analysis of the relationships between these factors is essential in attempting to improve local market conditions and the income of the producer.

Purpose of Study

The purpose of this study is to determine the efficiency of the local market in the pricing of cotton. To accomplish this purpose, it was necessary to determine the relationship of average prices to average qualities of cotton sold; to determine to what extent premiums and discounts in central markets are reflected in local market prices; to evaluate available local market information; and to determine what improvements might be made in the local market.

In addition to the above analyses, it was necessary to make a study of two other aspects of the market. They were (1) the organizational structure of the market, and (2) the buying and selling practices found in the local market.

Previous studies of local cotton markets and price-quality relationships have been conducted with data from more than one local market. In each case, all comparisons were made and the markets analyzed as a group. Local markets were compared to other local markets and

prices and other data contrasted to those found in central markets. Although this procedure accomplished the desired purpose of presenting a broad overall picture of market conditions, an analysis of one particular local market was generally lacking.

Scope and Method of Procedure

Local markets throughout Oklahoma were considered before starting this survey. After preliminary investigation a local market in Caddo County, in Southwestern Oklahoma was selected for two reasons. It appeared to be a typical market in the area, and adequate data were available for a complete analysis. Full cooperation was provided by the local gin managers and buyers.

Data presented in this report were collected from local buyers, gin managers, and producers for the seasons of 1950-51, 1951-52, and 1952-53. Gin managers and buyers operating in the market and a number of producers in the area were interviewed. Interviews were also held with officials in the cotton industry to get a more general picture of the cotton market organization and operation in the area where the local market was located.

Data were collected for 1,385 individual sales which comprised a total of 2,639 bales of cotton. Complete information on price and quality was taken on every bale.¹ This information included price, grade, staple, date purchased, grower's name, type of class used in buying, variety, number of bales in transaction, name of the gin, and the gin bale numbers. All of these data were taken directly from the

¹A complete explanation of the technical and mechanical procedures of the numerical analyses is presented in Appendix A, A-I, and A-II.

buyer's records with the exception of the grade and staple information for the cotton bought during the 1950-51 season. This information was obtained, with the use of the gin bale numbers, from the government class sheets.²

Review of Previous Studies

Many investigations have been made of local markets and the price-quality relationships existing in these markets. One of the earliest of these studies was made in Oklahoma in 1912. During the 1913-14 season, however, the research was expanded to include all of the cotton belt. Since that time a large number of such surveys have been conducted. State Agricultural Experiment Stations and Extension Services assisted in this later work, or made similar independent studies, in cooperation with the Bureau of Agricultural Economics, Division of Cotton Marketing.

One of the more important phases of this work was that which was done on the relationship of price to quality of the cotton sold in local markets, as contrasted to the relationships that were found in the central markets. Most of this research has shown that "although the prices received by growers in the same local market on the same date often varied considerably, they did not always vary directly with the grade and staple length of the cotton."³ It was evident from the

²The U. S. D. A., P. M. A., is responsible for classing and recording cotton under the Smith-Dooley Act. The Oklahoma City cotton classing office handles the cotton from this market and made the official class sheets available for this study.

³L. D. Howell and John S. Burgess, Jr., "Farm Prices of Cotton as Related to Its Grade and Staple Length in the United States, Seasons 1928-29 to 1932-33," U. S. D. A. Technical Bulletin No. 493 (Washington, D. C., 1936), p. 2.

data collected that this was a random or irregular price fluctuation brought about primarily by factors other than quality differences of the cotton sold.

In much of this early work, it was determined that cotton farmers, like all businessmen, were after high profits. They were inclined to grow the kind of cotton that yielded them the greatest return.

Naturally, price would be the biggest incentive for producing the higher grades and longer staple cotton, and for these prices to be effective, premiums and discounts for quality had to be reflected in local markets as well as in the central markets. In most areas, "the growers' apparent indifference to improving cotton grade and staple length was partly attributed to the fact that the differences in price received offered little inducement to the individual farmer to attempt such improvement".⁴

Another factor found to be responsible for the slow improvement of cotton was the belief of some growers that the shorter staple varieties gave higher yields and that the cost per pound of lint was less than for the longer staple cotton. Although, on the average, small premiums for differences in quality were reflected in the local markets, many farmers were apparently convinced that they could make money, because of increased production from the shorter staple cotton.⁵

The price received by the grower on the basis of grade and staple length was the main consideration in determining to what extent the

⁴Ibid., p. 41.

⁵John D. Campbell, "Short Staple vs. Long Staple Cotton in Western Oklahoma," Current Farm Economics, Vol. 16, No. 2 (Stillwater, Oklahoma, April, 1943), p. 61.

producer could afford to improve the quality of cotton produced. In the middle 1930's the United States Department of Agriculture decided that a practical program for improving or maintaining the quality of cotton in the various localities should take into account the influence of price received by the grower on the quality of cotton produced. It was noted that in markets where "the prices received by farmers were the same for all qualities of cotton, the growers were more interested in yields than in quality, since profits varied directly with yield".⁶ Growers were willing to change to longer staple and better grade cotton only when differences in income resulting from prices received were adequate to convince them that longer staple varieties were as profitable as the shorter staple cotton. However, the additional income necessary to provide growers this incentive was lacking in many of the local markets throughout the cotton belt.

The failure of farmers to receive grade differences and staple premiums and discounts equal to those paid in central markets indicates that the price incentive to growers for the production of different grades and staple lengths was out of line with the spinning value of cotton as reflected by central market prices. This situation tends to result in the production of larger proportions of the higher grades and longer staples than would be the case if production were adjusted more accurately to consumer demand. The lack of adjustment tends to reduce net income to growers as a group and to increase costs to consumers.⁷

Another important phase of early price-quality studies dealt with the producer as well as with the local markets. Marketing specialists quickly concluded that most of the wanted improvements would have to

⁶L. D. Howell and John S. Burgess, Jr., op. cit., p. 2.

⁷L. D. Howell, Lewis E. Long, John S. Burgess, Jr., Milliard L. Garner, and R. C. Soxman, "Farm Prices of Cotton Related to Its Grade and Staple Length in Selected Markets in Mississippi," Mississippi Agricultural Experiment Station Technical Bulletin No. 21 (State College, 1933), p. 53.

stem from these sources. The chief problem was to get the grower in a better bargaining position when selling his cotton. A large part of the publications dealing with this subject listed two methods by which this condition could be improved. These improvements were classification and certification of cotton quality prior to sales by growers, and supplying growers with adequate information on cotton prices.

In order that farmers might sell their cotton in local markets strictly on a quality basis, under the present marketing system, it would be necessary that both growers and local buyers know the quality and commercial value of the cotton at the time of making the transaction. Since farmers and many local cotton buyers are not able to classify cotton accurately, a means of improvement would be to have disinterested, competent, and reliable persons classify the cotton according to a uniform standard and issue a certificate showing the grade, staple length, and character of each bale before it is sold.

This classification and certification of cotton while in the possession of the grower would increase the bargaining power of farmers who produce the higher qualities of cotton, increase the usefulness of price quotations for grade and staple length, reduce the waste from re-sampling, improve the use of cotton-warehouse receipts as collateral for loans, and result in other economies in cotton marketing.⁸

Prior to 1937, much of the work done on producers' local markets was devoted to this problem. Practically all the published reports pointed out the need for a classification and market news service, and suggested the service to help remedy the situation found in most local markets. The advocates of this idea also felt that the best solution would be the instigation of such a program by the government. These workers were ultimately rewarded in 1937 with the passage of the Smith-Doxey Act.⁹ This Act called for classification of cotton after ginning, and prior to sale by producers, and for a market news service to growers who fulfilled certain requirements.

⁸L. B. Howell and John S. Burgess, Jr., op. cit., p. 44.

⁹See Appendix E.

CHAPTER II

ORGANIZATIONAL STRUCTURE OF THE LOCAL MARKET

Gins In The Market

A study of the organizational structure of the local market under survey, including the ginning operations, was necessary in order to present a more complete picture of the market. This particular market had three gins in operation. Two of the gins were owned by one cotton oil mill and the third was a farmers cooperative gin. All three gins were distributors of seed and feed, doing both cash and credit business. Patrons of the cooperative gin generally had a financial interest in the business but this factor, as an influence in selecting the gin point, was somewhat offset by the fact that interest was charged on credit sales of feed and seed, whereas the other two gins offered this service free.

A breakdown on the number of bales of cotton handled by each gin for the seasons studied are shown in Table 1. Total ginnings for the seasons of 1950-51, 1951-52, and 1952-53, were 3,090, 6,418, and 2,683 bales, respectively. The comparatively small volume of cotton ginned in 1952-53 was not due to a decreased planted acreage resulting from price or marketing conditions, but rather from a decreased harvested acreage brought on by an exceptionally dry season.

Buyers In The Market

Number, Type, and Volume of Business. Four buyers operated in the local market with a combined volume of business of approximately 8,839 bales of cotton for the three seasons studied. This represented

TABLE 1

Total and Average Number of Bales Ginned by
All Gins in the Local Market, Seasons
1950-51, 1951-52, and 1952-53

Gin	Seasons			Total	Average
	1950-51	1951-52	1952-53		
	(Bales)				
Company Gin No. 1	1746	2400	1082	5228	1742.7
Company Gin No. 2	650	1638	741	3029	1009.7
Cooperative Gin	694	2380	860	3934	1311.3
Total	3090	6418	2683	12191	
Average	1030.0	2139.3	894.3		

Source: Compiled from Ginner Survey Schedules.

about 73 per cent of the cotton ginned in the market. Seasonal purchases averaged over 735 bales per buyer.

The predominant type of buyer in the market was the ginner-buyer. Each of the three gin managers bought cotton, chiefly from the patrons of his own gin. These buyers bought 81.3 per cent of the cotton sold in the market. The fourth buyer was the only independent operator in the market. His total volume of business for the three years studied was approximately 1,655 bales (Table 2).

