COTTON MARKETING PRACTICES IN OKLAHOMA AS RELATED TO COTTON IMPROVEMENT

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INTRODUCTION

Cotton quality improvement has been the objective of many agencies during the past five years, and the one-variety communities have been a result of their combined efforts. The number increased from 16 in 1938-39, two of which made application for the free classification under the Smith-Doxey Act, to 106 in 1939-40 that met the requirement for the free classification. In 1940-41, 139 made application for classification of which 137 made use of this service. Very little is known relative to marketing practices, marketing facilities, and to what extent cotton quality has been improved in these communities.

The purpose of this study is to determine: (a) The cotton marketing practices in Oklahoma in 1940; the effect of these practices on the farmer income from cotton; (b) Whether one-variety communities have improved the quality of cotton and if so to what extent the farmers have received a greater return for quality production; (c) The extent to which the government loan program has been responsible for the increasing number of one-variety communities and their use of the classing service.

The data pertaining to marketing practices are for the crop year 1940-41. Schedules were taken from the gins cooperating with the Organized Cotton Communities. Additional schedules were taken in eastern Oklahoma because of the sparseness of one-variety communities in this section of the State. The material relating to one-variety cotton communities is for 1938 to 1940. Supplementary information was secured from the Extension Service, Corporation Commission, Agricultural Marketing Service, and Bureau of Census.

CHAPTER I

THE DEVELOPMENT OF COTTON CLASSIFICATION AND ONE-VARIETY COMMUNITY COTTON PRODUCTION

The present system of cotton classification and one-variety community production is a result of a need for such organization and method. The historical developments of the cotton industry will be considered only insofar as they have reflected the changing need for classification of cotton and one-variety community cotton production. The evolution of our present system of classification is bound up with the whole history of the cotton trade in the United States and Great Britain.

Commerce in cotton dates beyond the period of authentic history. According to Ellison

> India is undoubtedly the birthplace of cotton manufacture. It is known from the sacred books of the country that the industry must have been in a high state of perfection, three thousand years ago: but how long before that period is not known. . . 1/

The first recorded import of cotton into England took place in 1298. It was for the manufacture of candle wicks. The early trade in cotton and cotton goods was not a specialized business but represented a part of the business of merchants who traded in a great many commodities.

The nature of cotton products produced during this period and the method of trading would indicate that there was little use for classification of cotton therefore little attention was given to it.

1/ Quoted by Alonzo B. Cox, Evolution of Cotton Marketing, Bureau of Agricultural Economics, United States Department of Agriculture, Special Report, p. 2.

The first record of cotton exported from the United States was in 1748, but the amount of cotton exported for the next 50 years was insignificant. As late as 1784, only fourteen bags were shipped to Liverpool, England and eight of these were seized on the grounds that it was doubted if so great amount of cotton could be produced in the United States.[2/] Brazil started exporting to England in 1781 and until after the invention of the saw gin in 1792, exports to England were about equal to exports from the United States.

After manufacturing of cotton was adapted to the machine process greater care was required in the purchase of the raw product. At this time there was no standardization of cotton as to weight, size, or type of package, or the quality. Each sale, whether bag, packet, or bales, had to be thoroughly inspected to determine the value. The first marketing method developed in trading was sale by auction on the basis of samples, while the actual packages of cotton were stored in warehouse.[3/]

During the period 1800 to 1860 with the expansion of production and manufacturing, this method of sale became cumbersome. One of the first changes was the adoption of sale by description of quality indicated the origin of the cotton such as "West Indian" or "American." By 1825 American cotton was further differentiated by such terms as "New Orleans Upland" or "Sea Island." Sea Island is used by the trade today. Toward the later decade of the thirties such terms as "choice,"

2/ Virgil P. Lee and Robert L. Hunt, Readings in Cotton Marketing, Ann Arbor, Michigan, Edwards Brothers, 1928, p. 23.

3/ Cox, Op. cit., pp. 8, 9, and 10.

"ordinary," and "fair" began to appear in a description of various American cotton. Later such descriptive terms as "middling upland" or "middling Orleans" were added, even before any attempt was made in America to adopt standards. The Liverpool Association assembled such terms and adopted standards for American cotton in 1843. These Liverpool standards were used throughout the world except in America.[4/] Ten years later the New York cotton brokers formed a brokers association and adopted similar terms, for the association members.[5/]

Evidently slowness of effort to establish standards was associated with the method of sale and the status of the planters. The larger part of the American crop was produced by southern planters who had an opportunity to know the buyer intimately and sold in large lots. These plantations were large enough to require the service of at least one gin which was located on the plantation.[6/] The system of production tended to standardize the size of the package and quality for a given area as these plantations furnished the seed and ginned the cotton for the small producers. Consequently, it was needless to classify individual bales and only general classification was made. The planters were closely associated with the trade and were informed as to the quality in demand.

The first plenary attempt to establish a set of uniform cotton standards for the United States came after the Civil War in 1874 when

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4/ John A. Todd, The Marketing of Cotton, London: Sir Isaac Pittman and Sons, Ltd. 1934, p. 39.

5/ Cox, Op. cit., p. 14.

6/ Edward C. Kirkland, A History of American Economic Life, New York: F. S. Crofts and Company, 1936, p. 179.

representatives of the American cotton exchanges met for this purpose. This effort like preceding efforts, however, failed in that it did not adopt a uniform set of standards for classification of cotton.[7]

Methods of marketing cotton from the farms in the United States after the Civil War were greatly influenced by the poverty of the cotton grower. The planters lost their investment in slaves, their plantations were run down and covered with mortgages, and their machinery and teams were gone. Consequently, the system of growing cotton on large plantations and selling direct or through factors was largely broken up. There was an incentive, however, for increased cotton production for the price of cotton was high. Buyers from New England bid high for forward delivery, which tempted former factors who acted as financiers to make large advances to planters. The poor showing made by the negroes as hired hands and the rapid decline in the price of cotton involved the growers in debts which put them at the mercy of their creditors. The creditors to protect themselves resorted to the policy of stipulating the crop to be planted and the time and method of sale. This system forced the maximum acreage into production and pushed the crop on the market at the time of harvest.[8] During this period when the factors determined the production policy of the grower, the need for standards was not pressing. As the production expanded westward and each negro settled on his "forty acres," the need for an adequate method of classification became apparent. With the development of a roundabout method of production the old system of classifi-

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7/ Todd, Op. cit., p. 39.

8/ Cox, Op. cit., p. 18.

cation became obsolete. The breaking up of plantations brought about mixing of seed as the custom gin mixed the different varieties of seed within the same community. Also with the increase of production in new heterogeneous areas of rainfall, soil type, harvesting periods, and method of harvesting, a need for classification became apparent to the cotton trade.

The development of futures markets for cotton in the fifties increased the need for cotton standards but brought agitation against their use.[9/] The first record of prices quoted for cotton sold "in transit" was in New York in 1856. The sale of cotton "to arrive" or for forward delivery was the second step toward futures markets. The strong demand for cotton during the Civil War and the difficulty of running the northern blockade brought about the sale of cotton "to arrive." A considerable amount of speculation was involved in this method of sale during the war. The price of cotton in the Liverpool market rose from approximately 16 cents for "middling Orleans" in January, 1861 to approximately 64 in September, 1862.[10/] It seems that the friends of the growers, who were fully alive to the unsatisfactory results of the existing marketing conditions, were under the impression that the whole trouble resulted from "gambling" in cotton futures on the big exchanges. Because grading of cotton was associated with futures markets the question of grades became confused with the agitation against futures markets. In 1907 the International Conference of Cotton Growers,

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9/ Todd, Op. cit., p. 40.

10/ Cox, Op.cit., p. 16.

Spinners, and Manufacturers in a meeting at Atlanta, Georgia passed a resolution "that standard types should be adopted either by the United States Government or by an association of delegates from the cotton exchanges, cotton growers, and cotton spinners, and that the classification should be on the basis of color alone and not upon staple." As a result of this request the United States Government in 1909 took action on standards and set up a standard of nine grades. These were permissive grades, however, since there was no power to make their use compulsory.[11/]

As a result of the agitation against futures markets an investigation was ordered by Congress in 1907 into the methods of dealing in the future exchanges and marketing conditions in local markets. The recommendations of the Committee, appointed to investigate, were embodied in the Cotton Futures Act of 1914. As part of this Act the first official cotton standards of the United States for white cotton were established December 15, 1914. This Act which applied to all contracts made in the United States whether for sale to a purchaser in the United States or abroad was declared unconstitutional. It was re-enacted in 1916 with a provision exempting orders transmitted on foreign exchanges. In 1923 a new act was passed which made the use of the compulsory standards for all contracts.

Since 1912 to the present the United States Department of Agriculture has been conducting investigations into prices paid for cotton in small local markets as finally determined in the central markets.

11/ Todd, Op. cit., pp. 39-40.

One of the first of these studies was conducted in Oklahoma for the crop year 1912 and 1913. It was found that there was no relationship between the quality and price in any local market in Oklahoma.[12/] Along the northern edge of the Cotton Belt the cotton was bought mostly by merchants with whom the farmers had accounts. The merchants bought the cotton with the view of collecting debts or establishing new trade with the farmers. Seemingly no attention was given the grade and staple of the cotton when purchased in this manner. The larger firms dealing exclusively in cotton were unable to compete in purchasing cotton from farmers. They usually had a resident buyer in these towns who purchased the cotton from the merchant. In towns in Oklahoma where the quantity of cotton sold ran into thousands of bales the greatest proportion was bought either by ginners or men who dealt exclusively in cotton. These ginners paid very nearly the same price for all cotton purchased the same day whether buying in the seed or in the bale. In the street markets, even where there was a large number of buyers, widely different prices were paid the same day for bales of identical quality. The marketing conditions of regions of sparse production wereeven worse. The individual grower was seldom able to dispose of his seed to a good advantage and his bale if custom ginned would probably be sold on an equally restricted market. Part of the farmers had to leave their cotton with the ginners or at the railroad station until enough cotton had accumulated to attract some itinerant buyer who would pretty nearly fix his own price.

12/ Fred Taylor, Sherman Wells, and Charles J. Brand, Studies of Primary Market Conditions in Oklahoma, United States Department of Agriculture, Bulletin 36, Published November 15, 1913.

From these inquiries it became clear that while both buyers and sellers in the local market gave inadequate consideration to the question of grade, it was to some extent considered in the price offered, but on the question of staples the conditions were even worse. The farmers producing better quality were penalized by not receiving the proper premiums. There was evidence that on the average "long staple points" received higher average prices. Evidently this tendency had some influence on the early attempts to establish one-variety communities in the hope of increasing the price for the whole community.

Another factor leading toward one-variety communities was the argument advanced by the Bureau of Plant Industry. Cook, in charge of cotton breeding investigation for the Bureau of Plant Industry, prepared an article in 1911 which showed the futility of an individual farmer's attempting to improve his cotton crop. His arguments for community cotton production were much the same as those used at present. Since he had no specific data relative to the advantage of one-variety cotton communities he cited the advantage gained by corn improvement groups in the southern states by one-variety community production. The gain supposedly to be had by community production was in short, higher market prices for cotton, prevention of cross-pollination in fields, and prevention of seed mixing at custom gins.[13/]

A few years after this article was published the first one-variety cotton community was established in the Salt Lake River Valley of Arizona where the Prima variety of cotton of Egyptian origin was grown

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13/ United States Department of Agriculture Yearbook, 1911. pp. 397-399.

exclusively.[14] This first community apparently was the most successful one-variety community for several years.

The development of these one-variety communities occurred mostly in the western part of the Cotton Belt. The Durango cotton was another variety that was used in the early development of one-variety communities. The first planting, about 6,000 acres, was made in the Imperial Valley of southern California in 1913. Although this one-variety community organization was continued for several years, no provisions were provided to produce seed stock. Good results were obtained with this variety in Texas, around Waco and Clarksville but growers did not organize a one-variety community.

The Upland Variety of Acala, acclimatized from Mexico, was evidently the first improved variety to be tried extensively in Oklahoma. Averages of 25 reports of field production of different varieties in Oklahoma in 1920 showed that Acala was a week earlier than other leading varieties, out-yielded them to an extent of more than 200 pounds of seed cotton per acre, had a higher lint turn-out and a superior staple that commanded a better price in the market. Because of these advantages, efforts were made in Oklahoma to utilize Acala cotton and eliminate the planting of other varieties. A general plan of community standardization was adopted in which entire counties or larger areas were encouraged to restrict themselves to one superior variety.[15] Evidently these plans were relatively unsuccessful since in 1938, seven-

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14/ O. F. Cook, One-Variety Communities, United States Department of Agriculture, Bureau of Plant Industry, Bulletin No. 111, 1922. p.37.

15/ Cook, Op. cit., pp. 37-44.

teen years later, only sixteen communities were organized in Oklahoma.

The work of these communities in securing any notable increase in price from quality improvement was evidently hampered by a lack of adequate information pertaining to staple lengths. There was a great degree of variation in the description of staple lengths by various exchanges. A set of permissive staple standards were established by the Department of Agriculture in 1918. The grower as well as the buyer was taking a chance by not knowing the staple length of his cotton produced. Some of the more progressive buyers took the precaution of inspecting the field to determine the quality before the cotton was ginned.[16/] In 1918-19, the Department of Agriculture made a study with one of its purposes to compare the prices received by farmers who did and did not know the quality of their cotton. The comparisons were made on identical grades of cotton in the same day and same market. This inquiry showed clearly that farmers gained substantially by knowing the quality of their cotton.[17/]

Not until 1928 was there any adequate or complete record of the quality of cotton produced and consumed. This was the result of an act passed by Congress, March 3, 1927, "Authorizing the Secretary of Agriculture to collect and publish statistics of the grade and staple lengths of cotton." The principal purpose of this work is to provide the quantities of each grade and staple length available in the crop and carry-over, thereby enabling the markets to use more intelligently the

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16/ United States Department of Agriculture Yearbook, 1928, p. 239.

17/ Todd, Op. cit., p. 46.

census reports on supply, and thus gauge more correctly the value of cotton of each grade and staple length; and to provide information concerning the quality of cotton produced each year in the various areas of production. This work was done by selecting representative areas of production and quoting the statistics for the state or district on the basis of these selected gin points.