The two ginner-buyers for the company owned gins bought cotton for their company. They purchased all classes of cotton, regardless of grade and staple length. The ginner-buyer of the cooperative gin was an agent for a cotton cooperative and also bought for firms and larger buyers. He handled all class designations but in some instances bought only specific qualities for certain larger buyers. The ginner-buyers

TABLE 2

Estimated Number of Bales Bought by All Buyers in the
Local Market, Including Totals and Averages,
Seasons 1950-51, 1951-52, and 1952-53

Buyer	Seasons			Total	Average
	1950-51	1951-52	1952-53		
Company Ginner-Buyer No. 1	940	1171	528	2639	879.6
Company Ginner-Buyer No. 2	390	915	430	1735	578.3
Cooperative Ginner-Buyer	765	1340	705	2810	936.7
Independent Buyer	550	610	495	1655	551.7
Total	2645	4036	2158	8839	
Average	661.3	1009.0	539.5		

Source: Compiled from Buyer Survey Schedules.

used their company's funds to purchase cotton and bought according to the basis sheets¹ received from the firm represented. The one independent buyer bought on bill of exchange, and implied that his main criterion in buying cotton was the overall supply and demand picture. He stated that he generally did not buy for a particular firm except when he occasionally bought a certain lot of cotton on contract.

Other Business Enterprises. In previous surveys of this type, much emphasis was placed on the nature of any business engaged in by local buyers other than that of buying cotton. The purpose behind this was to determine, if possible, any relation between some of the irregular

¹Basis sheets are price quotations of large buyers, firms, and mills. These basis sheets are similar to central market price sheets but the premiums and discounts quoted are indicative of the demand of the firm for the various classes of cotton.

price fluctuations found in the local markets and any other business enterprise of the buyer. Evidence pointing to such discrepancies have been found in many cases, particularly where buyer and seller have business connections other than marketing cotton. Often, local buyers were ginners, store managers, handlers of feed and seed, or in some manner, helped finance the farmers' yearly operations. When this was the case, it was sometimes stipulated in the arrangement that the buyer would get the grower's cotton when it was ready to sell. This tended to put the seller in a very unfavorable bargaining position. This did not always happen but studies have been made showing that such conditions have existed in various local markets and that they might have been responsible for otherwise unexplained price fluctuations. An example of this is reported by Maddox after investigation in Arkansas.

Differences in bargaining power among farmers may be due to the particular business relationships between the buyer and seller. Share croppers, who because of indebtedness are forced to sell their cotton to their landlords are ostensibly poor bargainers. Although differences in the bargaining power of the growers tend to compensate each other when averaged, they may explain many of the irregular variations in price.²

The four buyers in the market all had business relations with the producers other than ginning and buying cotton. The ginner-buyers had other duties directly or indirectly connected with the ginning operations and at least two of the buyers had farming interests. Each gin was a retail outlet for feed and seed with the gin manager in charge. Purchases were made on both cash and credit basis. When credit was

²James G. Maddox, "Relation of Grade and Staple Length of Cotton to Prices Received by Farmers in Local Markets in Arkansas," Arkansas Agricultural Experiment Station Bulletin No. 274 (Fayetteville, 1932), p. 45.

used, it was usually extended until cotton harvesting time. The feed and seed was stored on or near the gin yards and the gin manager or other personnel was generally available to serve producers. The independent buyer was a barber and owned his own shop. Although he worked at this business the year round, he also bought cotton in the local market during the ginning season.

Even though all the buyers had business enterprises other than cotton buying, and some were directly connected with the growers, there was no indication that these relationships caused any price fluctuations.

Type of Buying Practiced in The Market

Three types of buying are practiced in local markets. These three methods of buying are individual bale basis, "round-lot" basis, and point or "hog-round" buying. Buying cotton on individual bale basis is a transaction including only one bale, while round-lot buying includes two or more bales bought at an average price. In this study round lots of like quality will include bales with only one grade and staple length and lots of unlike quality will contain cotton with different grades and/or staple lengths. Round lots are sold at an average price for the entire lot.

According to previous surveys, point or "hog-round" buying was practiced in practically every local market up until the time that impartial cotton classification began to be emphasized. Probably no one item in cotton price-quality research has received more attention than this practice of buying cotton.

Point or "hog-round" buying is the practice of buying cotton on a community quality basis rather than on the exact quality of the individual bales. In other words, regardless of the variety of cotton, the

method of harvest, or the grade and staple, every producer would get about the same price per pound for his cotton. In a few markets there were price differentials but on the whole, premiums and discounts were not based on the quality of the cotton.

With a situation such as this, it meant that producers of low quality cotton were relatively overpaid while producers of high quality cotton were relatively underpaid. Not only did this destroy the incentive to produce a higher quality cotton, but in many localities it actually encouraged farmers to produce a low quality cotton. This situation apparently did not improve until producers and others in the local markets became conscious of cotton classification. The passage of the Smith-Doxey Act virtually eliminated the point buying system in most communities that have an active cotton quality improvement organization and use the service.

There was no "hog-round" buying in this market. Cotton was bought only on individual bale basis or in round lots. For the data collected for the three seasons of 1950, 1951, and 1952, 62.8 per cent of all sales were made as individual bale sales. Round lots containing from two to five bales comprised approximately 32 per cent of the sales and 46 per cent of the total amount of cotton. The remaining sales were in lots of six or more with the largest sale consisting of 19 bales (Table 3).

TABLE 3

Number and Size of Lots Sold in the Local Market
Seasons 1950-51, 1951-52, and 1952-53

Season	Size of Lots										
	Bales										
	1	2	3	4	5	6	7	8	9	10	10 or More
	Number of Lots Sold										
1950-51	324	86	42	26	7	11	4	4	2	-	3
1951-52	421	118	32	20	16	10	8	6	1	1	5
1952-53	125	48	35	12	6	-	3	4	-	1	4
Total Sales	870	252	109	58	29	21	15	14	3	2	12
Total Bales	870	504	327	232	145	126	105	112	27	20	171

Source: Compiled from Buyer Survey Schedules.

CHAPTER III

THE EXTENT TO WHICH QUALITY DIFFERENTIALS IN THE CENTRAL MARKETS ARE REFLECTED IN PRICES PAID TO FARMERS IN THE LOCAL MARKET

Average Prices and Qualities of Cotton Sold in The Local Market

A look at average prices received by farmers in the local market is of little importance when viewed alone. However, they become significant when compared to the average quality of the cotton sold and to

TABLE 4

Average Qualities, Average Local Prices, and Average Memphis Prices, Seasons 1950-51, 1951-52, and 1952-53

Season	Size of Sample (Bales)	Class Index	Memphis Base (Cents)	Memphis Price (Cents)	Local Market Price (Cents)	Adjusted Local Market Price (Cents)
1950-51	929	77.8	40.97	38.57	37.79	39.15
1951-52	1170	68.1	39.52	34.98	33.09	34.35
1952-53	514	77.7	37.40	35.78	32.31	35.50
Total or Average	2613	74.5	39.29	36.44	34.40	36.33

Source: Compiled from Buyer Survey Schedules and Memphis P.M.A. Cotton Price Quotations.

the average central market price prevailing at a particular time. Total farm income from cotton depends on the price received for the cotton, the quality of the cotton sold, and the amount of cotton the grower has to sell. The price received for cotton by first sellers is far from being indicative of the entire market situation or the position

of the grower unless related to these other factors and to central market premiums and discounts.

Highest average local market price for the three seasons studied was 37.79 cents per pound in 1950-51, compared with 33.09 cents in 1951-52, and 32.31 cents in 1952-53 (Table 4). The 1950 season also showed a higher central market base price and a higher quality index than did the other two years. Average local market prices were lowest in 1951 as were average qualities.¹

Comparison of Premiums and Discounts Received in Local and Central Markets

The problem of comparing prices in the local market with those found in the Memphis market was complicated by two situations. One was the lack of basis cotton in the local market and the other was lack of cotton of any class above Middling 15/16 inch. Almost without exception, every bale of the more than 2,500 bales included in the data was below the basis class. This completely eliminated the possibility of directly comparing prices of basis cotton between the two markets. Also, it is probable that the analyses of the differences in price between other grades and staple lengths would have been somewhat more meaningful had there been more local sales of basis cotton.

¹A presentation of the statistical and other analyses in this chapter is given in the Appendix Tables 1, 2, 3, and 4. These tables include all of the data collected on cotton that was of sufficient grade and staple length to test. Averages are given by months and by seasons, and deviations between monthly and seasonal averages are shown. For the purpose of calculating average grade, staple length, and quality, an index was computed for the more common classes of cotton. The indexes used and the methods of computation are given in Appendix D.

In analyzing the discounts given for lower than basis cotton, the differences between the two markets were found simply by subtracting the prices paid in each market. Prices for individual bales in the local market were subtracted from prices for individual bales in the central market with like grade and staple length designations. When cotton was sold in lots in the local markets, similar lots of Memphis cotton were used for comparison. In all cases, when more than one bale was included in a sales transaction, the number of bales were used to obtain weighted averages which were used in making the calculations.

Contrary to the belief of many persons, prices of Oklahoma cotton are sometimes higher than prices quoted in the central markets--in this case the Memphis market, for cotton of comparable quality--after local prices have been adjusted for differences in location.² For instance, in 1950, adjusted local market prices exceeded central market prices by 71 points per pound or .71 cent. This was an average of the entire season but certainly not every bale and lot sold for more than quoted central market prices of similar quality cotton. However, the averages by months were consistent in that the spread was in the same direction each month. The average or mean deviation between monthly adjusted local market prices and monthly central market prices was -.69 points per pound for 1951, as compared to 46 points for the complete three-season period (Appendix Table 4, Col. X).

The other two years studied, however, showed central market prices somewhat higher than local market prices. In the 1951 and the 1952

²This adjustment is made by adding to the local market prices the cost of getting the cotton into trade channels. For a more detailed explanation, see Appendix C.

seasons the local market discounts were larger for less than basis cotton than those quoted in the Memphis market for similar quality cotton. This indicated that the price paid the producer reflected factors other than quality. The central market prices for all cotton were higher these two years by an average of 45.5 points per pound (Appendix Table 4, Col. X).

The fact that local market prices were generally greater than central market prices in 1950 was synonymous with two other facts. Both the quality or class index and the Memphis base prices were higher for this particular year than for the other two years, thus relating local market prices to these two factors and to the general market conditions existing in 1950. In considering these general market conditions, it is probable that the initial impact of the Korean War was at least partly responsible for the situation described above. Although sufficient data from other local markets were not available for an analysis to substantiate this contention, it may be that buyer speculation, during a period of rising prices for raw commodities, would be sufficient to create a speculative market situation in cotton.

It should be noted that even though central market prices were generally greater in the 1951 and 1952 seasons, the margin over local market prices was often not enough to cover all the costs involved in getting the cotton into trade channels, nor was it adequate to provide the first buyer with a normal profit margin. This problem has been presented before in previous research. In 1941, Hedges reported the following conclusions about Oklahoma cotton prices:

Of the sample of 6,680 bales studied during the 1935-36 market season, 599 bales of 7/8 inch white middling cotton were sold at a price that averaged 42 points below the central market price for the same

quality. The 381 bales of such quality sold during the 1936-37 season averaged 81 points lower than central market prices for the same days, and the average for both seasons was 57 points.

The spread during the 1935-36 season was insufficient to cover the cost of freight alone, much less defray other costs incident to moving cotton into the channels of trade. The spread for the 1936-37 season, although 39 points wider than in 1935-36, lacked 30 points of being adequate to cover all costs. The minimum spread necessary to cover such costs with no allowance for commissions for local buyers during each of the two seasons was approximately 111 points.³

The cause of this condition may be attributed to one or more of several factors. However, to pin point the exact reason is practically an impossibility. Factors that may account for the small margin between local and central market prices, or no margin at all, are the following:

- (1) Ginner-buyers in the market are the predominant type of buyer and it may be that the lack of profit from the cotton buying operations is compensated for in the ginning charge, in the price paid for seed, or in weight adjustments.
- (2) Cotton may be bought on the basis of the broad classifications of the Smith-Dozey standards and then reclassified later into much smaller divisions for merchandising. This could account for two prices, at different marketing stages, for the same cotton.
- (3) It may be possible that the cotton from local markets in this section moves directly to points of consumption, and the central market prices are not true indications of existing conditions.
- (4) A fourth explanation may be the degree of speculation in the market.

Some mention has been made before of the effect of the grade and staple length of the cotton sold on the spread between local and central market discounts. In general, as the quality index was lowered, the spread between the discounts widened, with the local market discounts increasing at a faster rate than did the central market

³Trimble R. Hedges, "Quality-Price Relationships of Cotton At Local Markets in Oklahoma," Oklahoma Agricultural Experiment Station Bulletin No. 250 (Stillwater, 1941), p. 19.

discounts. A noteworthy example of such a condition may be seen by examining the data for the 1951 season, which was an exceptionally good year for cotton (Table 5). Production was the largest of the three seasons in number of bales harvested. The harvesting season, however, was not the best, and as a result, a large number of bales of low class cotton were harvested and sold in the months of December, January, February, and March.

For the first three months of the ginning season in 1951, discounts in the Memphis market were above the local market discounts by an average of 1.9 cent per pound. The maximum spread was 366 points in September and the minimum was 70 points in November. Starting in December, however, the quality of the cotton dropped sharply and the discounts in the local market became greater than those quoted in the central market for cotton of identical grade and staple sold on the same day or other time period. Local market discounts were greater in December, January, and March of 1951 by 203, 316, and 428 points, respectively. In February, there was no cotton sold in the local market on any day when central market quotations were available from Memphis. However, a comparison of the prices paid in local markets and the Memphis price for base cotton indicated a relationship similar to the one existing for the other months mentioned.

In summary, it was found by comparing the average spread, and the direction of spread, between local and central market discounts, that in the early part of the harvesting season--September, October, and November--discounts quoted in the Memphis market were more than those of the local market, while in the latter part of the harvest season the reverse was found to be true. Central market discounts were 190 points

TABLE 5

Summary of Cotton Price and Quality Data, Season 1951-52

Month	Size of Sample (Bales)	Class Index	Local Market Price (Cents)	Adjusted Local Market Price (Cents)	Memphis Base (Cents)	Memphis Price (Cents)	Memphis Discounts (Cents)	Local Market Discounts (Cents)	Discount Spread (Cents)
September	101	76.9	33.95	34.95	35.92	31.29	4.63	.97	3.66
October	416	77.5	34.54	35.54	36.68	34.22	2.46	1.14	1.32
November	206	76.6	37.84	38.84	40.82	38.14	2.68	1.98	.70
December	358	60.6	33.79	34.79	42.36	36.82	5.54	7.57	-2.03
January	73	51.0	31.48	32.48	41.58	35.64	5.94	9.10	-3.16
March	4	63.5	28.50	29.50	39.75	33.78	5.97	10.25	-4.28

Source: Compiled from Buyer Survey Schedules and Memphis P.M.A. Cotton Price Quotations.

per pound greater on the early harvested cotton, which means a better relative position for the Oklahoma producer, while cotton sold in the latter part of the season was bought in the local market at an average discount that was 316 points greater than the average discount in the central market. From the first part of December, when quality began to drop rapidly, until all the cotton was sold, cotton was discounted in the local market at an average of 7.57 cents, 9.10 cents, and 10.25 cents per pound, respectively, for the months of December, January, and March, while in the Memphis market, quoted discounts for identical lots and classes of cotton averaged 5.54 cents, 5.94 cents, and 5.97 cents.

In comparing the average discounts of the early and latter parts of the seasons in both markets, and assuming that the Memphis central market was a good standard with which to compare other cotton prices, two factors were evident which were of especial interest to the producer and to the local market in general. The first was that cotton prices varied directly with the grade and staple length of the cotton sold. The second factor was that the producers relative position with the central market tended to be materially weakened when the quality of the cotton sold became lower. However, it should again be mentioned that general market conditions may have been partly responsible for the above situation. The total supply of low grade cotton in the United States and the overall demand for particular classes of cotton during certain seasons would have influenced to some extent the conditions existing between certain local markets and central markets. Nevertheless, the data revealed that not only did central market discounts increase with lower quality, thereby reducing local market prices, but also that local market discounts increased at a much faster

rate than did those in central markets, so that when quality was lowered the producer was in a worse relative position than the prices he obtained for his cotton might have indicated.

Relationship of Average Price to Average Quality
from Month to Month and Season to Season

Average prices to growers in the local market reflected differences in average quality, as indicated by grade and staple length, from month to month and from season to season. During the months when average quality was relatively high, the average price received by local producers was for the most part also relatively high, when using Middling 15/16 inch cotton in the central market as the basis for comparison. Likewise, the data showed that when quality was low in the local market there was a tendency for local market price to be relatively low.

An example of a contrary situation, however, is the local market price paid for cotton sold in the month of September. Not enough cotton was sold in September of 1950 for a sample but in both the other years the producer's comparative position was best when he had cotton to sell during September. This situation has also been reported by other researchers in the field. L. D. Howell and John S. Burgess of the Bureau of Agricultural Economics, Division of Cotton Marketing, reported similar findings in selected local markets over most of the cotton belt and for several seasons. This was not necessarily in September, however, but rather the first month in which cotton was sold in the local markets, which in some areas was August.

In this particular market the spread of central market price over adjusted local market price was only 7 points in September of 1952 for

a sample of 92 bales. In September of 1951, for a sample of 101 bales, there was a negative spread of 366 points per pound. That is, adjusted local market prices were an average of 3.66 cents per pound more than prices in central markets for like cotton and for the same days or other time periods.

Although the producer is generally in a better relative position during the early part of the season, an analysis of the data does not reveal just why this is true.

Monthly average price received by growers in selected local markets during the seasons 1928-29 to 1932-33 were higher, for the most part, as compared with central market prices during the first part of the season than during the latter part of the season. These relatively high local market prices during the first part of the season may be accounted for in part of the larger volume of sales which made it possible to handle cotton on relatively narrow margins and by competition of buyers, who having sold in advance were in need of cotton with which to fulfill their commitments.

Another factor tending to give local producers a relative advantage during the early part of the season may be the practice of large buyers and cotton firms to buy a sizeable amount of the first cotton sold as a check on the quality of the cotton and the general situation existing in the local markets. They apparently do this to find out what can be expected throughout the rest of the season. In other words, they are "checking the pulse" of the local markets and to accomplish this, they are seemingly willing to pay premiums on early cotton.

⁴L. D. Howell and John S. Burgess, Jr., "Farm Prices of Cotton Related to Its Grade and Staple Length in the United States, Seasons 1928-29 to 1932-33," U. S. D. A. Technical Bulletin No. 493 (Washington, D. C., 1936), p. 37.

A third explanation is that local buyers are trying to create a good price policy with potential customers. A premium on early cotton would tend to give a local buyer a better chance at cotton sold later in the season. Regardless of the reason, however, data from this and other markets reveal a relative high local market price for early harvested cotton which may be brought about by factors other than the quality of the cotton. Quality of cotton at the beginning of the season is sometimes low because of the tendency of the growers to start harvesting while the cotton is still green.

The data also showed other slight deviations from month to month and season to season. However, these deviations were of little apparent significance due to lack of consistency in both direction and spread.