The first year the plan was in operation the gins selected to take samples were paid 10 cents per sample for sampling the cotton ginned. The rate paid for samples was gradually reduced until in 1932 the Department of Agriculture paid the ginner only five cents a bale and furnished the gins with a classification sheet without identifying the bales. There was no provision whereby the farmer could receive the classification on his cotton from the Department of Agriculture except by paying 40 cents per bale plus shipping charges on the samples. In 1935, the grade and staple section of the Division of Cotton Marketing for the first time returned the classifications of each individual bale to the farmer without charge. Since this was a complimentary service in addition to the grade and staple estimating service, the classification would not be available to communities making special effort to improve their cotton as this would bias the sample for the crop as a whole. In communities where no special effort was made to improve the cotton, 50 percent of the samples received were accompanied with requests to return the classification to farmers.[18/]

In 1937, Congress passed the "Smith-Doxey Act" as an amendment to the "Cotton Quality Statistics Act" of 1927 to make it possible for

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18/ C. B. Barre, "Effects of Returning Classifications to Farmers," Current Farm Economics, June 1936, Vol. 9, No. 3, p. 74.

Organized Cotton Communities to secure free classification and market news service. Until this act was passed the farmers need for information concerning the quality of his cotton was given very little attention. Consequently early attempts to establish one-variety communities met with little success except in areas where they became prominent enough to attract outside buyers. Since the passing of the Smith-Doxey Act the number of organized Communities in Oklahoma increased from 16 in 1937 to 139 in 1940.

CHAPTER II

COTTON MARKETING PRACTICES IN OKLAHOMA IN 1940

Procedure for Study of Marketing Practices

The study was based on the three districts as used by the Agricultural Marketing Service in reporting cotton quality statistics in 1940. The factors considered in setting up these districts were cotton acreage and production, concentration of production, rainfall, length of growing season, ginning periods, and types of farming. Each of these districts has about the same acreage and production and each district has at least one area of heavy production. The growing seasons and ginning seasons are relatively uniform within each area. The districts do not follow the type-of-farming areas except in a general way. The districts were sub-divided into three sub-districts on the basis of marketing practices. Careful consideration was given type-of-farming areas of Oklahoma in establishing the sub-districts.[1/] The number of gins operating in each sub-district by type of gin ownership was secured from the records of the Oklahoma State Corporation Commission. The gins were classified according to ownership--corporate, cooperative, independent, and partnership.

The term corporate as used in this paper means, in effect, "line gin," although the term "line gin" denotes a method of operation rather than a type of ownership. Still a few single gin plants are owned by

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1/ Peter Nelson, "Geographical Variability in Types of Farming in Oklahoma," Current Farm Economics, Vol. 9, No. 1, February 1936, p. 4. (Figure Appendix and Table 1)

corporations and practically all of the line gins are owned by corporations.

The cooperative gins are those listed by the Corporation Commissioner's report as owned by farmers. Independent gins are those for which a single owner is listed, and who owns less than three gins. Partnership gins are those owned by two or more individuals, or gins owned by corporations and individuals. Corporate gins are three or more gins operating under one management.

The ginning and marketing practices were studied in each of the nine sub-districts. The information given in each of the tables describing the practices in the sub-districts was tabulated from 207 schedules taken by the Agricultural Marketing Service field men during the 1940-41 season.

Description of Districts and Marketing Practices in the Districts. District I is located in the western part of the State. (Figure I). The district is characterized by relatively large farms with a high percentage of the farm land in crops and a high percentage of the crop land in cotton. (Table 1). The district produced 269,966 bales or 33.4 percent of the cotton produced in Oklahoma in 1940.

In this district 98.4 percent of the cotton was custom ginned, which left only 1.6 percent that was sold in the seed. The farmers sold 24.2 percent of the cotton produced and 74.3 percent was put in the government loan. Of the cotton sold, 91.6 percent was purchased by the gins and 8.4 percent was purchased by other types of buyers. The district had larger farms, a larger percentage of farm land in cotton, more cotton that went into the loan, and a lower percentage of its cotton sold in the seed than either of the other districts.

Table 1. Average Size of Farm, Percentage of Farm Land in Crops, Percentage of Farm Land in Cotton for Counties Representing Type-of-Farming Areas in Oklahoma Compared with Production, Farmers' Method of Ginning and Dispostition of Cotton; Type of Gin Ownership; and Gins' Sale of Cotton

1/	District I				District II					District III					Total
Sub-Districts	1-B	1-C	1-A	Total for	2-C		2-B	2-A	Total for	3-A		3-B	3-C	Total for	for
Type-of-Farming Area	Area 11	Area 12	Area 6	District	Area 9	Area 4	Average	Area 3	District	Area 13	Area 15	Area 16	Area 14	District	State
Farm Organization															
Average Size of Farm (Acres)	171	171	205	—	87	439	115	180	—	107	136	84	112	—	—
Percent of Farm Land in Crops	65.6	63.9	56.2	—	67.5	19.2	49.4	62.0	—	66.9	41.6	54.3	35.8	—	—
Percent of Farm Land in Cotton	44.1	37.8	14.4	—	24.9	0.3	12.0	8.8	—	37.0	7.8	20.0	6.8	—	—
Production, Method of Ginning, and Disposition of Cotton by Farmer															
Production 1940 (Bales)	119,846	125,129	24,991	269,966	253,666		58,564	20,709	332,939	115,943		45,559	42,937	204,439	807,344
Percent of Cotton Custom Ginned	99.1	97.8	97.6	98.4	42.4	10.1	81.7	79.5	45.6	95.2	81.8	94.3	74.4	93.2	75.5
Percent of Cotton Sold in Seed	0.9	2.2	2.4	1.6	57.6	89.9	18.2	20.5	54.4	4.8	18.2	5.7	25.5	6.8	24.5
Percent of Ginning Sold by Farmers	22.5	25.4	26.2	24.2	81.2	100.0	88.2	36.6	84.1	31.8	33.2	51.5	93.7	46.4	54.6
Percent of Ginning that went into Loan	77.0	72.8	69.1	74.3	18.0	0.0	8.0	59.2	18.2	67.1	66.6	48.4	5.8	52.5	43.6
Percent of Sales Purchased by Gins	87.4	93.4	100.0	91.6	100.0	100.0	97.1	100.0	98.2	85.9	100.0	55.6	97.8	85.5	94.5
Percent of Sales Handled by Other Buyers	12.6	6.6	0.0	8.4	0.0	0.0	2.9	0.0	1.7	14.1	0.0	44.4	2.2	14.4	5.4
Type of Gin Ownership															
Percent Owned by Corporations	46.5	57.3	56.8	52.7	53.9	--	71.0	63.3	58.8	52.3	—	37.0	37.0	45.3	52.9
Percent Owned by Cooperatives	33.3	31.6	13.6	29.5	0.6	—	1.6	10.0	1.8	11.9	—	2.2	2.2	7.5	13.5
Percent Owned by Independents	8.8	3.4	15.6	7.3	28.3	—	27.4	16.7	26.8	24.8	—	34.9	37.0	29.8	20.4
Percent Owned by Partnerships	11.4	7.7	15.9	10.5	17.2	—	0.0	10.0	12.5	11.0	—	26.1	23.9	17.4	13.1
Gins' Sales of Cotton															
Percent Sold Through Own Agency	52.7	43.2	46.7	47.3	52.8	—	59.5	54.2	54.1	49.6	—	51.0	22.8	36.8	49.7
Percent Sold Through Brokers	14.0	10.6	29.2	14.0	18.8	—	17.0	2.4	18.0	10.5	—	4.7	32.0	20.0	17.8
Percent Sold To Oklahoma Cotton Growers Association	5.3	4.5	0.0	4.3	0.0	—	0.0	0.0	0.0	1.3	—	1.6	0.0	0.7	0.7
Percent Sold to f. o. b. and Independent Buyers	25.3	22.8	12.3	21.8	4.0	—	5.0	4.7	4.2	1.3	—	15.8	14.9	10.2	7.9
Percent Sold to Cotton Merchants	4.4	6.8	11.4	6.4	1.6	—	0.0	28.8	2.1	24.2	—	14.5	30.2	25.6	7.3
Percent Sold to Mills	0.0	9.9	0.0	4.9	22.5	—	18.4	0.0	21.1	0.0	—	9.7	0.0	1.5	15.0

SOURCE: Compiled from "Geographical Variability of Types of Farming in Oklahoma," Current Farm Economics, Vol. 9, No. 1, February 1936, 1930 Census, and 207 schedules taken in 1940 for ginning and marketing practices. Average size of farm, percentage of farm land in crops are as used as representative in type-of-farming study. Areas shown correspond roughly to sub-districts; averages for sub-district was used when sub-district and type-of-farming areas did not correspond. Production, method of ginning, disposition of cotton by farmers, type of gin ownership and gins' sales of cotton pertain to sub-district, except in sub-district in which two type-of-farming areas are shown. If two areas are shown for one sub-district the method of ginning and disposition of cotton by farmers pertain to the areas.

1/ For location of sub-districts see Figure I.

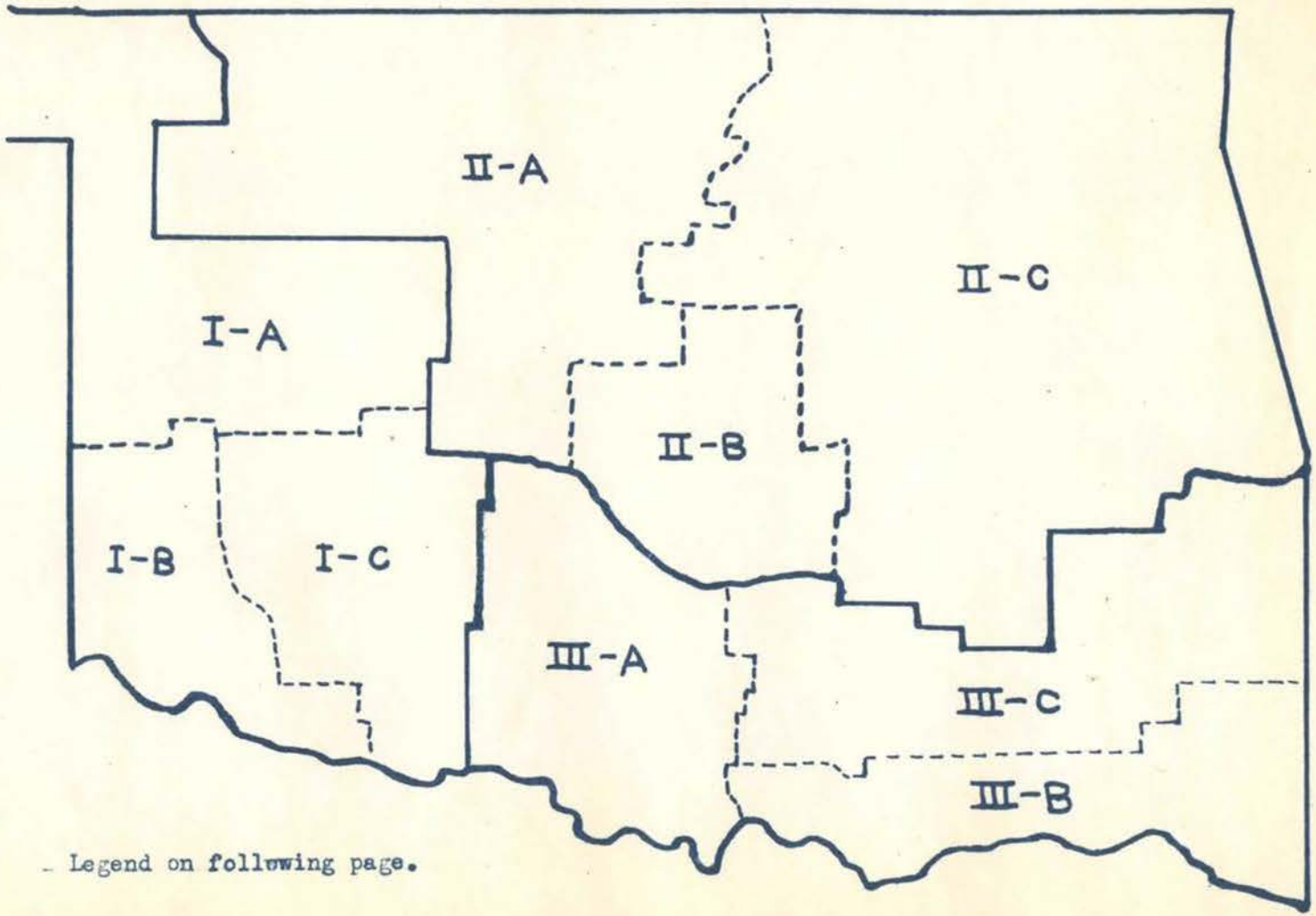
Corporate gins were the predominant type of gin ownership in the district, as 53 percent of the operating gins were operated by corporations, 30 percent by cooperatives, 7 percent by independents, and 10 percent by partnerships. A larger percentage of the gins was owned by cooperatives in this district than either other district, and although the corporations owned over half of the gins the cooperatives ginned approximately half of the cotton. (Table 2).

The marketing methods used in Caddo County in 1940 differed from those in the remainder of District I. This county was used in the "One-Variety Cotton Export Demonstration Program." This program paid a subsidy to the producers in the county who marketed their cotton under this plan. Prior to December 10, 1940, 4,500 bales went into the program, according to Henry W. Spielman, Associate Marketing Specialist in Charge of the Program.

In Caddo County the farmers sold 40 percent of the cotton ginned and the other 60 percent went into the government loan. Of the cotton sold, 63.7 percent was bought by the gins, and 33.6 percent by cotton merchants who were acting as export agents for the One-Variety Export Demonstration Program. Therefore, because of this program the amount purchased by merchants was not representative of actual conditions.

District II is located in the northeastern and north central part of the State. The average farm size in the district varied for representative counties from 87 acres in Area 9 to 439 acres in Area 4, and the percentage of farm land in cotton decreased with an increase in average farm size. Ordinarily the farms with large acreages have a small percentage of crop land in cotton which reduced the number of

FIGURE I. DISTRICTS IN OKLAHOMA USED FOR COTTON QUALITY STATISTICS REPORTS WITH SUB-DISTRICTS APPROXIMATING TYPE-OF-FARMING AREAS



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Sub-District Description Relative to Type of Farming

District I:

Sub-District 1-A approximates type-of-farming area 6 described as "Cotton, cash grain, general farming, livestock."

Sub-District 1-B corresponds to type-of-farming area 11 described as "Cotton predominate."

Sub-District 1-C approximates type-of-farming area 12 described as "Cotton, some grain, some dairy, poultry."

District II:

Sub-District 2-A approximates type-of-farming area 3 described as "Cash grain, general farming, some dairy, poultry with some cotton in area 3a."

Sub-District 2-B is southern portion of area 7 with Seminole County in area 8 and is described as "Cotton, general farming, poultry, self-sufficing."

Sub-District 2-C does not correspond to any type-of-farming area; it has mixed farming with some cotton and is largely self-sufficing.