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CHAPTER IV

OTHER CHARACTERISTICS OF LOCAL MARKET PRICES

Daily Price Variations for Cotton of the Same Quality

The daily price variation for cotton of the same quality and the occasional daily inverse relationships between price and quality have often been a problem to research men in the field of cotton marketing.¹ A logical explanation for many of the variations in prices for cotton bought in one day by the same buyer is sometimes difficult to find. There is, of course, reason for some variation of price in a day's time on the basis of change in central market prices and the demand of the firm or mill that is buying the cotton. Although the exact time and amount of change of the two factors cannot be measured, it seems safe to assume that they may account for only a small percentage of change in price for cotton of the same quality sold in a single day. In the market under survey, the local buyers stated that they were sent basis sheets generally once a week. In addition, they received price quotations once or twice a day, usually in the early morning and again at noon. This being the case, price changes above the local market level would account for only one, or possibly two, daily variations.

Not only does a particular quality of cotton apparently have unaccountable changes in price but very often cotton of lower grade and/or staple length will be worth the same or more per pound than cotton with

¹ Trimble R. Hedges, *op. cit.*, p. 13.

a higher grade and/or staple length. A random sample of almost any day's sales will show such differences. For example, in 1952, on one of the first days that cotton was bought by one buyer, the buyer's records showed a variation of 75 points per pound on two bales of Strict Middling Spotted 7/8 inch cotton. One bale sold for 36.50 cents and the other at 37.25 cents. These sales were at different times by different farmers, nevertheless during a single day. Also, on that day, the buyer bought one bale of Strict Middling 7/8 inch cotton and one bale of Middling 7/8 inch for which he paid a price of 36.50 cents. This was the same as the lowest price that was paid for one of the Strict Middling Spotted bales. The Memphis central market quotations for that week evaluated Middling 7/8 inch cotton at 150 points more than Strict Middling Spotted 7/8 inch cotton, whereas the producer received 75 points less for the Middling 7/8 inch bale. This was a difference of 225 points or 2.25 cents a pound, and would amount to \$11.25 on a 500-pound bale. Likewise, between the Strict Middling 7/8 inch bale and the Strict Middling Spotted 7/8 inch bale, the quoted discounts from the Memphis market indicated that Strict Middling 7/8 inch cotton was worth 175 points more than the Strict Middling Spotted 7/8 inch cotton. This was a disagreement of 250 points between the two markets, or \$12.50 for a 500-pound bale of cotton. (Similar illustrations are shown in Table 6).

In the previous example, three factors are important: (1) all transactions were made the same day; (2) each bale had the same staple length; and (3) each sale was a one-bale transaction. After eliminating the influence of these three factors, such variations in price are difficult to explain. Sharp changes in central market evaluations

TABLE 6

Illustrations of Unexplained Daily Variations in Cotton Prices by Local Buyers,
Selected Days, Seasons 1950-51, 1951-52 and 1952-53

Date	Grade	Staple (Inch)	Index	Price (Cents)	Date	Grade	Staple (Inch)	Index	Price (Cents)
September 26, 1952	SMSp	7/8	78	35.05	October 4, 1952	SMSp	13/16	72	35.00
" " "	SMSp	7/8	78	34.60	" " "	SMSp	13/16	72	34.60
" " "	SMSp	7/8	78	35.65	" " "	SM	13/16	87	34.60
" " "	SMSp	7/8	78	35.25	" " "	SMSp	13/16	72	35.30
" " "	SMSp	7/8	78	35.10	" " "	SM	13/16	87	35.10
October 24, 1950	GMSp	31/32	93	38.00	October 5, 1951	SMSp	7/8	78	34.00
" " "	SMSp	15/16	89	38.00	" " "	SMSp	13/16	72	34.00
" " "	SMSp	7/8	78	38.00	" " "	SMSp	7/8	78	34.75
" " "	SLM	15/16	82	38.00	" " "	SMSp	7/8	78	34.50
" " "	M	31/32	101	38.00	" " "	SMSp	13/16	72	33.50
December 1, 1951	MSp	13/16	65	38.00	October 25, 1950	MSp	7/8	69	37.00
" " "	MSp	13/16	65	35.00	" " "	SMSp	31/32	90	38.00
" " "	MSp	13/16	65	38.50	" " "	SMSp	15/16	89	37.50
" " "	MSp	15/16	75	37.50	" " "	SMSp	7/8	78	37.00
" " "	MSp	13/16	65	37.00	" " "	SLM	31/32	83	38.00

Source: Compiled from Buyer Survey Schedules.

might cause some local market price fluctuations during the day and change in demand by the firm might also be responsible for price differences. Another possible cause for otherwise unexplained variations might be the differences in the character of the cotton. According to Howell and Watson,² "character of cotton includes all elements of quality not included in grade and staple length, such as fineness of fiber, strength of fiber, uniformity and other fiber properties." However, many local buyers are probably not able to measure such qualities. These qualities are generally considered to be even more intangible than the grade or staple to anyone but an experienced classer. However, when studying cotton price variation in the local market, it would be well to remember that the ginner-buyer usually knows the variety of cotton he is buying and the conditions under which it was produced. Also, he is probably familiar with the type of soil on which it was grown, the method of harvest, and many other factors that might affect local prices through the influence of quality. Even though such things might influence prices in local markets, they are difficult to isolate and may be responsible for only a small percentage of the variations.

²L. D. Howell and Leonard J. Watson, "Cotton Prices in Relation to Cotton Classification Service and to Quality Improvement," U. S. D. A. Technical Bulletin No. 699 (Washington, D. C., 1939), p. 5.

Comparison of Prices for Cotton Sold by Individual
Bales and in Round Lots

In some of the studies of this type that have been completed in the past, workers have attempted to determine the relative profitability to the growers of selling cotton by single bales and by lots at an average price.³ The local buyer, in purchasing these round lots of cotton must take into consideration the quality of all cotton included in the lot. He may do this either by computing the average quality of the lot or by direct averaging of the prices of the individual bales. The question involved is whether the buyer's method of averaging qualities and prices favor the seller or the buyer.

To determine the relationship between individual bale sales and lot sales for the entire quantity of cotton included in this study would have been impractical and misleading. One of the types of sales was often predominant during many of the days of the season and if the base price was exceptionally high or low on that particular day it would have been unreliable as a sample. Also adding to the difficulty was the fact that single bale sales accounted for approximately 62.8 per cent of the sales but only for about 33 per cent of the total amount of cotton sold.

An analysis was made, however, for the 1952 season to determine which method of sale was most profitable to the grower. Comparisons were made for single bale sales, round lots of like quality cotton, and round lots of unlike quality cotton. To do this it was necessary to select only those days which contained enough of all three types of

³L. D. Howell and John S. Burgess, Jr., op. cit., p. 41.

sales for a comparison. From these data an average was determined for the quality index and for local market prices paid for the cotton. In order to determine the influence of both price and quality, the average price in cents per pound was divided into the average quality index. In this way the value per index point, or for each increment of change in the index, was determined. The value of each index point for sales of individual bales, round lots of like quality, and round lots of unlike quality was 2.17, 2.37, and 2.33 cents per pound, respectively (Table 7). These data indicate that selling cotton in round lots of like quality was relatively more profitable for the producer in this particular market. Selling by lots of unlike quality was the next best method of sale.

Table 7

Relative Value of Cotton by Types of Sale in Local Market,
Selected Days, Season 1952-53

Type of Sale	Size of Sample (Bales)	Class Index	Price (Cents)	Value Per Index Point* (Cents)
Round Lots of Like Quality	24	79.9	33.62	2.37
Round Lots of Unlike Quality	62	78.9	33.62	2.33
Individual Bales	16	82.9	38.19	2.17

Source: Compiled from Buyer Survey Schedules.

*Class Index Divided by Price.

The fact that selling in lots rather than by individual bales was more profitable to the grower has been established in other research.

Howell and Burgess⁴ of the Bureau of Agricultural Economics, and Pope and Clark⁵ of the Alabama Polytechnic Institute showed similar results in earlier studies of this type. The two workers from Alabama offered this explanation:

A factor to be considered in round lot sales is the desirability from the buyers standpoint of purchasing as many bales in one transaction as possible. The costs of the transaction in the purchase of ten bales would not be ten times as great as the costs involved in the purchase of a single bale. Such a condition would presumably induce the buyer to pay a greater price to obtain the larger amount of cotton. Therefore, the farmer has greater bargaining power when he can offer for sale several bales at one time.

It is probably true that farmers are in a more favorable position when they have more than one bale of cotton to sell because the buyer would want more volume if he were getting any compensation for his effort as a buyer. However, it is doubtful that a local buyer would tend to buy cotton in lots because the cost of the transaction is less. There is little cost involved in buying a bale of cotton in most small markets because the seller generally goes to the buyer's place of business when he has cotton to sell. Regardless of the reason, however, it is apparent that it is somewhat more profitable, from a comparative point of view, for the grower to hold his cotton until he has several

⁴L. D. Howell and John S. Burgess, Jr., "Farm Prices of Cotton in Relation to Its Grade and Staple Lengths in Local Markets in the United States," U. S. D. A., Preliminary Report (Washington, D. C.), p. 46.

⁵J. D. Pope and Carl M. Clark, "The Relation of Quality of Cotton to Prices Paid to Farmers in Alabama," Alabama Agricultural Experiment Station Bulletin No. 235 (Auburn, 1931), pp. 31-32.

bales before he sells, assuming there is no change in price. The seller, of course, must be in a financial position that will permit him to hold the cotton.

Volume of Business and Seasonal Differences Between
Local and Central Market Price Levels

It was found that central market and local market prices for cotton of similar quality sold on the same day, or other time period, tended to be more nearly equal during that part of the season when sales were largest. The difference between the adjusted local market price and the Memphis central market price, showed less spread for the months of October, November, and December than for the other months (Appendix Table 2, Col. XII). In these three months, growers sold 980 bales of cotton which represented 83.8 per cent of the cotton sold during the entire season. Allred, Hatfield, and Boyer⁶ reported similar conclusions from studies made in Tennessee. They found that "when the amount of cotton being sold is largest, the local buyers tend to pay more nearly the central market prices than they do in periods when but few sales are being made."

Two theories may be advanced to explain this situation. One could be that during the period when sales are highest, cotton quality is generally at its best. The first green bolls have already been harvested and the remaining open cotton is generally fluffy and white. This would tend to eliminate to some extent the need to appraise the character of the cotton, since ordinarily it would be at a high for the

⁶C.E. Allred, G. H. Hatfield, and P. B. Boyer, "Farm Price of Cotton in Relation to Quality," University of Tennessee Experiment Station Bulletin No. 153 (Knoxville, August, 1934). p. 22.

season during this period. Local buyers who cannot judge character of cotton can rely on grade and staple length as more nearly indicating the quality and value of the cotton during this part of the season.

A better reason for a lesser spread between local and central market prices possibly should include the influence of competition. A greater number of producers have more cotton for sale during these busy months. It would seem logical that with a larger volume of cotton to sell, growers would be more careful to try and get the top price and would contact more than one buyer. This would tend to equalize local market prices. Also, the local buyers could operate with a smaller profit margin during this period of the season because of a greater volume of cotton and a better average quality.

CHAPTER V

MARKETING PRACTICES IN THE LOCAL MARKET

Grower Practices

Time and Place of Sale. Time of sale of cotton by the producers ranged from immediately after ginning until after the harvest was finished. Factors generally affecting the time of sale were the custom of the community, financial obligations of the grower, and expected market conditions.

About one-fifth of the growers interviewed stated that they sold their cotton the day it was ginned, or soon thereafter. The chief reason given for selling at that time was to meet financial obligations, mainly the costs of harvesting. Approximately 60 per cent of the growers, representing the largest group, sold their cotton within a week's time after ginning. This period of time was generally governed by the number of days necessary for the government class cards to reach the growers. This was usually from three to five days, depending on the particular time during the harvest season. In the early and latter part of the ginning season, class cards were usually received by growers in three or four days, but during the busiest part of the season from five to seven days were sometimes necessary for the cards to reach the growers.

The remaining one-fifth of the producers waited until they had accumulated a larger volume of cotton before selling. These growers usually sold about once a month but one stated that he usually sold

only once or twice a year. The growers who accumulated these larger volumes of cotton before sale were generally the more financially independent growers who had farming interests other than cotton.

The chief place of sale in the market under study was at the gin point, or on the gin yard. Since the ginner-buyers were the most important type of buyers, they could easily be contacted at their respective gins, especially during the period when most of the cotton was sold. The market area was relatively small and practically all the producers were in close proximity to the buyers. The independent buyer visited one gin frequently and the other two gins occasionally when trying to fill a special order for a certain class of cotton. Approximately 27 per cent of the cotton grown in this market area was sold to buyers operating outside the market. No evidence was found indicating that growers contracted the sale of cotton before harvest.

Selection of Buyers. Growers in this market usually sold to the ginner who ginned their cotton or to the independent buyer. In effect, selection of buyers was generally made at the time a gin was selected for ginning. Although several factors may have contributed to this condition, apparently the most significant was custom. Selection of a particular gin was usually a matter of personal friendship between the ginner and the customer. Financial and business matters actually did not seem to be too important in this selection since facilities and services were practically the same at all gins. However, if a producer selected a gin and made credit purchases of feed and seed he was more or less obligated by custom to give this ginner-buyer first chance at buying his cotton.

Another factor considered by growers in selling to their ginner was the belief that they would be more likely to get the benefit of any doubt as to class and price from their own ginner. About the only exception to the above situation was the selling of cotton to the one independent buyer. However, from the standpoint of prices paid by the three ginner-buyers there would be little reason to select one buyer in preference to another as their prices generally averaged about the same.

Sources of Quality and Price Information. According to the growers who were interviewed, quality information was available from three sources: (1) Smith-Doxey class cards; (2) local buyers; and (3) the growers own ability to determine quality.

The most important source of quality information was the Smith-Doxey class cards. Only about one-tenth of the growers said they did not use the class cards in any manner. The remaining 90 per cent used the class cards to determine the quality of their cotton, but not all of them used them exclusively. Buyer classification was the next most important source of quality information but it was impossible to accurately determine the actual percentage that each source was used by the producer. Often the seller would use both classifications and sell according to the one that was of most benefit to him.

The third source of quality information, that of the producer himself, was of relatively minor importance in this market. Only 10 per cent of the growers interviewed considered themselves capable of accurately determining cotton quality, at least as far as grade and staple were concerned.

Three sources from which price information was obtained were given by the producers. These were (1) government price sheets posted at the gin, (2) local buyers, and (3) radio and newspapers. Although all growers were dependent on buyers, to a certain extent, for this information, 25 per cent depended exclusively on that source. Another one-fourth relied on the government price sheets posted at the gin for most of their information. Many sellers used a combination of two of the sources as a check on prices.

Even though one-half of the growers stated that the radio and newspapers were used as sources of price information, many indicated that it was not satisfactory. Reasons given for this were that the system of quoting prices for the various classes of cotton as points "on" and "off" basis was confusing and that the central markets from which prices were quoted were often not the markets used by local buyers as a basis for establishing price. They also stated that the prices quoted did not take into account the buyer's basis sheet, which determined to a large extent the price the buyer could pay and hence the price received by the local producer. Such information indicates a need for further research in this phase of price-quality relationships in the local cotton markets.

Number of Buyers Consulted. Ninety per cent of the growers that were interviewed said they usually contacted two or more buyers before selling their cotton. Most of these growers consulted their ginner-buyer and the independent buyer. Occasionally a seller would go to a neighboring town to dispose of his cotton. The other one-tenth of the growers contacted only the ginner-buyer of the gin they patronized.

Several of those who consulted two buyers, however, stated that they seldom sold to the independent buyer, but used him only as a check.

Although prices paid by all four buyers generally averaged about the same, some growers contacted two buyers hoping that the difference in judgment on the part of one of the buyers in determining the quality of the cotton might benefit them as sellers. Also, some difference in price could be offered for certain class designations that were in strong demand. Most producers felt that an occasional check with more than one buyer would result in better prices over a period of time.

Buyer Practices

Basis on Which Cotton Quality and Price Were Determined. The basis on which cotton quality was determined by local buyers varied only slightly between buyers. As far as buyers in this market were concerned, quality was determined by only two methods. These were the government class and the buyers own class. The extent to which both types of class were used to determine the quality of cotton by first buyers is given in Table 8.

The basis on which the price of cotton to growers was determined varied somewhat with the type of buyer and the firm or mill that he represented. The basis sheets used by the local buyers were more important in local price determination than were central market prices. These basis sheets are price sheets sent to the buyers by the mill or firm they represent. They contain a price for basis cotton¹ and

¹Basis cotton is Middling grade with a staple length of 15/16 inch. This is accepted in all cotton markets and exchanges. When cotton prices are quoted they refer to Middling 15/16 inch cotton. The value of other cotton is expressed as so many points "on" or "off" the base. "On" means above and "off" means below the price of Middling 15/16 cotton. "Premiums" and "discounts" have a similar meaning. A point is one-hundredth of a cent.

TABLE 8

Number of Bales of Cotton Bought in Local Market by Types of Class, Seasons 1950-51, 1951-52, and 1952-53

Type of Class	Seasons			Total	Average
	1950-51	1951-52	1952-53		
	(Bales)				
Buyers Class	300	374	152	826	275.3
Smith-Doxey Class	453	584	307	1344	448.0
Combination of Both Classes	187	213	69	469	156.3

Source: Compiled from Local Buyer Survey Schedules.

premiums and discounts for other classes of cotton that are acceptable to the firm. These prices are based primarily on central market spot and future prices but the premiums and discounts vary to meet the specific needs of the mill, firm, or broker. When the local buyer received these sheets he could determine the quality of cotton that was most wanted and that which was not wanted. The ultimate effect of this was reflected in the price paid to the farmer. If a firm had more of a certain low class of cotton than was needed, for example, the discount for this particular class was such that growers were discouraged to sell such a class to representatives of the firm. The situation worked just the opposite for a particular high class of cotton that the firm needed. The premium was raised so as to attract growers that had this quality of cotton to sell.

Basis sheets are made up primarily from the quoted prices of the central, spot, and future markets, which closely reflect the cotton supply and demand situation, government price programs, and the mill requirements as a whole. The large markets that generally influence prices in this particular local market are the New York and New Orleans futures market, and the New Orleans, Houston, and Dallas spot markets.

Financing the Purchase. The purchase of cotton was financed by two methods. One method used was the buyer's practice of paying for all cotton with company funds, and the other method used was buying on a bill of exchange.

The two ginner-buyers representing the cotton firm bought exclusively for the firm and all purchases were paid for with company funds. The ginner-buyer for the cooperative gin operated similarly although he bought for more than one large buyer. These buyers were, in effect, given a company check-book to use at their own discretion, and were largely guided by the above-mentioned basis sheets. The one exception to this method of financing purchases by the local buyers was the independent buyer's system of buying on a bill of exchange.

Costs of Handling and Disposal. The costs of handling and the disposal of cotton by the three ginner-buyers were generally of little significance as far as they were personally concerned. They were interested in keeping costs at a minimum, but because they were only agents for larger buyers most of the costs were passed on with the cotton.

The independent buyer, however, considered these problems with every bale of cotton that he purchased. His method of disposal varied,

depending on whether he had contracted for the sale of the cotton he bought or would have to sell to the highest bidder after accumulating a lot of cotton. However, regardless of who bought the farmer's cotton, or of the procedure which it went through in getting into trade channels, there were certain costs necessary to get the cotton merchandized. The independent buyer stated that he generally allowed a margin of from 250 to 300 points per pound between his price to growers and the central market prices. A 300 point margin on a pound of cotton meant three cents per pound, or approximately \$15.00 per bale. The largest cost facing this buyer was a 76 point "freight rate to port" charge. Carrying charges amounted to about 50 cents per bale and concentration privileges were \$1.25 a bale. In addition to these charges, there was a small loading fee plus the exchange rate to his financier.