District III:

Sub-District 3-A, type-of-farming areas 13 and 15 are located in this sub-district and are described as "Cotton, livestock, self-sufficing."

Sub-District 3-B approximates type-of-farming area 16 described as "Cotton, general farming."

Sub-District 3-C is mostly in type-of-farming area 14 described as "Cotton, self-sufficing, livestock."

See Type-of-Farming Map, Appendix. Page 97.

acres in cotton per farm in this district.[2/] The district produced 332,939 bales or 41.2 percent of the cotton produced in Oklahoma in 1940. (Table 1).

In this district, 45.6 percent of the cotton was custom ginned and 54.4 percent was sold in the seed. The farmers sold 84.1 percent of the cotton produced; 18.2 percent was put into the government loan. Of the cotton sold, 98.2 percent was purchased by the gins, and 1.7 percent was purchased by other buyers. The district had mostly small self-sufficing farms, the highest percentage of cotton sold in the seed, the highest percentage of cotton bought by gins, and the lowest percentage of cotton that went into the loan of the three districts shown.

A larger percentage of gins was operated by corporations and a smaller percentage operated by cooperatives than in the other districts. The corporations owned 59 percent, the cooperatives 2 percent, independents 27 percent, and partnerships 12 percent of operating gins. More cotton was sold directly to mills in this district than in the other districts.

District III is located in the southeastern part of the State. (Figure I). The average size of farms in 1930 for the counties representing the sub-districts ranged from 84 to 136 acres and the percentage of farm land in cotton from 7 to 37 percent. The average number of acres in cotton per farm was more than that in District I and less

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2/ J. O. Ellsworth and F. F. Elliott, Types of Farming in Oklahoma, Experiment Station Bulletin No. 181, June 1929, pp. 27, 48, 49, 50, 59, 60, and 61.

than in District II. Cotton is the predominant crop in most of this district but the average size of farms is smaller than in District I. The district produced 204,439 bales or 25.3 percent of the Oklahoma crop in 1940.

In the district, 93.2 percent of the cotton was custom ginned and 6.8 percent was sold in the seed. The farmers sold 46.4 percent of the cotton produced and 52.5 percent was put into the government loan. The gins purchased 85.5 percent of the cotton sold and other types of buyers purchased 14.4 percent. The district was intermediate to Districts I and II with respect to farm organization and marketing practices.

McCurtain County differed from the district as a whole in marketing practices, for although only 4.9 percent of the cotton in McCurtain County was bought in the seed this represented total purchased by the gins. In 1940 the Oklahoma Cotton Growers Association handled approximately 95 percent of the cotton that went into the loan and 10 percent of the cotton sold in the county. Street buyers purchased the bulk of the cotton that was sold.

Type of Gin Ownership. Soxman classified gins by type of gin ownership in nearly the same manner as was used in this study. On the basis of his classification of all the gins operating by type of gin ownership for the four-year period, 1929 to 1932, was as follows: corporate 51.8 percent; cooperatives, 11.6 percent; individual or independent 16.5 percent; partnership 16.6 percent; and "others" 3.5 percent.[3/] The distribution as determined by this survey was corporate 52.9 percent; cooperatives 13.5 percent; individual or independent 20.4 percent; and partnerships 13.2 percent. (Table 2).

3/ R. C. Soxman, A Business Analysis of Cotton Gins in Oklahoma, unpublished Master's thesis, Oklahoma Agricultural and Mechanical College, 1935, p. 87.

Table 2. Number of Gins Operating, Percent Owned, Total Ginnings, Average Bales Ginned Per Gin by Type of Gin Ownership, for Districts I, II, and III, Season 1940-41

Type of Ownership	Number of Operating Gins	Number of Schedules Taken	Ginning	Average Bales Ginned Per Gin	Percent of Ginning by Type of Ownership 1/
		District I Production 1940-41 Season:	269,966		
Corporate	145	58	44,390	765	43.4
Cooperative	81	49	64,503	1,136	41.7
Independent	20	4	2,824	706	5.5
Partnership	29	11	9,026	820	9.3
Total	275	122	120,743	990	100.0
		District II Production 1940-41 Season:	332,939		
Corporate	160	21	23,372	1,113	46.6
Cooperative	5	3	4,943	1,648	2.2
Independent	73	5	7,066	1,413	34.0
Partnership	34	11	21,292	1,936	17.2
Total	272	40	56,673	1,417	100.0
		District III Production 1940-41 Season:	204,439		
Corporate	91	23	22,842	993	35.9
Cooperative	15	2	3,800	1,900	11.3
Independent	60	11	14,604	1,328	31.7
Partnership	35	9	13,653	1,517	21.1
Total	201	45 2/	54,899	1,220	100.0
		State Total Production 1940-41 Season:	807,344		
Corporate	396	102	345,709	873	42.8
Cooperative	101	54	143,002	1,416	17.7
Independent	153	20	193,124	1,262	23.9
Partnership	98	31	125,509	1,281	15.5
State Total	748	207	807,344	1,079	100.0

SOURCE: Oklahoma Corporation Commission, Cotton Gin Season of 1939 and 1940, Agricultural Adjustment Administration, Production By Counties, and 217 Schedules taken for this study.

1/ Total ginning, average bales ginned per gin, percent sold in seed and percent custom ginned is based on the 207 schedules. State totals for this items weighted by Agricultural Adjustment Administration production records and adjusted to sample gins by districts.

2/ Percent of ginning is based on sample gins.

Soxman's classification of corporate gins would include "line gins" owned by a corporation and corporations who owned less than three gins. A comparison of the percentage of gins operated by corporations in the two studies would indicate that there are only a few gins operated by corporations as a single gin unit and only a few individuals operating more than three gins. The cooperatives in this study include all gins owned by farmers; this might include some gins that are not true cooperatives as defined in the 1919 Cooperative Corporation Law. The partnership gins in this paper include partnerships between corporations and individuals and between individuals. While the "other" as classified by Soxman included partnerships between corporations and individuals and gins in the hands of receivers. The independent gins in this paper would include gins in the hands of receivers provided they were controlled by an individual.

When corporate owned gins and partnership gins for the four-year period, 1929 to 1932, are compared with 1940-41 and allowance is made for the difference in classification, there seems to be a trend away from partnership of individuals and corporations to out-right control by the corporations. This is probably a result of corporations taking over gin plants during the short crop years between 1932-1939 that were formerly operated by corporations in partnership with individuals. These corporations contend that partnership relations are satisfactory only as long as the gins show a profit, but when the gins show a loss as most of them have during the period from 1932-1939 the individual partner becomes dissatisfied. In this case, the corporation usually takes over the plant and hires the partner for a manager, or refinances

the partner and takes a mortgage on the gin. In either case, the corporation handles the seed bought by the ginner from the farmers which has been an important source of revenue to the gins in years of short crops.[4/]

The average bales ginned per plant for the four-year average 1929-1932 was 1,030 for corporate gins, 2,034 for cooperatives, 1.016 for independent gins, 1,116 for partnerships, and 1,260 for "other."[5/] In a comparison of volume ginned by type of ownership in 1940 it was found that in each district and in the State as a whole the volume ginned by cooperatives was about twice as much as that ginned by the corporate gins. The volume ginned per gin by both corporate and cooperative was more for 1929 to 1932 than it was in 1940. This was because the average State production for the four-year period was over a million bales as compared to 807,344 bales in 1940.

The type of gin ownership, as such, seems to have little effect on the method of sale used by the farmers except for the cooperative gins. The farmers that ginned with cooperatives did sell a larger percentage of cotton to buyers other than gins than the farmers that ginned with other types of gins. The cooperative gin managers in some instances acted as the farmers' agents in selling cotton as the gins did not purchase cotton.

In Jackson County the practice of cooperative gin managers acting as the farmers' agents was used extensively. Of the 12 gins operating

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4/ K. C. Davis, Factors Affecting the Market for Cottonseed in Local Markets of Southwestern Oklahoma, unpublished Master's thesis, Oklahoma Agricultural and Mechanical College, 1941, p. 95.

5/ Soxman, Op. cit., p. 93.

in Jackson County in 1940, seven gins did not purchase any cotton except as "remnants," 11 of the 12 operating gins purchased less than 20 bales of custom ginned cotton. This left only one cooperative gin in the County that bought any appreciable amount of cotton. However, 36 percent of the cotton sold by farmers was sold by the gin managers who acted as the farmer's agent. To use the gin managers' term, they "peddle" the cotton and return the farmer the amount received less handling charges.

Although the type of gin ownership had little effect on the farmers' method of sale, it was largely responsible for the method of sale used by the gins. The corporate gins sold 100 percent of their sales through their own sales agencies in three sub-districts; 85 to 95 percent in four sub-districts; 65 percent in one sub-district; and 41.6 percent in the other sub-district. (Appendix Tables 1 to 9). The corporate gins, in most cases, pooled all of the cotton purchased by individual gin units and sold the cotton through the corporate sales agency.

The corporate gin managers purchased the cotton from the farmer and notified the company that they had purchased the cotton at a specific price and later forwarded the samples to the sales agency. The cotton was then concentrated in various compresses and resampled. These compress samples were sent to the corporate sales agency where cotton classers classified the cotton and placed the bales in even running lots (for grade and staple). The cotton was then offered for sale, either on the companies own tables or through brokers in large spot markets.

The cooperative gins usually sold some cotton to the Oklahoma Cotton Growers Association but most of it was sold through brokers or to

independent and f. o. b. buyers.[6/] The gin manager usually bought cotton for the gin and sold as he saw fit.

The independent gins sold principally through brokers and to independent and f. o. b. buyers. In four of the nine sub-districts, 100 percent of the cotton purchased was sold through brokers or to f. o. b. and independent buyers. In the other five sub-districts, 50 to 85 percent was sold through brokers or to buyers and direct to mills. (Appendix Tables 1 to 9). A few bales were sold through the Oklahoma Cotton Growers Association. Direct mill sales were made from the eastern section of the State.

The partnership gins sold some cotton to each type of buyer. (Appendix Tables 1 to 9). If the partnerships were between corporations and individuals, the cotton was usually sold through the corporate sales agency. If the partnership was between individuals, the cotton was usually sold to the other types of buyers. If the gin was located in the northeastern section, cotton was usually sold direct to mills.

In District I, or western Oklahoma, there were only two cases in which sales were made directly to mills, while in the sub-district 2-C every type of gin ownership sold some cotton direct to mills. The Commander Mills at Sand Springs, Oklahoma, furnishes a market for some of this eastern cotton, but most of it was bought by out-of-state mills,

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6/ The Oklahoma Cotton Growers Association made an advance to the gins for the cotton then acted as a broker for these gins.

The independent buyer purchases cotton strictly on his own account, takes all risk, receives all profit, and sells cotton to the firm offering the best price.

F. o. b. buyers usually have an account with or work for merchants or mills. They purchase the cotton from the gin, then draw on their firm for the price of the cotton. The broker sells cotton for a commission and does not take possession of the cotton.

as the Commander Mills consumed only 25 to 35 thousand bales a year. According to the data in Appendix Tables 1 to 9, 84,456 bales were sold directly to mills by gins in this State while part of the cotton consumed by the Commander Mills was purchased from sellers other than gins.

Marketing Practices as Related to Farm Organization. There are certain marketing practices that are seemingly affected by the farm organizations of farms within different type-of-farming areas. The variation would depend on the importance of cotton to the farm organization as the relative amount of farmers' income from cotton with respect to total farm income per farm would influence the method of sale of cotton. The percentage of farm land in cotton gives an indication of the importance of cotton to the farm organization and the amount of returns received from cotton relative to other sources of farm income. It has been attempted here to discover the effects that the percentage of farm land in cotton has on the method of marketing cotton.

Percentage of Farm Land in Cotton as Related to Sale of Seed Cotton, Gin Purchases, Cotton that Went into the Loan and Type of Gin Ownership. In District I with every decrease in percentage of custom ginned cotton there was a decrease in the percentage of farm land in cotton. In District II, with the exception of area 9, increases in cotton sold in the seed were accompanied by a decrease in farm land in cotton. In District III every increase in percentage of cotton sold in the seed was accompanied by a decrease in the percentage of farm land in cotton. This would indicate that the sale of cotton in the seed is influenced by the percentage of farm land in cotton. However, the northeastern section of the State (District II) had a relatively higher percentage of cotton sold

in the seed than would be expected in considering relative changes in percentages of farm land in cotton. In general percentage of cotton sold in seed decreased with an increase in percentage of farm land in cotton.

There is also a relationship between the farm organization and percentage of cotton sales purchased by the gins. This would seem logical because as the percentage of farm land in cotton decreased ordinarily the volume available for sale would decrease. Consequently, there would be less reason for buyers other than gins to locate in these areas than there would be in areas of concentrated production.

In District I each decrease in percentage of farm land in cotton was accompanied by an increase in the percentage of cotton sales that were bought by the gins. This would mean a decrease in sales bought by other buyers. (Table 1). In three of the areas of District II, characterized by small number of acres of cotton per farm, all of the cotton was purchased by the gins, and in the other area, 97.1 percent was purchased by the gins. In District III, type-of-farming area 13, 37 percent of the farm land was in cotton, and in type-of-farming area 16, 20 percent of the farm land was in cotton. The gins purchased 85.9 percent and 55.6 percent of the cotton sold by farmers in the respective areas. (Table 1). In type-of-farming areas 14 and 15, 6.8 percent and 7.8 percent of the farm land was in cotton and only a fraction of 1 percent of the cotton sold by the producers was purchased by buyers, other than gins. Even in these two areas the percentage purchased by buyers other than gins varied with the percentage of the farm land in cotton. There is a definite relationship between the percentage of farmer's cotton purchased by the gins and the farm land in cotton. With the

exception of McCurtain County where no cotton was purchased by the gins except as "remnants," increases in percentages of farm land in cotton were accompanied by decreases in percentage of sales purchased by gins.

As the amount of seed cotton sold varied inversely with increase in acres of cotton produced per farm in different sub-districts, the amount of cotton that went into the loan would necessarily vary directly to a certain extent with acres in cotton per farm because cotton had to be custom ginned to be eligible for the loan. In District I with every decrease in percentage of cotton that went into the loan there was a decrease in the percentage of farm land in cotton. (Table 1). In three out of four areas in Districts II and III the cotton that went into the loan decreased as the percentage of farm land in cotton decreased. In considering the State as a whole the percentage of cotton that went into the loan decreased as the percentage of farm land in cotton decreased, except that the northeastern section of the State had relatively less cotton that went into the loan regardless of percentage of farm land in cotton.