Regardless of where the costs originate, they result in less money to the producer, especially if they are excessive. A reduction of these marketing costs, therefore, would tend to result in a bigger return to the grower. For instance, if a buyer devised some plan for reducing the cost of handling cotton and was able to operate on a smaller margin, the element of competition would possibly influence him to pass on part of this extra compensation to the farmer. The reduction in the buyer's profit per bale would be in the interest of greater volume and would likely result in extra income for the producer.

CHAPTER VI

EVALUATION OF THE SMITH-DOXEY CLASSIFICATION AND MARKET NEWS SERVICE

Surveys on price-quality relationships in cotton marketing, from the early 1900's to the present time, usually resulted in the demand for an impartial cotton classification service. There were, of course, many problems that required study before such a program could be organized.

The usefulness of a cotton classification service may be materially influenced by (1) the adequacy of the samples on the basis of which the classifications are made, (2) adequacy of the standards on the basis of which the various quality elements are evaluated and described, (3) accuracy in the evaluation of the various quality elements represented by the samples on the basis of the established standards, and (4) confidence on the part of growers and of buyers in the adequacy of the classification services and their willingness to sell and buy cotton on the basis of this information.¹

To establish a classification system that would fulfill the above requirements was not an easy task. The best solution seemed to be a government sponsored program and such a system was established in 1937. This program was initiated by the Smith-Doxey Act which set forth instructions and facilities providing for an impartial government classification system and market news services.

Extent of the Availability of the Service

When the Smith-Doxey Act was first initiated only a small percentage of the cotton growers was eligible to receive the service. Included in the Act was a stipulation that producers must belong to a local cotton-quality improvement organization before the program would

¹L. D. Howell and Leonard J. Watson, *op. cit.*, p. 31.

be available to them. Cotton farmers, two or more in number, who wanted the service and who were willing to organize for the purpose of improving the quality of cotton, were considered eligible. In recent years, a large percentage of the growers in Western Oklahoma have made use of the service.

In the Caddo County market studied, ginners stated that they cut samples on all cotton ginned, indicating that all the growers in the area were eligible for the classing services. These samples were sent to the Oklahoma City classing office where the grade and staple length for each bale was determined and recorded and the information returned to the grower on a class card.

In addition to the classing service, the United States Department of Agriculture, through the Production and Marketing Administration, Cotton Branch, is responsible for getting weekly price and quality information to the local market. This information is mailed weekly from the Production and Marketing Administration District Offices. Texas and Oklahoma comprise one such district, designated as the Southwest Area, with the District Office in Dallas. This office sends two separate data sheets to local markets each week. One sheet includes weekly cotton quotations and a weekly cotton market review. Cotton price quotations are from the central markets in the Southwestern Area, based on New York futures. The cotton market review contains a brief analysis of the overall cotton situation, reported sales in the ten spot markets, domestic and foreign consumption, various aspects of production, and the general cotton situation in the Southwestern Area. The cottonseed report contains similar information on cottonseed. The data

sheets are sent to the local markets, and to interested persons and organizations, to be posted in gins and other conspicuous places for farmers to read.

Dependence of Growers Upon The Service

The entire group of producers interviewed depended to some extent on either the classification or the market news service or both. Some growers implied that they did not use the service but upon closer questioning it was found that some use was made of the classing service, generally as an aid in putting cotton in the government loan or as an occasional check on the local buyers. Also, many growers checked the Production and Marketing Administration sheets posted in the gins for price information.

Eighty per cent of the producers stated that they waited until their Smith-Doxy class cards reached them before contacting a buyer. Some growers accepted this grade and staple without question and presented their card to the buyer when negotiating the sale of their cotton. Trading was then carried on entirely on the basis of this classification. Other growers said they waited for the class cards before selling but withheld this information from the buyer until after he had classed the cotton himself. The seller then had the option of accepting the higher class. There was no evidence that any of the local buyers in this market ever refused to buy on the basis of the government classification.

Twenty per cent of the producers said they usually sold their cotton immediately after ginning or at least before receiving the government class. This was more often due, however, to the fact that the growers needed the money to meet harvesting or other costs rather than

a dislike of the government program. Actually all the producers who were questioned made some use of the classing service, if only to check the buyer's class after the cotton had been sold.

Attitude of Growers and Buyers Toward The Service

Opinion of Growers for and Against the Service. The general attitude of the growers in this market toward the government program was favorable. Although about 20 percent of the growers did not use the class cards when selling cotton, the growers were of the opinion that the service was helpful to them and to the community as a whole. Without exception, all growers wanted to maintain the program even if they personally did not use the classification they received. When questioned as to why they felt this way, all stated that such a program would keep them in a better bargaining position and that it would prevent buyers from consistently grading down cotton.

A number of growers criticized the program to some extent. The chief criticism was directed at what seemed to be apparent errors in grading. One producer, for example, was of the opinion that the government classers tended to give a community an average grade and staple. For example, if cotton in a community generally classed about the same, classers were prone to give good and poor samples a similar class. Other growers who complained about errors in grading declared that they generally got satisfactory class designations except when their cotton was classed by what they thought to be one particular classer.

Probably the next most common cause for disagreement with the service was the time necessary for the class cards to reach the growers. This was the major reason that some producers could not make use of the program.

On the other hand, no producer questioned was sufficiently opposed to the service to want it completely abolished. All of the growers were definite in the belief that the producer's bargaining position had been strengthened by the service and that conditions in the market as a whole had improved since the service was made available. There was some objection to the program because it represented one form of government interference in private business but an alternative plan was not suggested.

Opinion of Buyers For and Against The Service. The attitudes of the buyers in the market toward the Smith-Doxey program of cotton classing varied from hostility to praise. The buyers all used the government class, however, when sellers insisted that it be accepted. Only one buyer, the independent, was definite in his dislike for the service. This buyer said the program lost him money but that he seldom tried to buy cotton unless the seller had the government class. He explained that he would rather buy on his own class and that often producers wanted him to class their cotton before making an offer. However, after this procedure the grower generally refused to sell until after he had received his class card. This, according to the independent buyer, sometimes meant a substantial increase in the cost of buying cotton.

The other three buyers had no objections to the service and used both the Smith-Doxey class and their own class, depending on the whims of the seller. The ginner-buyer of the cooperative gin was very favorable toward the program and indicated it was a fair basis for trading to both seller and buyer. This buyer had been a large cotton

farmer before he started buying cotton at the beginning of the 1952-53 season.

Some of the discrepancies found in other local markets by similar surveys were not in evidence in this area. For instance, some cotton merchants and buyers who were unwilling to buy cotton on the Smith-Doxey classification, approved of the service but could not use it as a basis for selling. Their explanation for this was that the official grades used by the service are too broad. Some firms designated as many as four qualities of cotton within a single official standard for grade.² There are sharp price differentials between some commercial grades, and in some cases, competition may prevent buyers from accepting the Smith-Doxey classification. They have to pay an average price for all commercial grades which fall within a given official grade, and in doing this, tend to get the lower qualities within the official grade, while the higher qualities within the grade are sold to competitors who recognize the difference in quality based on commercial grades.

Comparison of Buyer and Government Class of Cotton

One unusual situation existing in the market was that the buyer and Smith-Doxey classifications of the same cotton were so similar. This finding was contrary to results found in most other investigations concerning cotton classed by two different persons, especially when the time and place of classing were different. Many comparisons have been

²Alex M. Hodgkins, James F. Hudson, and Felix E. Stanley, "Cotton Marketing Practices of Growers and Buyers in Selected Local Markets in Louisiana", Louisiana Agricultural Experiment Station Bulletin No. 454 (Baton Rouge, 1951), p. 25.

made of the classification given to samples of cotton by local buyers and government licensed classers. Almost invariably, there is a great deal of difference between the types of class. For example, in Louisiana,³ the classifications of 1,134 bales were compared after being classed by both groups. Of this number, local buyers agreed with the government classers on only 398 bales or 35 per cent on staple length alone. Data from other states revealed a like situation.

In this study a comparison was made on 374 bales of cotton on which both the buyers class and the Smith-Doxey class were available. Out of this 374 bales, there was a difference of opinion on only nine bales on both grade and staple length. This constituted a variation of only .024 per cent for the entire lot. Considering the method of procedure necessary to classify cotton, and the fact that differences in light, weather conditions, and many other factors may influence grade and staple, this extent of agreement on class is unusual.

Of the nine bales that were classed differently, five were given a better class by the government classers and the gin classification was the better on four bales (Table 9). Grade alone accounted for the variation on seven bales, and the classifications on the other two bales differed in both grade and staple length designations.

The facts that the differences in classification were small and the mistakes did not predominantly favor either type of class is

³ C. C. Farrington, "Cotton Price - Quality Relationships in Local Markets in Louisiana", Louisiana State University Agricultural Experiment Station Bulletin 221 (Baton Rouge, 1931), p. 51.

TABLE 9

Comparison of Classifications of Cotton by Smith-Doxey Classers
and Local Buyer, Season 1951-52

Date 1951	Smith-Doxey Class			Buyer Class			Index Spread
	Grade	Staple (Inch)	Index	Grade	Staple (Inch)	Index	
October 4	SM	7/8	92	SMSp	7/8	78	14
October 13	SLMSp	29/32	59	SMSp	29/32	85	26*
October 15	SMSp	7/8	78	MSp	7/8	69	9
October 25	GMSp	3/4	64	SMSp	13/16	72	8*
October 25	MSp	13/16	65	SMSp	29/32	85	20*
November 23	MSp	29/32	71	SMSp	29/32	85	14
December 1	SLMSp	7/8	55	SMSp	7/8	78	23*
December 3	SMSp	7/8	78	MSp	7/8	69	9
December 19	SLM	7/8	74	SLMSp	7/8	55	19

Source: Compiled from Buyer Survey Schedules and P. M. A. Cotton Class Sheets.