There is a relationship between the number of cooperative gins operating in each sub-district and the place of cotton in the farm organization. District I was the only district in the State in which there was a great number of cooperative gins. Within this district the number of gins operated by cooperatives decreased when the percentage of farm land in cotton decreased. In type-of-farming area 13, located in District III, 37 percent of the farm land was in cotton and 11.9 percent of the gins were owned by cooperatives. (Table 1). The only other area with an average farm size of over 100 acres in farm

land or more than 10 percent of the farm land in cotton was sub-district 2-A in which 10 percent of the gins were owned by cooperatives. The other sub-districts had either small sized farms or a low percentage of the farm in cotton with none of these that had more than 2.2 percent of the gins owned by cooperatives. It would seem then that there was a tendency for farmers to own and operate cooperative gins in areas where cotton is an important part of the farm organization.

There seem to be no other relationships between the other types of gin ownership and the types-of-farming areas. If this is true, there would be no relationship between the gins' sales of cotton and types-of-farming areas except insofar as the type of farming influenced the ownership of gins by farmer cooperatives, as the type of gin ownership does determine largely the method of gin sales.

The variations in percentage of farm land in cotton between sub-districts were associated with sale of cotton in the seed, amount of cotton purchased by gins, the amount of cotton put into the government loan, and the type of gin ownership in the various sub-districts. In general an increase in percentage of farm land in cotton was accompanied by a decrease in sale of seed cotton, and increases in the amount of cotton purchased by gins, amount of cotton put into the government loan, and number of cooperative gins within the sub-districts.

The Loan Program and Marketing Practices. The amount of cotton that went into the government loan as shown in this study is more than is shown by the Commodity Credit Corporation's releases. The percentage shown in Table 1 includes cotton held by the Oklahoma Cotton Growers

Association under their "warranty agreement,"[7] and cotton which agencies had made loan on to farmers but which had not reported to the Commodity Credit Corporation.

The total number of bales that went into the loan was 352,052 bales for the State as shown by this study. On May 24, 1941, the Department of Agriculture announced that the cotton loans completed by the Commodity Credit Corporation or lending agencies amounted to 210,008 bales, of which 84,831 had been repossessed.[8] This was about 140,000 bales less than was shown by this study. Approximately one-third of the 140,000 bales was held by the Oklahoma Cotton Growers Association on the "warranty agreement" and the rest was in the hands of lending agencies and had not been reported to the Commodity Credit Corporation. The Commodity Credit Corporation requested lending agencies to send them an "advice of loan"[9] on each individual bale, but as there is no incentive for the lending agencies to report these, they are in most cases negligent in reporting these loans until the Commodity Credit Corporation calls for the actual loan notes.

7/ The warranty agreement allowed the Oklahoma Cotton Growers Association to make loans to farmers equal to the rate established by the Commodity Credit Corporation. If the market price went down the Association could turn these notes to the Commodity Credit Corporation at any time prior to June 1, 1941.

8/ Commodity Credit Corporation's Report on 1940-41 Cotton Loans, United States Department of Agriculture Press Release, May 24, 1941.

9/ "Advice of Loan" is a small slip of paper attached to the bottom of the loan note which shows the number of bales for which the note is made, the quality of cotton, and the loan price.

The farmers in western Oklahoma became accustomed to taking a government loan on cotton in years when there was no locational differentiation in the loan price. Before locational differentials were established in the Loan Program the loan price was higher than the market price in the interior cotton producing areas.[10] The cotton in western Oklahoma was put into the loan while cotton in eastern Oklahoma continued to be sold in the seed. The farmers in the western part of the State gained temporarily a price advantage when no differential existed and continued to use this method of marketing after becoming accustomed to the practice.

As cotton was put into the loan in Western Oklahoma buyers were forced to restrict their purchases to eastern Oklahoma during loan years. This tended to decrease the number of buyers in western Oklahoma as compared to eastern Oklahoma, which in turn would have an adverse effect on the farmers' market for cotton in western Oklahoma in years when there was no loan available. Because the price has not advanced sufficiently and because of the fact that succeeding loan prices have not been increased enough to equal the accumulated carrying charges on cotton in the loan, relatively small amounts of loan cotton had been repossessed prior to the 1939 crop.

A larger proportion of the 1939 crop was repossessed because the loan rate was not as high as for past loans and the market advanced as compared to past years. Consequently as western Oklahoma put larger

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10/ Howard A. Akers, "Some Effects of the Government Loan Program on the Cotton Situation," Current Farm Economics, April 1941, Vol. 14, No. 2, p. 4.

Table 3. Amount of Loan and Free Cotton in Storage in Western Oklahoma and Eastern Oklahoma, August 1, 1939 and August 1, 1940

	Total in Storage (Bales)	1937 Loan (Bales)	1938 Loan (Bales)	Other Loan: Cotton (Bales)	Free Cotton (Bales)
		August 1, 1939			
Western Oklahoma	261,943	59,028	159,893	40,490	2,532
Eastern Oklahoma	54,294	17,860	22,172	5,526	8,736
		August 1, 1940			
Western Oklahoma	148,805	75,084	64,029	3,678	6,014
Eastern Oklahoma	30,851	18,330	11,652	847	22

SOURCE: Compiled from the individual carryover reports for Compress and Warehouse as reported to the Agricultural Marketing Service, August 1, 1939 and 1940. Western Oklahoma is compress located west of Highway 77, and Eastern Oklahoma any compress east of Highway 77.

amounts of cotton into the loan, the amount in storage in western Oklahoma is far in excess of that in eastern Oklahoma. (Table 3). The amount of "free cotton" therefore, was less in western Oklahoma than in eastern Oklahoma August 1, 1939 while the reverse situation was true of August 1, 1940. This would indicate that buyers purchased less cotton in western Oklahoma than in eastern Oklahoma even when the loan was ineffective, as it was in 1939.

The presence of cooperative gins in District I has been a factor causing a large amount of cotton to go into the loan in the District as they gin approximately one-half of the cotton produced there. (Table 2). The volume ginned is an important determinant of the profit-

ableness of the gin business from operations if the gin has not been forced through competition to purchase cotton at above the market price. Consequently the managers of the cooperatives have encouraged the patrons of the gin to "take the loan."

The corporations operating gins in western Oklahoma preferred, or at least did not object to going into the loan while corporations in the eastern part of the State did not like to see cotton go into the loan as the cotton must be custom ginned. This difference cannot be attributed to the difference in type of organizations as the corporations in both sections of the State usually have their own cotton sales department as well as cottonseed oil mills. The difference in attitude toward the loan program appears to be a difference in local marketing practices. When the corporate gins in eastern Oklahoma buy cotton in the seed they are assured seed for milling which is desirable for them, as seed provides an additional source of income for the corporations.[11/] Therefore, as the loan program operates contrary to local marketing in this section of the State there has been a comparatively small amount of participation in the program.

In the past corporations in western Oklahoma have competed for gin volume with other types of gins by raising the price of cotton at above market price. This would offset the incentive for farmers to gin with cooperative gins in the expectation of receiving patronage dividends. It has been established in previous studies that gins have paid a higher price for cotton than the market warranted based on

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11/ Davis, Op. cit., p. 95.

central market prices.[12] However, it is not known to what extent increased volume, obtained by paying high cotton prices, reduced ginning expenses to offset losses in cotton purchased. Very likely this practice did not balance losses in cotton purchased, and consequently the corporate gins in western Oklahoma encouraged farmers to "take the loan."

The corporations were appointed lending agencies for the Commodity Credit Corporation and wrote the loan papers for farmers. They were able to give farmers the money for their cotton in a short time which was desirable from a competitive point of view. The corporate gin could secure an adequate volume of ginning for profitable operation without taking the usual loss in cotton. The corporate sales agency usually supervised the making of loans to farmers and was in position to buy the farmers' "equity" in the cotton when and if the market advanced above the loan price including carrying charges. Hence, it was possible in this manner to make a profit in both cotton purchased and ginning operation. For obvious reasons the corporations are in a favorable position to compete with other types of gins in seed prices if this becomes necessary in order to secure an adequate volume of business.

In District I, 74.5 percent of the production was put into the government loan in 1940. According to the Agricultural Marketing Service estimates of quality of cotton produced in 1940, 12.4 percent of the cotton produced in District I was too low in grade to be accepted in the

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12/ Trimble R. Hedges, Quality Price Relationships at Local Markets in Oklahoma, (Unpublished manuscript), p. 42.

loan. This left only 14.1 percent of the production in District I, eligible for the loan, that was sold. In District II, 14.3 percent of the cotton was put into the loan while 91.3 percent was eligible, and in District III, 41.7 percent of the cotton was put into the loan while 95.1 percent was eligible for the loan with regard to quality.

The principal factors that caused this wide percentage variation by district of cotton that went into the loan were: variations in the amount of custom ginned cotton, the attitude of buyers, toward the loan program, types of farming, quality of cotton produced, and the relation of local market price to loan price.

Primary Cotton Buyers in Oklahoma. During the four years, 1929-1932, the gins purchased 63.5 percent of all the cotton ginned in Oklahoma. In this same period the Oklahoma Cotton Growers Association handled 16.7 percent which left approximately 19.8 percent purchased by other types of buyers.[13/] By 1935, 69.6 percent of the cotton ginned in Oklahoma was purchased by gins, and the Oklahoma Cotton Growers Association handled approximately 23 percent, which left only 7.4 percent for other types of buyers.[14/]

On the basis of sample data used in this study, 94.5 percent of the cotton sold in Oklahoma during the 1940-41 season was sold to gins. The percent sold that was purchased by gins varied by sub-districts from 55.6 percent in sub-district 3-B to 100 percent in sub-districts 1-A and 2-A. (Table 1). This increase in percentage purchased by the

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13/ Roy A. Ballinger and R. C. Soxman, Some Economic Problems of Cotton Gins, Oklahoma Experiment Station Bulletin 231, October 1936, p. 65.

14/ Hedges, Op. cit., pp. 53-54.

gins was an effect of the loan program as in some areas only the cotton that was too low in grade and staple for the loan was sold. Consequently the small volume left would not likely attract outside buyers. The gins then are the principal primary buyers of cotton in Oklahoma and their importance as buyers has increased during recent years.

The Oklahoma Cotton Growers Association which was already established and handling loan cotton was able to purchase some cotton. During the 1940-41 season this organization handled 5,000 bales which were delivered directly to the government loan, 38,179 bales that were taken on a warranty loan, and 22,600 bales in regular association pools. In addition to this, the Association purchased farmers' equities in 57,500 bales[15/] of the 1940-41 loan cotton and handled them through the Association's regular pools. Including all methods of handling, the Association handled approximately 100,979 bales or 13 percent of the cotton produced in Oklahoma in 1940, which was a decrease from the 23 percent handled in 1935. It should be remembered that a substantial part of the 13 percent handled in 1940 was due to their warranty agreement which gave the Association the right to deliver the cotton to the loan at any time prior to June 1, 1941. They were also in a favorable position to purchase loan equities which increased the volume handled.

Sale of Cotton in the Seed. According to the sample data, 24.5 percent of the cotton produced in Oklahoma was sold in the seed in 1940. (Table 4). In District I only 1.6 percent of the cotton was sold in the seed as compared to 6.8 percent in District III and 54.4 percent in District II. This may be partially explained by the small

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15/ The farmer's interest in the cotton if and when the market rises above loan prices.

size of farms in almost the entire eastern and east central sections of the State.[16/] Other factors which seem to have a bearing on the percentage of cotton sold in the seed are custom and percentage of the farm land in cotton.

Originally, the practice of selling cotton in the seed in eastern Oklahoma appears to have been started in the early days because of sparse production and lack of local gins. Gradually the practice became an accepted custom. In recent years the practice has continued and even increased because of the general belief by both farmers and ginners that it is to their advantage to sell and buy their cotton in this manner.[17/]

Fluctuation in the percentage of cotton sold in the seed from year to year likely results from weather conditions in the various districts of the State as they influence the number of remnants in the crop and conditions under which the crops are harvested.[18/] The volume of cotton sold in the seed for the State would vary with the relative amount of cotton produced in the respective districts. It seems that the crop reduction program has caused more less-than-bale-loads, which would cause a larger percentage of the cotton to sell in the seed while loan program adds a new incentive to custom ginned cotton. Evidently more loss-than-bale loads since the crop reduction program has more than offset the effect of the loan as the relative amount of cotton sold in the

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16/ Marjorie Hill and Peter Nelson, "Cotton Sold in the Seed in Oklahoma," Current Farm Economics, Vol. 12, No. 1, February 1939, p. 25.

17/ Lippert S. Ellis, A. M. Dickson, C. C. McWhorter, The Sale of Cotton in the Seed in Oklahoma, Oklahoma Experiment Station Bulletin No. 219, p. 64.

18/ Hill and Nelson, Op. cit., p. 26.

Table 4. Percentage of Cotton Sold in the Seed in Oklahoma, 1932-33 through 1936-37 as Compared to Sample Data 1940-41

Year	Cotton Ginned (Bales)	Percent Sold in Seed
1932-33	954,715	20.7
1933-34	1,069,097	18.1
1934-35	288,229	25.6
1935-36	553,574	17.6
1936-37	280,405	28.4
1940-41 1/	807,544	24.5

SOURCE: Marjorie Hill and Peter Nelson, "Cotton Sold in Seed in Oklahoma," Current Farm Economics, February 1939, Vol. 12, No. 1, p. 22, Table 6. Taken from individual gin reports filed with The State Corporation Commission, Oklahoma City.

1/ Bales produced from Table 1.

seed was more in 1940 than would be expected when the other factors affecting the sale of cotton in the seed are considered. (Table 4).

Summary. District I had the largest average sized farms, and the highest percentage of: farm land in cotton, of cotton that went into the loan, of cotton custom ginned, and gins operated by cooperatives of the three districts shown. District II was characterized by small self-sufficing farms and small acreages in cotton per farm. The district had the lowest percentage: of cotton custom ginned, of cotton that went into the loan, and of gins operated by cooperatives of the three districts. District III was intermediate to Districts I and II with regard to both marketing practices and farming conditions.

In addition to the variation in marketing practices in the different districts it was found that similar marketing practices existed in

similar type-of-farming areas. Conversely different marketing practices were used in different type-of-farming areas. Acreage in cotton per farm seems to be the predominant factor affecting marketing practices between type-of-farming areas.

The type of gin ownership had little effect on the farmer marketing practices but did largely determine the method of gin sales.

The principal factors that caused the wide variation in amount of cotton that went into the loan were the amount of cotton custom ginned, buyers' attitude toward the loan program, acres in cotton per farm, and the relation of local market price to loan price. In Districts I, II, and III, 74.5, 14.3, and 41.7 percent of the cotton produced was put into the loan in the respective districts.

The gins were the principal primary buyers of cotton in Oklahoma and their importance as buyers has increased in recent years. The two more prevalent methods of sale used by the farmers were the sale of bale cotton and seed cotton to gins.

CHAPTER III

EFFECTS OF THE PREVALENT MARKETING PRACTICES ON THE FARMERS' RETURNS FROM COTTON SALES

Two prevalent marketing practices affecting the farmers' income from cotton sales are the selling of lint cotton directly to the gins and selling cotton in the seed before it is ginned. This chapter will attempt to show how and why these two marketing practices affect the farmers' returns from the sale of cotton.

Volume of Cotton Ginned as Related to Seed Cotton Prices in District II. In individual counties in District II with few exceptions the price for seed cotton increased or decreased directly with the volume ginned. (Table 5). The instances in which the average price did not increase or decrease in relation to volume ginned were either in periods before the peak of the ginning season or for the period December 1 to December 15. The decrease in volume ginned which occurred during the period November 15 to November 30 was caused by heavy rains. This caused the volume to decrease during the period and the grades of cotton to be considerably lower during the following period which was reflected in the price paid farmers for seed cotton. The highest prices paid farmers occurred in the periods before the periods of largest volume ginned in six counties. In four of these counties the period of largest volume ginned was from October 16 to October 31, while the period for the largest volume ginned for the total of all counties was October 1 to October 15. (Table 5). The gins in these four counties would have had to keep their price about in line with their competitors in other counties or else farmers would have hauled their cotton to other counties.

Table 5. Total Ginning, Bales and Percentage of Cotton Sold in Seed, Average Price of Seed Cotton and Bales Ginned for Specified Counties in District II, Average Price and Bales Ginned for Counties Ginning More and Counties Ginning Less Than 8,900 Bales and Average 10 Spot Market Quotations for Middling 7/8 Inch Cotton for 15-Day Periods During the 1940 Season

1/	Creek County		Wagoner County		Okfuskee County		Okmulgee County		Muskogee County		McIntosh County		Pittsburg County		
Ginnings	21,551		13,005		23,691		17,926		37,170		25,212		16,026		Average Price and
Percent Sold in Seed	96.7		90.6		37.6		89.6		57.6		91.9		39.0		Bales Ginned for
Bales Sold in Seed	20,839		11,783		8,907		16,062		21,410		23,170		6,250		Group B Counties
Date	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Weighted Average Price for Period 2/	Bales Ginned for Period 3/
September 1-15	3.00	0	3.00	0	3.00	427	3.09	337	3.00	794	3.00	1,020	3.02	444	3.01	1,376
September 16-30	3.15	3,411	3.24	1,843	3.27	4,093	3.22	3,176	3.26	6,061	3.25	4,999	2.27	3,328	3.20	11,983
October 1-15	3.34	4,630	3.41	2,589	3.36	5,277	3.34	3,890	3.33	8,224	3.40	6,524	3.22	6,105	3.21	20,416
October 16-31	3.19	5,543	3.14	2,990	3.19	5,067	3.22	3,874	3.18	8,310	3.23	5,010	3.12	5,665	3.12	20,221
November 1-15	3.00	3,240	3.08	1,910	3.04	3,438	3.10	2,667	3.03	5,016	3.00	2,772	3.00	3,218	3.04	12,454
November 16-30	3.00	1,365	3.16	919	3.00	1,497	3.02	1,042	3.00	2,480	3.00	1,497	3.00	2,163	3.00	6,076
December 1-15	2.85	2,000	3.04	1,449	2.82	2,689	2.77	1,871	3.00	3,548	3.00	1,821	3.00	1,859	2.90	8,532
December 16-30	2.80	1,362	3.00	1,305	2.75	1,205	2.70	1,069	2.75	2,737	2.86	1,769	2.89	550	2.79	3,625

1/	Osage County		Mayes County		Payne County		Lincoln County		Sequoyah County		Haskell County		Hughes County		
Ginnings	4,412		3,223		8,015		19,852		7,930		7,516		17,700		Average Price and
Percent Sold in Seed	90.0		85.0		85.0		15.9		36.7		41.1		34.7		Bales Ginned for
Bales Sold in Seed	3,970		2,739		6,812		3,156		2,934		3,089		6,620		Group A Counties
Date	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Average Price for Period (Cents per Pound)	Bales Ginned for Period	Weighted Average Price for Period 2/	Bales Ginned for Period 4/
September 1-15	3.00	0	3.06	0	3.00	0	3.00	387	3.00	126	3.00	148	3.00	364	3.01	7,764
September 16-30	3.20	388	3.32	290	3.20	1,186	3.13	3,551	3.18	1,131	3.20	1,048	3.26	1,908	3.24	76,333
October 1-15	3.16	744	3.23	643	3.16	2,125	3.16	4,890	3.19	2,196	3.21	1,902	3.32	3,855	3.36	104,584
October 16-31	3.10	1,341	3.19	835	3.10	1,927	3.05	4,516	3.11	1,777	3.13	1,810	3.18	4,281	3.19	98,317
November 1-15	3.00	844	3.05	515	3.00	1,178	3.00	2,627	3.03	999	3.10	1,038	3.10	3,001	3.04	57,837
November 16-30	3.00	342	3.00	259	3.00	498	3.00	1,193	3.00	597	3.00	721	3.00	1,174	3.02	36,568
December 1-15	2.78	407	2.75	404	2.80	497	2.75	1,925	3.00	872	2.83	657	3.00	2,245	2.91	38,378
December 16-31	2.75	346	2.75	277	2.75	604	2.60	763	2.75	242	2.75	200	3.00	873	2.79	26,379

SOURCE: Compiled from 23 gin reports on Prices Paid for Seed Cotton Throughout the Season, 40 schedules taken from District II, Appendix Table 1, and Bureau of Census periodic release on ginnings and Agricultural Marketing Service Releases on prices.

1/ Ginning price to January 16, 1941, Bureau of Census reports.

2/ Average is weighted by volume ginned for period.

3/ "Group B" Counties: Pittsburg, Osage, Mayes, Payne, Lincoln, Sequoyah, Haskell, and Hughes each had less than 8,900 bales sold in the seed in 1940.

4/ "Group A" Counties: Creek, Wagoner, Okfuskee, Okmulgee, Muskogee, and McIntosh each had more than 8,900 bales sold in the seed in 1940.

(Seed cotton price data were insufficient for the other counties in District II.)

If it can be assumed that gins can pay more for seed cotton with an increase in volume of ginning, gins with a small volume would want to increase ginnings in order to be in the market. This would be another incentive for the gins to pay higher prices for seed cotton for periods preceding the peak of the season. Some of the gins would tend to put the price of cotton high before the crop started moving to market in order to encourage farmers to market at their gins. If one gin increased the price of seed cotton the rest of the gins would be forced to raise the prices in order to compete for a share of the ginning. It is evident that in District II during 1940 the price for seed cotton varied directly with volume ginned except when gins varied prices to attract customers or when there was a marked change in cotton quality.

For both "Group A" and "Group B" counties, the volume of ginnings and average price paid farmers for seed cotton increased or decreased at the same time except in the period December 1 to 15 which had a larger volume and lower price than the preceding period. The farmers in Group A counties received a higher price for seed cotton than farmers in Group B counties.

Relation of Seed Cotton Prices to Average 10 Spot Market Price. It is evident that the price variation for seed cotton in District II was not caused by variation in the price for cotton in the 10 spot markets. In fact, with one exception for the season 1940 the price paid farmers for seed cotton in District II varied inversely with the average 10 spot market price for white middling 15/16 inch staple cotton. (Table 6). It would be possible for the price of seed cotton in local markets to be based on the 10 spot market price for middling 15/16 inch staple

Table 6. Relation of Seed Cotton Prices to Average 10 Spot Market Prices and Loan Price with Adjustment for Quality of Cotton Produced in District II, 1940 Season

Date	Price of Seed Cotton Per Pound	Average 10 Spot Market Price For Middling White 15/16 Inch Staple Per Pound	Average Loan Value of Lint 9.40 Basis 1/	Average 10 Spot Market Price for Cotton Produced In District II 2/
Sept. 1-15	3.01	9.51	9.11	9.22
Sept. 16-30	3.22	9.45	9.08	9.13
Oct. 1-15	3.30	9.40	9.19	9.19
Oct. 16-31	3.16	9.35	9.26	9.21
Nov. 1-15	3.04	9.54	9.11	9.25
Nov. 16-30	3.01	9.77	8.80	9.17
Dec. 1-15	2.91	3/	3/	3/
Dec. 16-31	2.79	3/	3/	3/

SOURCE: Compiled from seed cotton prices from 23 gin reports on seed cotton prices, Agricultural Marketing Service releases on cotton prices and cotton quality.

1/ The loan price for middling white 15/16 inch staple in Muskogee, Oklahoma was 9.40 cents per pound adjustments were made for quality by applying loan premiums and discounts for quality to cotton produced in District II as reported by the Agricultural Marketing Service. Discounts shown by the Agricultural Marketing Service for Little Rock, Arkansas were used for grades too low to be accepted by the loan program.

2/ Same as Footnote 1, except that premiums and discounts for quality were adjusted for 10 spot market average for middling white 15/16 inch cotton.

3/ Cotton quality was not available by periods.

and still have this inverse relationship provided the quality of cotton varied accordingly. However, according to the Agricultural Marketing Service, the quality did not vary enough to account for the difference in price relationship. When adjustment was made for the quality produced in District II the price paid for seed cotton did not vary with the loan price or the 10 spot market price except when there was a marked change in quality. As the price paid for seed cotton varied with the volume ginned and not with the average 10 spot market for lint cotton, it is likely that price paid for seed cotton depended largely on the volume ginned per gin.

Causes for Direct Variation in Seed Cotton Prices with Volume Ginned. The tendency for seed cotton price to vary with the volume ginned may be explained by the nature of the cost of gin operations. As the volume ginned increases the cost per bale for ginning decreases. About the only cost that varies directly with the volume of ginning is the cost of bale covering and possibly power cost if electricity is used.

Soxman in his study of the effect of volume ginned on expense per bale found that with a volume of one to 500 bales per gin the cost per bale was $6.93 but decreased to $2.78 per bale when the volume exceeded 4,500.[1/] The expense per bale for ginning also decreased with an increase in volume ginned per day. The expense per bale for the class interval of 1,001 to 1,500 bales per season was grouped according to the volume ginned per day. The expense per bale for days when four to

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1/ Soxman, Op. cit., p. 128.

eight bales were ginned was $4.39; and consistently decreased in every four bale interval to $3.67 per bale for days when 20 to 24 bales were ginned.[2/] Thus when expenses are decreased by a larger volume the gins can increase prices for seed cotton. Consequently the gin that secures a relatively larger volume can outbid its competitor whose volume of ginning is comparatively small.

Seed Cotton Price Related to Number of Bales Sold in the Seed per County. Thus far in this discussion an attempt has been made to show how and why seed cotton prices in District II during the 1940 season varied with volume ginned. An attempt is made here to show that the seed cotton prices within District II vary more nearly with the volume of seed cotton purchased per county than with the volume of cotton ginned per county.

The criterion used for dividing the district was the number of bales sold in the seed regardless of the production for the county. The Group A counties would be counties with a relatively high production per county and a high percentage of the cotton sold in the seed. The Group B counties would include counties with a high production and a low percentage of the cotton sold in the seed and counties with a low production and a high percentage of cotton sold in the seed. (Table 7).

The gins in Group A counties ginned a greater number of bales per gin, paid higher prices for seed cotton, and purchased more than twice as much seed cotton as did Group B counties. This does not mean that

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2/ Ballinger and Soxman, Op. cit., p. 65.

Table 7. Production, Average Production per County, Number of Gins, Bales Ginned per Gin; Bales Sold in Seed, Price of Seed Cotton for Peak Ginning Period, Comparing Group A and Group B Counties in District II 1940 Season

	Group A Counties	Group B Counties
Number of Counties	6	8
Production (Bales	138,555	84,744
Average Production (Bales)	23,092	10,593
Number of Gins	100	79
Bales Ginned per Gin	1,386	1,073
Bales Bought in Seed per Gin	1,022	450
Average Seed Cotton Price for Period October 1 to 15 (Cents per lb.)	3.86	3.21

SOURCE: Compiled from Agricultural Adjustment Administration Records on Production by Counties, Oklahoma Corporation Commission Gin Ownership for 1939-40, and Table 15.

gins will voluntarily increase the prices to producers when expenses are reduced by a large volume of ginning. It is likely that gins were forced to pay higher prices through competition.

The gins were sparse in counties where there was a low production per county with a high percentage of cotton sold in the seed. The gins in counties of low production could lower seed cotton price without losing many customers, as the transportation cost to other gins would prohibit movement of seed cotton for long distances. Another reason for low price in areas of sparse population is that with small volume per gin and high cost per bale the gins would be forced to pay less for seed cotton in order to offset the higher operating cost.

It is evident that gins located in counties with low production have sufficient reason for offering low prices for seed cotton. The

farmers in these areas must take the price offered or make long hauls to secure better prices. The gins in Group B counties with high production could pay a higher price but with the practice of custom ginning already established they apparently prefer to compete for volume of ginning by varying cottonseed prices and have a supplementary income from seed cotton purchases. The price of seed cotton then is low in areas where a small volume of cotton is sold in the seed, although the reason for low seed cotton prices is different in different areas.

If this is true, the farmers' returns from cotton are affected by location and marketing practices, as the prices paid for seed cotton and cottonseed vary with the volume of seed cotton purchased per gin. Although the ginning rate as set by the Corporation Commission supposedly allocates the ginning cost, this cost actually paid by the farmer varies with volume ginned in different areas. In eastern Oklahoma these rates are offset when the price of seed cotton varies with the volume ginned. In western Oklahoma the gin margin in cottonseed (price ginners receive for cottonseed at mills minus the price ginners pay farmers) varies with the volume ginned.[3/]

Returns by Selling Cotton in the Seed as Compared to Custom Ginning. The variations in seed cotton prices with volume sold in the seed per county should reflect variations in comparative returns by selling in the seed and custom ginning cotton before it was sold. An attempt was made to discover the relative advantages of selling cotton in the seed as compared to custom ginning in District II for 15 day periods under conditions which existed during the crop year 1940-41.

3/ Davis, Op. cit., p. 45.