*Favors Buyer Class.

apparently indicative of two things. First, the local buyer involved was quite capable as a cotton classer, and second, the buyer had no intention of profiteering on the basis of classifications.

Amount of Cotton Bought on Smith-Doxey Class

Sales by type of class in this local market are buyer's class, Smith-Doxey, and a combination of both. This combination of both classes is, of course, on lots of two or more bales. There was no way to determine the exact percentages of each class contained in sales of this type.

The government or Smith-Doxey class was the most used type of class for the three-season period by a margin of 516 bales over that of the gin class and 875 bales over lot sales which had bales classed by both methods. Percentages for the three-year period were buyer classed, 31 percent; Smith-Doxey classed, 51 per cent; and a combination of both, 18 per cent.

The only place that the gin class was used more than the government class was in the selling of individual bales. Gin class on single bales accounted for 45.8 per cent of the entire sales while the Smith-Doxey class on single bales amounted to only 17.0 per cent of the entire sales. From the two bale lots through the lots of ten bales or more, the government class was used much more than the buyer's class. No lots that contained five or more bales were sold entirely on the gin class (Table 10).

The fact that the sales of cotton in the larger round lots were based on the government class should be an indication of the dependence placed on the service. There are two possible explanations for this situation. Either the grower felt that he would be in a better

TABLE 10

Percentages of Total Sales and Total Bales of Cotton Bought
in Local Market by Types of Class and Size of Lots,
Seasons 1950-51, 1951-52, and 1952-53

	1 Bale Sales		2-5 Bale Sales			6 and Over Bale Sales			Total
	Smith- Doxey	* Gin	Smith- Doxey	Gin	Both	Smith- Doxey	Gin	Both	
Sales (Per cent of Total)	17.0	45.8	17.2	6.2	9.0	3.4	-	1.4	100
Bales (Per cent of Total)	9.0	24.0	7.0	26.0	13.0	16.0	-	5.0	100

Source: Compiled from Buyer Survey Records.

* Buyer's class.

financial position if he waited for his government class card, or in amassing several bales for sale, he had time to receive his class cards and found that the average class was higher than when using the buyer's class. At any rate, it was significant that more single bale sales were made on the buyer's class but when the producer has two or more bales for sale he seemed less willing to accept this class.

CHAPTER VII
SUMMARY AND CONCLUSIONS

Summary

In general, the average price reflected the average quality of the cotton sold in the local market. The spread between local and central market price was often not enough to cover the estimated price adjustment for difference in location. In some instances the actual price paid in the local market was higher than the price quoted in the Memphis market for cotton of comparable quality. The fact that trading in cotton may be done on two or more types of classifications in different stages of merchandising apparently accounts for at least a part of the lack of price differences between the two markets.

Local market cotton prices for the years studied were comparatively high, when related to Memphis prices, in (1) the earlier part of the harvesting seasons and when (2) the cotton was sold in round lots rather than by individual bales. During the period when the amount of cotton being sold in the local market was largest, local buyers tended to pay more nearly the central market price, probably because of the influences of volume and competition. The reason for many of the daily local market price variations that occurred throughout each season could not be determined.

The chief sources of quality and price information in the local market were Smith-Doxey class and price sheets, radio and newspapers, and the local buyers. Twenty-five per cent of the growers depended solely on local buyers for market information. Producers indicated that

the present method of quoting cotton prices as so many points "on" and "off" basis was confusing.

Local buyers in the market were able to classify cotton but accepted the Smith-Doxey class at the option of the seller. The Smith-Doxey services were generally considered satisfactory by a majority of the growers. Eighty per cent of the producers depended on the government class cards when bargaining with local buyers. The remaining 20 per cent used their cards in some manner, if only to put cotton in the government loan or as a check on local buyers. Approximately 61 per cent of all the cotton sold for the three seasons studied was on the basis of the Smith-Doxey class. A comparison of the class on 374 bales of cotton classed by both local buyers and government classers revealed a difference in class on only nine bales.

Conclusions

(1) The procedure of using more than one class--or buying on one class and selling on another--in the merchandising of cotton is apparently responsible for at least a part of the price relationships existing between the local and central markets.

(2) The present method of quoting cotton prices appears to be confusing to some producers and may be a major problem in the overall efficiency of the local market.

(3) The Smith-Doxey service, in general, has been accepted by growers and buyers but there are objections to parts of the program by both groups.

(4) The above conclusions, as well as other results presented in this study, indicate the need for further research in the price phase of cotton marketing.

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APPENDIXES

APPENDIX A

METHOD OF ANALYZING LOCAL MARKET PRICES

The analyses made in this thesis are patterned after the procedures used by L. D. Howell, Bureau of Agricultural Economics, in his work on price-quality relationships in local cotton markets. State Experiment Stations doing similar research also generally use these methods. A detailed account of these technical analyses are given in the appendixes of United States Department of Agriculture Technical Bulletins 699 and 493. In this report these methods of local market price analyses were used only in a general way. The use of a comparatively small amount of data permitted calculations and comparisons on the entire lot rather than by using only a sample or by employing a shorter but less accurate method.

APPENDIX A-I

CALCULATION OF AVERAGE PRICES AND AVERAGE QUALITIES

The average prices and qualities were determined for all the cotton included in the data. By using this method, accurate averages were determined for each month and season included in the study. In addition, daily averages and averages for certain lots of cotton could easily be determined. Central market prices were also averaged for the same time periods after being weighted by an equal number of bales of like quality cotton that was sold in the local markets. In this manner, it was possible to make direct comparisons between the two markets and between months, seasons, or other time periods.

APPENDIX A-II

CALCULATION OF GRADE AND STAPLE DISCOUNTS

Discounts for below basis cotton in the local markets were calculated by using the Memphis price for Middling 15/16 inch cotton as a base. This was necessary because of a lack of basis cotton in the local markets. Local market prices were then subtracted from the Memphis base price to determine local market discounts. These computed discounts were then compared to quoted Memphis market discounts to determine the amount and direction of spread between the two groups. The number of bales representing the various grades and staples were used as a weight when making these calculations.

APPENDIX C

METHOD OF ADJUSTING LOCAL MARKET PRICES¹

Average prices received by growers for cotton of various grade and staple lengths sold in the local market were adjusted for the difference in location by adding to the local market price the cost of compression and freight to Memphis, Tennessee. This adjustment is based on the assumption that prices in the local market tend to equal central market prices minus transportation costs from local to central markets. Actually, there were many other small costs involved but these costs were so small that they had little influence on the differences in price level. The costs used in adjusting the local prices in this market were:

(1) Rail freight ²	\$4.69	per bale
(2) Trucking costs	.25	per bale
(3) Compress charge ³	<u>1.26</u>	per bale
Total	\$6.20	per bale

This total charge of \$6.20 per bale amounts to 1.04 cents or 104 points per pound. The four points, which amounts to .004 cent per pound was dropped before making the calculations and interpretations, thereby making the adjusted local market price one cent per pound more than the actual price.

¹ Taken in part from the Appendix of the U. S. D. A. Technical Bulletin No. 699, p. 46.

² Source: Oklahoma Cotton Growers Association and the Sante Fe Rail Freight Office, Stillwater, Oklahoma.

³ Source: State P. M. A. Office, Stillwater, Oklahoma, and the Traders Compress Company at Oklahoma City, Oklahoma.

APPENDIX D

INDEXES FOR GRADE, STAPLE, AND CLASS

In working with qualities of cotton it was necessary to devise an index with which they could be compared. This was helpful not only in relating price and quality between individual bales and lots, but also in determining the relative qualities sold for various months, seasons, or other time periods. In this report, indexes were compiled for grade, staple lengths, and also for the various classes, which takes into account both the grade and staple.

APPENDIX D-I

INDEX FOR GRADE

Indexes for grade may be computed by either of two methods. For simple comparisons, the index under (A) may be used. This index measures only relative change and does not indicate change of value. In this index, the grade of Middling is designated as 100 with each change in grade above and below Middling representing a one unit change in the index.

The index under (B) was computed by using the values of the various grades of cotton. Middling 15/16 inch cotton was designated as 100. The price of the other grades of 15/16 inch cotton was divided into the price of Middling 15/16 inch cotton. These percentage figures were then used as a grade index. This method of computing an index is somewhat more complicated than the other method but it gives some indication of the value of the spread between one grade and another. This index is calculated by using Production and Marketing Administration loan rates for Southwestern Oklahoma and is based on the assump-

tion that these rates are indicative of the true value of the specified grades.

Grade Indexes

	(A)	(B)
White		
Good Middling	102	102.5
Strict Middling	101	102.0
Middling	100	100.0
Strict Low Middling	97	92.6
Low Middling	95	85.0
Strict Good Ordinary	93	78.1
Good Ordinary	92	72.5
Spotted		
Good Middling	99	95.3
Strict Middling	98	94.5
Middling	96	88.2
Strict Low Middling	94	78.9
Low Middling	91	72.0

APPENDIX D-II

INDEX FOR STAPLE

A staple index is derived simply by indicating the multiple of 1/32 that the staple length represents.

Staple Index

Length (Inch)	Index
3/4	24
13/16	26
7/8	28
29/32	29
15/16	30
31/32	31
Inch	32
1-1/32	33

APPENDIX D-III

CLASS OR QUALITY INDEX

An index for class or quality may be calculated by several methods. The procedure used here is similar to the one used in figuring the grade

index presented under (A) in Appendix IV-A above, thus indicating only relative differences. Middling 15/16 inch cotton was designated as 100. The grade and staple combination with the next higher price was 101 and so on for all grade and staple length combinations.