Data Used. The lint turn-outs used were determined by obtaining from gins the pounds of seed cotton, pounds of seed, and pounds of lint for 100 bales at 23 gins in District II. These were taken for ginnings throughout the season in order to obtain a representative sample. For example, if a gin ginned 1,300 bales, the lint "turn-out" was obtained for every thirteenth bale. This lint "turn-out" would not be entirely representative because the lint "turn-out" for cotton sold in the seed was not available in most cases. In checking the sample data with several gins it was found that the lint "turn-out" per 100 pounds of seed cotton averaged about two pounds less for the cotton sold in the seed than for custom ginned cotton for the same period. That this relationship is typical is substantiated by other studies.4/

None of the 23 gins used had seed scales and 21 of these calculated the seed weight at 60 percent of the weight of the load of cotton. The cottonseed price used was that quoted by the Agricultural Marketing Service, Oklahoma City, Oklahoma.

The price of lint cotton, except for December 1 to 31, was based on the value of cotton in the government loan. The discounts on cotton too low in quality for the government loan were those quoted by the Agricultural Marketing Service for Little Rock, Arkansas. The loan was 9.40 cents per pound for middling 15/16 inch cotton in Muskogee, which is a warehousing center as well as central market for cotton in District II.

4/ L. D. Howell, Cotton Sold in the Seed in the United States, United States Department of Agriculture, Technical Bulletin No. 662, November 1938, p. 22.

The charge for bagging and ties was the rate set by the Oklahoma Corporation Commission. The average cost of putting cotton into the loan was calculated for 30 gins which included writing loan papers, transportation to press, shipping samples, and classification of cotton. The volume ginned was compiled from reports by the United States Census Bureau on volume of ginning to specific dates. The quality of cotton produced was determined from the Agricultural Marketing Service reports on Cotton Quality Statistics. The price of seed cotton was taken from Table 5. The calculations for Choska cotton group were based on conditions existing in that particular locality.

According to estimates based on the above method, the farmers as a whole in District II would have had a gain of $40,853 by consistently selling in the seed from September 1 to December 1. These farmers could have further increased their income from cotton by $177,732 in using the sales method that offered the greatest net return per bale for the specific periods. (Table 8). The farmers, however, did not use the alternative that offered the greatest net returns. For the periods September 15 to 30 and October 1 to 15 the farmers who produced an average quality cotton would have received a net gain of $0.70 to $1.28 per bale for the respective period by selling in the seed. With these exceptions it would have been more profitable to custom gin until December 1.

Factors Affecting Comparative Returns for Selling in Seed or Custom Ginning. As the variation in seed cotton price is the only factor affecting the comparative returns from selling seed cotton or custom ginning the other factors that did affect these returns should be shown.

Table 8. Average Lint Turn-Out, Pound Seed Cotton Necessary for 478 Pound Bale; Seed Weight, Price and Value Per Bale, Loan Value Per Pound and Per Bale for Lint Cotton, Seed Cotton Price Per Pound, Total Bale Value of Cotton Sold in Seed, Expense Per Bale for Custom Ginned Cotton, Net Value of Custom Ginned Cotton, Gain or Loss Per Bale by Custom Ginning, Total Ginning and Total Gain or Loss by Custom Ginning By 15-Day Periods of District II During the 1940-41 Season

Date	Average Lint Turn-Out	Average Pounds Necessary to Make a 478 Pound Bale	Seed Weight Per Bale (Pounds)	Average Loan Value of Lint 9.40 Basis (Cents Per Pound)	Price of Seed Per Ton	Value of Lint 478 Pound Bale	Value of Seed Per Bale	Total Bale Value of Custom Ginned Cotton (Dollars)	Price of Seed Cotton Per Pound	Total Bale Value of Cotton Sold in Seed	Total Per Bale Expense Custom Ginned	Net Value of Custom Ginned Cotton (Dollars)	Average Gain or Loss By Custom Ginning (Dollars per Bale)	Total Ginning District II (Bales)	Total Gain or Loss By Custom Ginning (Dollars)
September 1-15	33.56	1,424	854	9.11	19.00	43.55	8.11	51.66	3.01	42.86	5.99	45.67	+2.81	5,650	+15,876
September 16-30	33.26	1,437	862	9.08	19.00	43.40	8.19	51.59	3.22	46.27	6.02	45.57	-0.70	48,713	-34,009
October 1-15	32.78	1,458	875	9.19	20.50	45.93	8.97	52.90	3.30	48.11	6.07	46.83	-1.28	74,703	-95,620
October 16-31	32.52	1,470	882	9.26	20.50	44.26	9.04	53.30	3.16	46.45	6.10	47.20	+0.75	61,792	+46,344
November 1-15	30.88	1,548	929	9.11	22.00	45.55	10.22	53.77	3.04	47.06	6.30	47.47	+0.41	53,379	+21,885
November 16-30	31.53	1,515	909	8.80	22.00	43.00	10.00	52.06	3.01	45.60	6.22	45.84	+0.24	19,839	+ 4,761
December 1-15	29.54	1,618	971	8.50	23.20	40.63	11.26	51.89	2.91	47.08	6.47	45.42	Total Loss by		
December 16-31	31.65	1,510	906	8.50	23.20	40.63	10.50	51.13	2.79	42.13	6.21	44.92	Custom Ginning		40,853

Table 8a. Average Price Received Per Bale for Cotton Sold in Seed in District II, Group A Counties, Group B Counties, Choska Bottom Community; Net Value of Cotton Based on Loan Value for District II, and a Choska Bottom Community, Average Gain or Loss By Taking Loan or Selling in Seed for District II, Group A Counties, Group B Counties, and Choska Bottom Community by Periods for 1940-41 Season

Date	Average Price Received Per Bale For Cotton When Sold in Seed in District II (Dollars)	Average Price Per Bale When Sold in Seed Group A Counties (Dollars)	Average Price Per Bale When Sold in Seed Group B Counties (Dollars)	Average Price Per Bale in Choska Bottom Community When Sold in Seed (Dollars)	Net Value of Cotton and Seed Based on Loan Value District II Per Bale (Dollars)	Net Value of Cotton and Seed Based on Loan Value Choska Bottom Community Per Bale (Dollars)	Average Gain or Loss by Custom Ginning Rather Than Selling in the Seed: + Gain by Custom Ginning; - Loss by Custom Ginning			
							District II (Dollars)	Group A Counties (Dollars)	Group B Counties (Dollars)	Choska Bottom Community (Dollars)
September 1-15	42.86	42.86	42.86	38.25	45.67	*	+2.81	+2.81	+2.81	
September 16-30	46.27	46.56	45.98	41.31	45.57	45.69	-0.70	-0.99	-0.41	+5.38
October 1-15	48.11	48.99	46.80	43.48	46.83	48.28	-1.28	-2.16	+0.03	+4.80
October 16-31	46.45	46.89	45.86	40.04	47.20	48.04	+0.75	+0.31	+1.34	+8.00
November 1-15	47.06	47.06	47.06	39.27	47.47	47.61	+0.41	+0.41	+0.41	+8.34
November 16-30	45.60	45.75	45.45	40.29	45.84	*	+0.24	+0.09	+0.39	-
December 1-15	47.08	47.08	46.92	38.76	45.42	48.89	-1.66	-1.66	-1.59	+10.13
December 16-30	42.13	42.13	42.13	36.98	44.92	*	+2.79	+2.79	+2.79	-

SOURCE: Compiled from schedules taken by the Department of Agricultural Economics, Oklahoma Agricultural and Mechanical College, 1940 loan rates established by the Commodity Credit Corporation and Cotton Quality Statistics as reported by the Agricultural Marketing Service.

* Cotton Quality not available for periods.

The important factors that caused it to be profitable to sell in the seed for one 15-day period and custom gin for another are indicated in Table 8. The average lint turn-out was decreasing as the season advanced. The price of cottonseed was increasing throughout the season and the pounds of cottonseed per bale of lint cotton were increasing (as calculated by the ginner). The cost of ginning was increasing as the lint turn-out decreased. The seed cotton price followed the volume of ginning more than it did the value of lint cotton based on quality, consequently the price offered for seed cotton did not accurately reflect the demand for cotton or seed. Assuming stable seed and cotton prices, the decreasing lint turn-out should cause a decrease in the market price for seed cotton. It seems, however, that lint turn-out was given very little consideration in establishing seed cotton prices to farmers.

For this season the seed weight, as calculated by the gins, and seed prices were increasing, which would partially offset the decreasing lint turn-out. The value of seed increased from $8.11 per bale in the first part of September to $11.26 per bale in the early part of December, an increase of $2.15 per bale, while the decrease from lower lint turn-out for the same period would have amounted to $6.00 per bale.

The quality of cotton in District II remained about the same from the beginning of the season until the last 15 days in November when there was a marked decline in quality. (Table 6). This does not mean, however, that the quality was uniform until the last of November. The grades for cotton lowered as the season advanced while the staple length was longer as the season advanced. (Table 9).

Table 9. Quality of Cotton Produced by 15 Day Periods for District II in 1940

	Grades in Percent				Staple Length in Percent			
	Total	Middling and Above White	Strict Low Middling and Below White	All Colored Grades	Total	29/32 Inch and Shorter	15/16 Inch and 31/32 Inch	1 inch and Longer
Prior September	100.1	54.1	44.8	1.1	100.0	14.2	69.9	15.9
September 15-30	100.1	50.0	44.3	5.8	100.0	31.7	54.9	13.4
October 1-17	100.0	49.4	44.8	5.8	100.0	8.5	51.3	40.2
October 18-31	100.0	49.8	44.5	5.7	100.1	6.9	50.1	43.1
November 1-13	99.9	41.1	55.1	3.7	100.0	10.2	58.8	31.1
November 14-30	100.1	16.1	76.4	7.6	100.1	5.0	55.8	39.3
December 1/								

SOURCE: Compiled from periodic release on ginnings, Bureau of Census and the Cotton Quality Statistics, Agricultural Marketing Service.

1/ Statistics not available by periods.

The principal factors which caused it to be profitable to sell cotton in the seed in one period and custom gin cotton in another for 1940 were variations in lint turn-out, seed turn-out, quality of cottonseed, cotton prices, and seed prices.

Variations in Returns from Cotton Sales Within District II. The district was divided into "Group A" counties which sold more than 8,900 bales in the seed and "Group B" counties which sold less than 8,900 bales in the seed. In Group B counties there was one 15-day period in which it would have been profitable to sell cotton in the

seed. During the period preceding the peak of the ginning season these farmers would have gained $0.40 per bale by selling in the seed. (Table 8). In Group B counties the farmers would have gained $0.99 per bale for the period September 16 to 30, and $2.16 per bale for the period October 1 to 15 by selling in the seed. All of the gains made by selling in the seed were during or directly preceding the peak ginning period. For the remainder of the season it would have been more profitable to custom gin cotton and put it into the loan. For the entire season the farmers in Group B counties would have gained more by custom ginning than farmers in Group A counties.

The Choska Bottom Group as shown in Table 8a was organized as a cotton improvement association located in Wagoner County. The seed cotton price and lint turn-out was higher; the transportation cost to warehouse and cost for making out loan papers for cotton was higher than for District II as a whole. The price for seed cotton was high evidently because the community produced better than average cotton. Even with the relatively high price for seed cotton the farmer would have gained an appreciable amount by custom ginning provided he took the loan. The gain in favor of custom ginning and putting cotton into the loan in Choska Bottom was from an average of $4.80 per bale for the period October 1 to 15 to an average of $8.34 per bale for the period November 1 to 15. The total income per bale for farmers in Choska Bottom over the average farmer in District II would have been substantially increased over the above figures as seed cotton prices were higher in Choska Bottom than they were in the district as a whole.

The farmers in Choska Bottom have increased the level of seed cotton prices to above that of the average for District II by improving the quality of the cotton, while some farmers in the group have increased their income further by custom ginning and putting their cotton into the loan in 1940. However, there were specific days within the 15-day periods that would have been more profitable to sell cotton in the seed because of price fluctuations in seed cotton.

Determinants of Profitableness of Selling Cotton in the Seed. It is impossible then to determine whether or not it is profitable to sell cotton in the seed without knowing the existing conditions. For a short period of time the profitableness or unprofitableness of selling cotton in the seed depends upon the value of the farmers' time spent in each method of sale, the lint turn-out, quality of lint, seed secured from the seed cotton, and the relationship of price paid for the different qualities of seed cotton, seed, and lint. Over a long period of time the profitableness or unprofitableness will be determined by the extent to which these price relationships are in accordance with the ultimate demand for the different qualities of seed cotton, lint, and cottonseed. It is obvious then that the practice of selling cotton in the seed, as such, is not unprofitable to farmers. However, the selling of seed cotton "hog round" as it is done in eastern Oklahoma will be profitable to farmers producing less than average quality cotton for a short period of time. It will be unprofitable to farmers producing better than average quality of cotton at all times, provided the seed cotton prices are based on market demand.

Since the farmers have no incentive to produce high quality, the quality of cotton would probably be lowered. If the demand were for

high quality cotton the "hog round" price would likely be lowered as the quality lowered. In this manner the producer of low quality cotton even when selling "hog round" would tend to decrease his income from cotton over a period of time.

Effects of Gins Buying Bale Cotton on Farmers' Returns from Sale of Cotton. Another practice affecting the farmers' returns from cotton that has received considerable comment is that of buying bale cotton by the gins. Early studies show that there were enormous gains in handling Oklahoma cotton and that the price paid farmers was not based on the quality of cotton. These studies indicate that gins were less inclined to buy on quality than some of the other types of buyers.[5/] It is logical to believe that it is difficult for gin buyers to buy on quality as the gins generally claim that it is impossible to buy strictly on quality and still keep their gin customers. This, however, is not sufficient evidence to contend that the practice of gins buying cotton, as such, is objectionable at the present time.

It seems that gins which are necessary in processing the cotton should be able to purchase cotton as efficiently as other buyers. They can and in some instances do pay more for cotton than the market value and thereby receive less than the allotted ginning rates as established by the Oklahoma Corporation Commission.

A study made in price relationships in gin markets for 1935-36 and 1936-37 indicates some tendencies in gin buyers' pricing policies. It has been found that the spread between the local and central market

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5/ J. W. Middleton, Cotton Marketing in Oklahoma, Unpublished Master's thesis, Oklahoma Agricultural and Mechanical College, May 1925, p. 60.

prices for cotton of white middling 7/8 inch staple was insufficient to cover handling cost for the cotton from the local to the central market. The average spread for the 1935-36 season was 42 points; in the 1936-37 season it was 81 points for the same days. The minimum amount necessary to cover handling charges from the local to central market during these two seasons was approximately 111 points. The farmers producing middling 7/8 inch cotton received more per bale by selling it to gins than they would have received by selling to other types of buyers.

The local market premiums and discounts for grade were in the same direction as those in central markets but they were smaller than those in central markets. The total underpayment failed to equal the overpayment for grade which caused the gin to sustain a loss as far as grades were concerned. These conditions were true for both years. The study indicates the same tendencies with regard to staple length, except that there was no consistent similarity between quality-price relationship for staple at local markets and those at central markets for either season. The price for cotton shorter than 7/8 basis was too high relative to longer basis staple, while longer cotton was too low.[6/]

It seems that the practice of gin buying cotton is objectionable because the farmers do not receive prices on the basis of premiums and discounts for different grades and staple lengths as established in the central markets. This practice, however, would not necessarily be

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6/ Hedges, Op. cit., pp. 18, 20, 42, and 45.

inherent with gin buyers. As the spread between local and central market price was insufficient to cover handling charge to central markets and gins suffered a loss in total payment for grade, the farmers as a whole did receive more by selling to gin buyers than they would have had they sold to other types of buyers.

Summary. It was found that in District II in 1940 the price paid farmers for seed cotton varied directly with the volume ginned except when gins varied prices to attract customers or when there was a marked change in cotton quality. This was made possible because gin operation cost per bale decreased as the volume ginned increased. Consequently the gin that secures a relatively large volume to gin can outbid its competitor whose volume is relatively small.

The return to farmers for seed cotton is affected by the volume ginned and the marketing practices existing in the locality in which they gin. Farmers located in areas where a large volume of cotton was sold in the seed received more per bale for cotton than farmers in areas where a small volume of cotton was sold in the seed. Average seed cotton prices were higher in areas where the quality of cotton produced was better than average. For District II in 1940 the farmers received more per bale by selling in the seed for the 15-day period preceding the peak and the peak of the ginning season than they would have had they custom ginned and took the government loan. For the remainder of the season, until December 1, they would have received more by custom ginning provided they took the government loan. There were specific communities in which it would have been more profitable for all the 15-day periods to custom gin. However, there were specific

days within the 15-day period when the return would have been more by selling in the seed.

As the gins paid higher prices for bale cotton than other type of primary buyers could have paid, the only objection to gin buyers is that they do not pay premiums and discounts for grade and staple lengths that are quoted in the central markets. The objection to gins' buying seed cotton is that cotton was not purchased on the basis of quality, consequently farmers producing high quality cotton were penalized which would preclude any attempt to improve cotton quality in areas where seed cotton purchases were prevalent.

CHAPTER IV

RELATION OF ORGANIZED GROUPS TO COTTON IMPROVEMENT AND MARKETING PRACTICES

The purpose of this chapter is to explain classification and market news service made available to organized cotton communities by the Smith-Doxey Act and to determine whether or not it has accomplished the purpose for which it was intended.

If the number of organized one-variety groups can be used as a measure of results, the Smith-Doxey Act has accomplished the purpose for which it was intended. The organized groups increased in number from 16 in 1938 to 140 in 1940. No such interest has been shown by farmers in cotton improvement by community production since the idea was contemplated by Cook in 1911. Studies made regarding one-variety community production before the free classification and market news service was made available indicated that the communities were producing better cotton, but that these one-variety or cotton improvement communities received less than half the premiums the quality warranted based on central market quotations.[1/] Consequently, as the farmer did not receive payment on the basis of quality of cotton produced there was little incentive for farmers to organize to improve cotton.

Requirements Necessary to Receive Classing Service and Purpose of Service. There is a distinction between "organized groups" eligible for free classification and "one-variety communities" as described by

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1/ Roy A. Ballinger and Clyde C. McWhorter, "Results Achieved by One-Variety Communities in Oklahoma," Current Farm Economics, Vol. 7, No. 4, August 1934, p. 71.

the Bureau of Plant Industry. In the "one-variety communities" the whole of one area grows only one variety. The producers must prevent cross-pollination between cotton, and the fields are inspected and passed upon by the State Crop Improvement Association. All of these communities are eligible for classification service provided they make the proper application for the service.

There are in addition to these communities, however, other producers eligible for the classification service. Two or more producers can agree to plant any of the many varieties and by forming a bona fide organization can receive the classification on all the cotton they produce. The Agricultural Marketing Service (the agency designated to furnish the classification and market news service) had made no attempt to select variety and will approve any variety for classification provided the group makes proper application.

To qualify for this service the cotton growers must form an organization having as one of its purposes the improvement of the cotton grown by its members. The members must adopt a variety and make arrangements with the gin to gin cotton for the members in such a manner as to prevent mixing of the varieties intended for planting purposes and to take reasonable precautions with ginning to prevent or minimize mixing of the lint with other varieties. This group must make application for the classification service to the Agricultural Marketing Service or Extension Service.

In order to secure the classification the group's representative is held responsible for having the cotton sampled and mailed in to the classing office in order to secure the classification. The govern-

ment pays the transportation expenses on the cotton samples and the samples become the property of the government. The samples are classed by government cotton classing specialists, and the official classifications for the individual bales are mailed directly to the producers the day the cotton is classed. The group representatives for each group receive a classification sheet on all the cotton sent in by the group.

The price information furnished by the market news service consists of the average spot market quotations, premiums and discounts, and the future prices on that day. The price information is mailed to the group representatives daily and to any farmer who makes a request for the service.

The Smith-Doxey Act was passed as a result of studies regarding conditions in local markets which showed that local cotton market prices in many cases did not accurately reflect difference in values of cotton as finally determined in the spinners' markets.[2/] The Agricultural Marketing Service believed that by furnishing classification and prices for different qualities of cotton that the farmers would be able to determine the most profitable variety for their communities.

It was anticipated that farmers would benefit directly and indirectly by the use of the free classing service. The farmer would receive a direct benefit by strengthening his bargaining position in the local market and he would secure indirect benefits by acting collectively

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2/ L. D. Howell and Leonard L. Watson, Cotton Prices in Relation to Cotton Classification Service and to Quality Improvement, United States Department of Agriculture, Technical Bulletin 699, November, 1939, p. 1.

in assembling cotton in even-running lots and from comparisons in results obtained from different varieties. The farmers would over a period of years accumulate valuable information to assist them in planning future cotton improvement programs.

Briefly, two or more producers may organize for cotton improvement and obtain the classification and market news service. The purpose of the service is to furnish the farmer a measure of his results and to strengthen his position in the market.

Effects of Organized Groups on Oklahoma Cotton Quality

Staple Lengths of Cotton Produced in Oklahoma in 1940 Compared with Previous Years. The quality of Oklahoma cotton was materially increased in 1940, but because of the loan program and the favorable weather condition it is not possible to measure the exact extent to which organized groups have been responsible for the increase in quality produced.

Since 1928 the percentage of cotton 7/8 inch staple has never been less than 5.8 percent of the total crop in Oklahoma until 1940. (Table 10). The average since 1928 has been about 15 percent of the total crop while for 1940 only 2.0 percent was less than 7/8 inch staple. There was a similar decrease in the percentage of 7/8 and 29/32 inch staple lengths. For the period 1928 to 1939 the percentage of cotton produced with staple length 7/8 and 29/32 inch has ranged from 31.5 to 64.2 percent of the total crop. This was decreased to 14.8 percent in 1940.

The proportion of staple length longer than 15/16 was increased in 1940. Approximately 25 percent of the cotton produced in Oklahoma

Table 10. Staple Lengths of American Upland Cotton Produced in Oklahoma and the United States 1928-1932 Average and Seasons 1933-1940

Year	All Lengths	Under 7/8	7/8 and 29/32	15/16 and 31/32	1 and 1-1/32	1-1/16 and 1-3/32	1-1/8 and Longer
			(Percent)				
Oklahoma							
1928-1932 Average	100	15.4	43.1	31.2	8.6	1.4	.3
1933	100	5.8	31.5	47.9	12.0	2.1	.7
1934	100	19.1	64.2	15.3	1.3	.1	*
1935	100	19.2	49.8	24.4	5.6	.9	.1
1936	100	29.6	52.7	13.8	3.2	.7	*
1937	100	21.7	49.6	23.3	4.5	.8	.1
1938	100	13.5	39.9	37.0	9.1	.4	*
1939	100	11.7	60.8	23.2	4.0	.2	*
1940	100	2.0	14.8	45.0	32.8	5.2	.2
			(Percent)				
United States							
1928-1932 Average	100	12.1	39.2	24.5	13.0	6.5	4.7
1933	100	4.3	35.6	31.6	15.8	6.5	6.2
1934	100	8.3	36.9	21.8	15.0	9.3	8.7
1935	100	12.7	31.1	25.3	16.2	8.3	6.4
1936	100	9.5	25.9	21.6	22.7	12.8	7.5
1937	100	10.1	28.7	27.6	19.4	9.0	5.2
1938	100	4.4	17.3	26.9	25.6	17.5	8.3
1939	100	5.7	21.3	24.3	28.8	15.2	4.7
1940	100	2.9	13.1	24.4	33.9	20.3	5.3

SOURCE: From Current Farm Economics, Vol. 13, No. 3, June 1940, p. 63, and Preliminary reports on Grade, Staple, and Tenderability of Cotton Ginned in Oklahoma and the United States issued by United States Department of Agriculture, Agricultural Marketing Service, Washington, D. C.

* Less than 0.05 of one percent.

was 15/16 and 31/32 inch staple for the eleven year period prior to 1940. In 1940, 45.0 percent of the crop was 15/16 and 31/32 inch staple.

The 1 and 1-1/32 inch staple cotton increased from 4.0 percent of the total crop in 1939 to 32.8 percent in 1940, while the increase in percentage of 1-1/16 inch staple was even more marked. (Table 10). In Oklahoma the production of cotton definitely shifted from the shorter to the longer staple lengths.

When the staple lengths in Oklahoma were compared with the average production by staple length in the United States it was found that the change from shorter to longer staple length in Oklahoma was more pronounced than for the United States as a whole. The Oklahoma production of staple lengths 1 inch and longer increased from average of about 7 percent of the total production for the eleven years preceding 1940 to 38.2 percent of the total production in 1940. (Table 10). The United States production of these staple lengths was approximately 36 percent for the eleven year period and 59.6 percent for 1940. For the first time since beginning of an adequate recorded estimate of cotton quality, Oklahoma compared favorably with the United States as a whole.

Quality of Cotton Produced by Organized Groups Compared to the State as a Whole. That favorable weather conditions are not wholly responsible for the increase in staple length produced in Oklahoma is shown when the quality of cotton produced by organized groups is compared with the quality of all cotton produced.

For the 1939 crop year in Districts I and III the organized groups had a smaller percentage of cotton classified in every staple classi-

Table 11. Percentage of Cotton Produced by Staple Lengths For Organized Groups and Districts, 1939 and 1940

Staple Lengths	District I		District II		District III		State	
	Organized Groups in District	Estimate for District	Organized Groups in District	Estimate for District	Organized Groups in District	Estimate for District	Organized Groups in District	Estimate for District
	(Percent)							
1939 Crop Year								
Under 7/8	13.2	22.4	6.4	4.0	4.2	12.2	12.5	11.7
7/8 and 29/32	42.4	54.1	40.5	69.8	34.6	64.0	42.0	60.8
15/16 and 31/32	28.1	20.1	38.2	24.5	41.5	21.0	29.2	23.2
1 inch and 1-1/32	14.7	3.1	13.7	1.6	17.7	2.7	14.7	4.0
1-1/16 and 1-3/32	1.6	0.3	1.2	0.1	1.9	0.1	1.6	0.3
1-1/8	0.0	1/	1/	1/	0.1	1/	1/	1/
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1940 Crop Year								
Under 7/8	3.9	4.4	0.8	0.6	1.5	0.9	2.6	2.0
7/8 and 29/32	10.3	17.6	4.0	13.7	7.4	14.1	9.5	14.8
15/16 and 31/32	25.8	32.8	29.3	53.8	35.4	47.0	27.7	45.0
1 and 1-1/32	47.8	40.7	50.1	27.4	43.9	31.0	47.2	32.8
1-1/16 and 1-3/32	12.8	5.1	15.1	4.3	11.4	6.8	12.7	5.2
1-1/8 and 1-5/32	0.5	1/	0.7	0.2	0.4	0.2	0.5	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Compiled from individual reports of Cotton Quality Statistics and organized groups gins as released by the Agricultural Marketing Service. The 1940 crop estimate is as reported by Agricultural Marketing Service.

1/ Less than 0.05 of one percent.

fication 29/32 and shorter than was shown for grade and staple districts in which they were located. The organized groups had a larger percentage of cotton in every staple classification 15/16 and longer than the districts in which they were located. (Table 11). With few exceptions the same situation was true with regard to District II and the State total.

For the 1940 crop year in District I the organized groups had a smaller percentage in every staple classification of 31/32 and shorter than was shown for the grade and staple district in which they were located. The organized groups had a larger percentage for every staple classification 1 inch and longer. (Table 10). The same relationship existed in Districts II, III, and for the State total except that in both districts and in the State less than 1 percent more cotton was classified as less than 7/8 inch staple for the organized group than was shown in the districts and State as a whole.

It is interesting to note that District I, which was formerly known as a short staple area, had 40.7 percent of its production classed as 1 and 1-1/32 inch staple in 1940, the highest percentage shown in any district. This district has by far the largest number of organized groups and in 1940 it compared favorably with the other districts. For that year in Districts I, II, and III the average staple lengths were 30.4, 30.4, and 30.6 thirty seconds of an inch for the respective districts.

For both years the cotton produced by the organized groups was of longer staple length than the average cotton produced in Oklahoma. Although the 1940 crop was materially improved by favorable growing weather

it is evident that the organized groups were in no small way responsible for the improvement of cotton.

Oklahoma Production Compared to United States Consumption by Staple Lengths. That these organized communities are growing cotton demanded by the market is shown by a comparison of the staple lengths produced in Oklahoma with that consumed in the United States. As the consumption during the present war will necessarily be largely domestic, Oklahoma will not be at a disadvantage in the domestic markets if the same quality continues to be produced. Oklahoma cotton would have been at a disadvantage prior to 1937 when there were few one-variety communities. The loan program, favorable weather, and Smith-Doxey service are primarily responsible for the balance of Oklahoma production with United States consumption.

In 1937, 21.7 percent of the cotton produced in Oklahoma was shorter than 7/8 inch staple while only 1 percent of the cotton consumed in the United States was of that staple length. The Oklahoma production of 7/8 and 29/32 inch cotton was 49.6 percent of the total cotton while the consumption of these staple lengths in the United States amounted to 8 percent of the total. The Oklahoma production of cotton with staple length of 1 inch and longer was 5.4 percent of total production as compared to the United States consumption of 65.0 percent of that staple length. (Table 12). The situation changed materially by 1940 when 38.2 percent of Oklahoma production was 1 inch or longer in staple length and 61.8 percent was of staple lengths shorter than 1 inch.