INDEXES FOR COTTON CLASSES, INCLUDING ALL WHITE AND SPOTTED
GRADES AND STAPLE LENGTHS 13/16 THROUGH 1-1/32

Grade	Staple						
	26/32	28/32	29/32	Inch 30/32	31/32	32/32	33/32
White							
GM	88	93	99	103	107	109	111
SM	87	92	98	102	105	108	110
M	84	87	94	100	101	104	106
SLM	70	74	77	82	83	85	86
LM	62	63	64	66	66	67	68
SGO	52	54	55	56	56	57	58
GO	43	45	47	48	48	49	49
Spotted							
GM	73	81	86	91	93	96	97
SM	72	78	85	89	90	93	95
M	65	69	71	75	76	79	80
SLM	53	55	59	60	60	61	61
LM	42	44	46	50	50	51	51

APPENDIX E

SMITH-DOXEY ACT

The Smith-Doxey Act of 1937 provided in part that....."The Secretary of Agriculture, upon request in writing from any group of producers organize to promote the improvement of cotton who comply with such regulations as he may prescribe, is authorized and directed to determine and to make promptly available to such producers, the classification, in accordance with the official cotton standards of the United States, of any cotton produced by them. The Secretary of Agriculture is further authorized to pay the transportation charges and to furnish tags and containers.....

The Secretary of Agriculture is also authorized and directed to collect, authenticate, publish, and distribute.....timely information on the market supply, demand.....and to cause to be prepared regularly and distributed for posting.....information on prices for the various grades and staple lengths of cotton." April 13, 1937.

Taken from United States Statutes at Large, 75th Congress, 1st Session. Volume 50, Part I, Public Laws.

APPENDIX TABLE 1*

STATISTICAL SUMMARY OF LOCAL MARKET COTTON PRICE AND QUALITY DATA
BY MONTHS, SEASON 1950-51

	I	II	III	IV	V	VI	VII	VIII	IX	X*	XI*	XII*	XIII*
1950-51	Size of Sample	Class Index	Grade Index	Staple Index	Local Market Price	Mphs. Price	Mphs. Base	Mphs. & Disc.	Adj. Local Mkt. Price	Price Spread	Adj. Price Spread	Mkt. Prem & Disc.	Disc. Spread
September	9	81.6	96.9	29.9	37.22								
Deviation		3.8	.2	.6	-.57								
October	417	85.4	97.9	29.8	37.49	37.78	40.05	2.27	38.49	.29	-.71	1.56	.71
Deviation		7.6	1.2	.5	- .30	-.79	-.92	-.13	-.66	-.13	-.13	-.26	.13
November	397	80.4	97.0	29.5	38.81	39.36	41.88	2.52	39.81	.55	-.45	2.07	.45
Deviation		2.6	.3	.2	1.02	.79	.91	.12	.66	.12	.12	.25	-.12
December	70	67.2	95.1	28.6	36.49								
Deviation		-10.6	-1.6	-.7	-1.30								
January	36	74.2	96.4	28.8	38.96								
Deviation		-3.6	-.3	-.5	1.17								
Seasonal	929	77.8	96.7	29.3	37.79	38.57	40.97	2.40	39.15	.42	-.58	1.82	.58
Total Deviation		28.2	.36	2.5	4.36	1.58	1.83	.25	1.32	.25	.25	.51	.25
Average Deviation		5.64	.07	.5	.87	.79	.92	.12	.66	.12	.12	.25	.12

Source: Compiled from Buyer Survey Schedules and Memphis P.M.A. Cotton Price Quotations.

*See Footnotes Appendix Table 4.

APPENDIX TABLE 2*

 STATISTICAL SUMMARY OF LOCAL MARKET COTTON PRICE AND QUALITY DATA
 BY MONTHS, SEASON 1951-52

1951-52	I Size of Sample	II Class Index	III Grade Index	IV Staple Index	V Local Market Price	VI Mphs. Price	VII Mphs. Base	VIII Mphs Prem. & Disc.	IX Adj. Local Mkt. Price	X* Price Spread	XI* Adj. Price Spread	XII† Lo.Mkt. Prem. & Disc.	XIII* Disc. Spread
September	101	76.9	97.9	27.4	33.95	31.29	35.92	4.63	34.95	-2.66	-3.66	.97	3.66
Deviation		8.8	2.4	- .9	.86	- 3.69	- 3.60	.09	.60	-4.29	-4.29	-3.47	4.29
October	416	77.5	97.7	28.1	34.54	34.22	36.68	2.46	35.54	- .32	-1.32	1.14	1.32
Deviation		9.4	2.2	- .2	1.45	- .76	-	-2.08	1.19	-1.96	-1.95	-4.22	1.95
November	206	76.6	96.9	28.9	37.84	38.14	40.82	2.68	38.84	.30	- .70	1.98	.70
Deviation		8.5	1.4	.6	4.75	3.16	1.30	-1.86	4.49	-1.33	-1.33	-3.15	1.33
December	358	60.6	94.2	28.0	33.79	36.82	42.36	5.54	34.79	3.03	2.03	7.57	-2.03
Deviation		- 7.5	- 1.3	- .3	.70	1.84	2.84	1.00	.44	1.40	1.40	2.22	-1.40
January	73	51.0	91.6	28.7	31.48	35.64	41.58	5.94	32.48	4.16	3.16	9.10	-3.16
Deviation		-17.1	- 3.9	.4	- 1.61	.66	2.06	1.40	- 1.87	2.53	2.53	3.71	-2.53
February	12	70.8	96.3	28.1	31.55								
Deviation		2.7	.8	- .2	- 1.54								
March	4	63.5	93.8	28.8	28.50	33.78	39.75	5.97	29.50	5.28	4.28	10.25	-4.28
Deviation		- 4.6	- 1.7	.5	- 4.59	- 1.20	.23	1.43	- 4.85	3.65	3.65	4.90	-3.65
Seasonal	1170	68.1	95.5	28.3	33.09	34.98	39.52	4.54	34.55	1.63	.63	5.17	- .63
Total Deviation		58.6	13.7	.31	16.50	11.31	12.87	7.86	13.44	15.15	15.15	21.67	15.15
Average Deviation		8.37	1.96	.04	2.21	1.88	2.14	1.12	2.24	2.52	2.52	3.61	2.52

Source: Compiled from Buyer Survey Schedules and Memphis P.M.A. Cotton Price Quotations.

*See footnotes Appendix Table 4.

APPENDIX TABLE 3*

STATISTICAL SUMMARY OF LOCAL MARKET COTTON PRICE AND QUALITY DATA
BY MONTHS, SEASON 1952-53

	I	II	III	IV	V	VI	VII	VIII	IX	X*	XI*	XII*	XIII*
1952-53	Size of Sample	Class Index	Grade Index	Staple Index	Local Market Price	Mphs. Price	Mphs Base	Mphs. Prem. & Disc	Adj. Local Mkt. Price	Price Spread	Adj. Lo. Price Spread & Disc.	Mkt. Prem. Disc.	Disc. Spread
September	92	82.6	97.7	27.7	35.98	37.05	38.30	1.25	36.98	1.07	.07	1.32	-.07
Deviation		4.9	.2	.1	3.67	1.27	.90	-.37	1.48	-.21	-.21	-.57	-.21
October	375	78.5	98.1	27.6	33.03	34.51	36.49	1.98	34.03	1.48	.48	2.46	.48
Deviation		.8	.6	.0	.72	- 1.27	-.91	.36	- 1.47	.20	.20	.57	.20
November	47	72.0	96.7	27.6	27.92								
Deviation		- 5.7	-.8	.0	- 4.39								
Seasonal	514	77.7	97.5	27.6	32.31	35.78	37.40	1.62	35.50	1.28	.28	1.89	-.28
Total Deviation		11.4	.16	.1	8.78	2.54	1.81	.73	2.95	.41	.41	.114	.41
Average Deviation		.38	.05	.03	2.93	1.27	.90	.36	1.48	.20	.20	.57	.20

Source: Compiled from Buyer Survey Schedules and Memphis P.M.A. Cotton Price Quotations.

*See Footnotes Appendix Table 4.

APPENDIX TABLE 4

STATISTICAL SUMMARY OF LOCAL MARKET COTTON PRICE AND QUALITY DATA
SEASONS: 1950-51, 1951-52, and 1952-53

Season	I Size of Sample	II Class Index	III Grade Index	IV Staple Index	V Local Market Price	VI Mphs. Price	VII Mphs. Base	VIII Mphs. Prem. & Disc.	IX Adj. Local Mkt. Price	X <u>1/</u> Price Spread	XI <u>2/</u> Adj. Price Spread	XII <u>3/</u> Local Mkt. Prem & Disc.	XIII <u>4/</u> Disc. Spread
1950-51	929	77.8	96.7	29.3	37.79	38.57	40.97	2.40	39.15	.42	-.58	1.82	.58
Deviation		3.3	.1	.9	3.39	2.13	1.69	-.45	2.82	-.69	-.69	-1.14	.69
1951-52	1170	68.1	95.5	-28.3	33.09	34.98	39.52	4.54	34.35	1.63	.63	5.17	-.63
Deviation		-6.4	-1.1	.1	-1.31	-1.46	.23	1.69	1.98	.52	.52	2.21	-.52
1952-53	514	77.7	97.5	27.6	32.31	35.78	37.40	1.62	35.50	1.28	.28	1.89	-.28
Deviation		3.2	.9	-.8	-2.09	-.66	-1.89	-1.23	-.83	.17	.17	-1.07	-.17
All Data	2613	74.5	96.6	28.4	34.40	36.44	39.29	2.85	36.33	1.11	.11	2.96	-.11
Total Deviation		12.9	2.1	1.8	6.79	4.25	3.80	3.37	5.63	1.38	1.38	4.42	1.38
Average Deviation		4.3	.7	.6	2.26	1.42	1.27	1.12	1.88	.46	.46	1.47	.46

Source: Compiled from Buyer Survey Schedules and Memphis P.M.A. Cotton Price Quotations.

1/ Col. VI minus Col. V.

2/ Col. VI minus Col. IX.

3/ Col. VII minus Col. IX.

4/ Col. VIII minus Col. XII.

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