Table 12. The Percentage of Cotton Produced in Oklahoma by Staple Lengths in 1937 and 1940, Produced in Organized Communities in Oklahoma in 1940 and Consumed in the United States in 1938

Staple Lengths	United States Consumption 1938 (Percent)	Oklahoma 1937 (Percent)	Oklahoma 1940 (Percent)	Production Communities 1940 (Percent)
Under 7/8	1	21.7	2.0	2.4
7/8 and 29/32	8	49.6	14.8	19.2
15/16 and 31/32	26	23.3	45.0	27.6
1 and 1-1/32	32	4.5	32.8	41.8
1-1/16 and 1-3/32	22	0.8	5.2	8.7
1-1/8 and 1-5/32	7	0.1	0.2	0.3
1-3/16	4	0.0	0.0	0.0

SOURCE: J. W. Wright and Fred Taylor, Mill Requirements in Relation to Cotton Quality Improvement, Agricultural Marketing Service, United States Department of Agriculture, p. 6.
Cotton Quality Statistics, and Individual Reports on Organized Groups.

Although the State as a whole comes closer to producing staple length desired by the domestic market in 1940 than was produced in 1937 the organized communities are still more nearly in accordance with the domestic consumption. In the organized communities 50.8 percent of the cotton produced was of staple length of 1 inch or longer as compared to 65.0 percent consumed. As 11 percent of the cotton consumed was of staple length 1-1/8 inch and longer, the Oklahoma production in organized communities is in approximate accordance with domestic consumption. This 11 percent constituting the longer staple length in domestic consumption is largely American, Egyptian, and Sea Island cottons which are not adapted to Oklahoma growing conditions.

The organized groups have improved the quality of cotton in Oklahoma and as a result of this improvement the quality produced is more nearly the market demand as indicated by consumption in the United States.

Some Factors Affecting the Use of the Classification and Market News Service

The use of the classification and market news service is seemingly affected by marketing practices and type of farming existing within the different districts. The following discussion will attempt to show how and why these factors have affected the use of the service.

Location of Group Members. The organized groups that made application for the free classification and market news service were located according to type of farming and the prevailing marketing practices within each district. In District I cotton is the most important crop, a large percentage of the gins is cooperative, and farmers custom gin the cotton. This district had by far the largest number of farmers who were members of organized groups in both 1939 and 1940. (Table 13). District II is characterized by small farms and the general practice is to sell cotton in the seed. In 1939 this district had the smallest number of farmer members in organized groups. District III is between District I and District II with respect to sale of cotton in the seed and acres of cotton per farm. In 1939 District III had more organized groups than District II but less than District I. (Table 13).

In 1940 the numbers of members of organized groups in District II and III were approximately equal. The increase in both districts, however, was mostly in the central part of the State. It is evident

that the service was used more extensively in areas where farms were large and cotton held an important place in the farm organization than it was where acreage in cotton was small and a large percentage of the cotton was sold in the seed.

The Smith-Doxey Service Does Affect Organized Communities. The results obtained by organized groups that received the cotton classification and market news service are hard to measure because of the government loan program which made loans to farmers on the basis of quality of their cotton. The combined effect of these programs has caused more farmers to organize into groups and produce better quality cotton. As the loan program did affect the cotton marketing in 1940 to such an extent that the results of a quality-price study for organized groups would have been biased, this phase of the study was discarded.

The need for farmers to receive payment on the basis of quality is of primary importance for continued success of such organizations, and that they did so in 1940 does not mean that they will continue to receive payment on the basis of quality. Practices of reflecting proper premiums and discounts in farmers' markets will encourage quality improvement or an absence of buying on quality will discourage quality production. An increase in grade and staple premiums and discounts will encourage the planting of improved varieties and tend to stimulate more care in harvesting and ginning of cotton as was shown during loan years. If there are no premiums or discounts the farmers will tend to plant cotton with a high lint turn-out and use the harvesting method involving the lowest cost.

A study of the effect of classification on price paid farmers in 1939 shows that premiums and discounts for grades and staples in

Table 15. Cotton Production, Number of Members of Organized Communities, Bales Eligible for Classification, Number of Bales Classified, Percent Eligible Bales is of Production, Percent Bales Classified is of Bales Eligible For Classification, By Districts for 1939 and 1940

	District I	District II	District III	State
	1939 Crop Year			
Cotton Production	211,481	180,752	117,358	509,591
Number of Members of Organized Communities	8,205	719	1,038	9,962
Number of Bales Eligible for Classification	77,444	4,279	6,041	87,565
Number of Bales Classified	40,434	2,954	1,454	44,842
Percent Eligible Bales Is of Production	36.6	2.4	5.1	17.2
Percent Bales Classified Is of Eligible	52.2	69.0	24.1	51.2
	1940 Crop Year			
Cotton Production	269,966	332,939	204,439	807,344
Number of Members of Organized Communities	8,915	1,044	5,656	15,615
Number of Bales Eligible for Classification	126,635	9,658	51,983	188,276
Number of Bales Classified	88,968	4,356	31,541	124,865
Percent Eligible Bales Is of Production	46.9	29.0	25.4	23.3
Percent Bales Classified Is of Eligible	70.2	45.1	60.7	66.3

SOURCE: Compiled from Agricultural Adjustment Administration Production Record, Extension Service Report on Organized Communities, Agricultural Marketing Service Report on Individual Communities, and 107 schedules taken from organized groups.

local markets are more in accord with those quoted in the central markets when the farmer receives the classification than when the cotton was sold without such service.[3/] In 1939, 107 groups were organized and functioned with varied degrees of success. The loan program was announced too late to influence the success of the groups. This would indicate that the cotton classification and market news service was responsible for a large number of successfully organized communities without the government loan program.

Relative Importance of Smith-Doxey Service in 1939 Compared to 1940. It would be helpful to establish to what extent the loan program affected the use of the classification and market news service. The relative importance of the Smith-Doxey Service and the extent to which the Service was used in 1939 as compared to 1940 will give some indication of the effect of the loan.

In 1939, 211,841 bales were produced in District I, 77,444 bales or 36.6 percent of the production, were produced by members of organized groups and were eligible for free classification and market news service. Over 60 percent of this cotton eligible for classification was classified and returned to the farmers. (Table 13). These farmers did not organize to secure a loan class as the loan was not effective in 1939. A larger number of farmers made application for and used the classification service in District I than in other districts. This was partly because more commercialized cotton farms were located in

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3/ Howell and Watson, Op. cit., p. 29.

this district, consequently more interest is taken in marketing cotton. As the farmers were interested in the service the gins also aided in making the program effective.

In District II only 719 farmers were members of organized groups. The total production for the district was 180,752 bales with only 4,279 bales or 2.4 percent of the crop eligible for classification. The gins in general in this area were against such organizations for community production. As the gins buy most of the cotton in the seed in this district, a large number of them ship in high quality planting seed and sell it to the farmers at the same price as gin-run seed. In effect then these are one-variety cotton communities with the benefits derived by the gins in place of the farmer. These gins take a loss when they sell the high quality planting seed for gin-run seed prices, but very likely they more than gain back this loss by purchasing high quality seed cotton. This practice was probably partially responsible for the length of staple in this district which was as long as in other districts of the State. The groups that were organized in this district sent in 69.0 percent of the cotton eligible for classification which was a higher percentage than was shown for the other two districts. This would indicate that if farmers were organized in this district they would cooperate as well as other districts.

District III produced 117,358 bales and 5.1 percent of it was eligible for classification. Only 24.1 percent of the bales eligible for class in this district was sent in for classification. (Table 13). This apparently was the result of street buyers in McCurtain County not respecting the government classification.

For the State as a whole in 1939, 17.2 percent of the production was eligible for classification and over 51 percent of the cotton eligible for classification was classified.

In 1940 the number of organized groups, total members of groups, and bales eligible for classification increased materially for all districts in the State over the previous year. The cotton classed expressed as a percentage eligible for class was also increased from 51.2 percent in 1939 to 66.3 percent in 1940. (Table 13). The increase in Districts II and III, however, was mostly in the western part of the districts where a larger percentage of cotton was custom ginned. There was a relatively larger increase in these two districts than there was in District I. This increase was partly a result of the advantage of putting cotton into the loan on Smith-Doxey class, and partly a result of the success of the groups in 1939.

The free classification saved the farmer who put cotton into the loan 15 cents per bale for classification and transportation cost for samples to government classing office which was an added incentive for group organization. Another advantage organized groups had over regular loan cotton was that their cotton could be sampled on the gin yard and classification returned before the cotton was put on the compress for loan storage. This would save the farmer the cost of transportation to compress or warehouse, provided his cotton was too low in quality to be eligible for government loan. If all the cotton produced by organized groups went into the loan the saving to these farmers for classification alone would have amounted to $18,729.75 in 1940.

Farmers selling cotton in the seed cannot receive much benefit from classification, consequently few organized groups were located in areas where cotton was sold in the seed. None of the farmers who sold in the seed asked for classification. Yet a few farmers, who ordinarily sold seed cotton, custom ginned and asked for classification service. The sale of seed cotton has been the predominant factor in locating organized groups in Oklahoma. Although the loan program has evidently increased the use of the classification service, it is not primarily responsible for the increasing of organized groups as they increased from 16 in 1938 to 107 in 1939 when no loan was in effect.

Attitudes of Gins and Farmers toward the Classing Service, 1939-40 Season. Total ginnings of cotton in Oklahoma were 509,591 bales during the 1939-40 season. According to the Oklahoma Crop Improvement Association, 90,000 bales were produced by one-variety groups of which 87,566 bales met the Oklahoma Cotton Improvement Association's requirements to secure the free classification and market news service as provided for under the Smith-Doxey Act. The Agricultural Marketing Service classed 44,842 bales of the 87,566 that were eligible for classification. (Table 15).

As 1939 was the first year the Smith-Doxey classing service was used to any great extent, the field representatives for the Agricultural Marketing Service made a survey on the attitudes of the farmers and cotton buyers toward the classification and the methods that were used to secure and to use the free classification and market news service. The classification of the attitudes of the buyers and farmers is an arbitrary classification and is intended to show the general relation-

Table 14. Attitude of Cotton Buyers and Members of Organized Communities Toward Free Classing and Market News Service, 1939 Season

Buyers' Attitude Toward Classification Service	Farmers' Attitude Toward Classification									
	Favorable				Indifferent				Quotations	
	Total	Likes Classification Sells on It	Likes Classing Service	Total Groups Where Farmers Favorable	Not Interested	Dissatisfied with the Class	Can Not Tell Result	Total Groups Where Farmers Indifferent or Unfavorable	Posted	Not Posted
Buyers' Attitude Favorable										
Buys on Class 1/ 2/	31	15	12	27	-	1	3	4	24	7
Would like to buy on Class	32	1	16	17	9	3	3	15	19	13
Total Favorable	63	16	28	44	9	4	6	19	43	20
Buyers' Attitude Indifferent or Unfavorable										
Cotton too high	6	-	-	-	6	-	-	6	3	3
Too much trouble	7	1	2	3	3	-	1	4	1	6
Does not like Class	11	-	-	-	11	-	-	11	5	6
Does not use 2/	11	-	9	9	1	-	1	2	3	7
Rather have his own Class	9	-	5	5	2	2	-	4	6	6
Total Indifferent or Unfavorable	44	1	16	17	23	2	2	27	18	27
TOTAL	107	17	44	61	28	6	8	46	61	46

SOURCE: Preliminary Marketing Survey of One-Variety Communities in Oklahoma 1939-40. Schedules taken by Agricultural Marketing Service field men, September and October 1939. The schedules were taken from gins and the field men talked with gin managers (who were in most cases buyers) and the farmers there doing business at the time of the visit.

1/ One or more buyer buys on class or indicated that they would like to buy on class.

2/ Buyers did not use classification or farmers indicated that buyers bought "hog round."

ship between the attitudes and the use of the Smith-Doxey Service. The buyers' attitudes toward the program ranged from "Just another case of government prying into private business," to "It's the first sensible attempt that has been made to help the farmers help themselves." The farmers' attitudes ranged from "I had rather you did not litter up my mail box with that propaganda," to "It's bringing the cotton farmers from the dark ages to an enlightened stage of development." It was possible, however, to group these attitudes as expressed by the gins and farmers into a classification.

Of the 107 groups, 63 had one or more buyers who were favorable to the service, 44 of the groups had buyers who were indifferent or unfavorable to the service. (Table 14). The farmers' attitudes in 61 of the groups were decidedly favorable, while the farmers in 46 of the groups were indifferent. This shows that more than 60 percent of the persons concerned with the service were favorable to it. Of the 63 groups that reported buyers favorable, 44 of these reported the farmers as favorable to the program, and 19 reported the farmers indifferent. In the 44 groups that reported unfavorable attitude of buyers, 27 reported that the farmers were also unfavorable while 17 groups reported farmers favorable to the program when the buyers were unfavorable. As a relatively larger number of farmers were interested where buyers were interested, it is likely that the attitude taken by either the buyer or the farmer is influenced by the attitude taken by the other party. However, there were some groups where the farmers wanted the service even if the buyers objected to it.

This indicated that for an organization to use the free classification and market news service to the best advantage, it is desirable to have the buyers as well as the farmers interested in the program. One of the benefits derived from the use of this service was that it enabled the producer to sell the cotton on quality basis. If the buyers were opposed to the program and would not buy on the classification, there was a tendency for the farmers to hesitate to cooperate with this program. If the buyers were unfavorable the principal benefits the farmers could derive from the use of the service were indirect such as checking planting to learn the quality of their cotton. However, for the farmers to know the quality of their cotton would be beneficial to them regardless of whether the buyers would buy on government class. Seventeen of the groups where the buyers were unfavorable sent in samples and indicated that they liked the service even though it could be used by their particular members only indirectly.

A relationship also existed between the buyers' attitude and use of the market quotations as furnished by the Agricultural Marketing Service. The quotations consisted of central market price together with premiums and discounts for different grades and staples. The farmer, by comparing the classification for his bale with these premiums and discounts, was able to determine the value of his bale. Of the 63 groups where one or more buyers were unfavorable to the program 43 had the quotations available for use by the farmers, while in 20 of these groups the quotations were not available. Where the buyers were unfavorable 18 of the groups had the quotations available and 26 did not have. The quotations were used by 61 groups while the remaining 46

Table 15. Relationship Between the Buyers' Attitude to the Number and Percentage of Eligible Cotton Sampled, Season 1939-40

	One or More of Buyers Like the Classification and Buy on It	One or More of Buyers Would Like to Buy on Classification	Buyer has to Pay More For Cotton Than He Received for It	Too Much Trouble to Sample	Buyers Do Not Like Classification Service	Buyers Do Not Buy on the Classification	Buyers Rather Have Their Own Classification	Pay the Same Price Regardless of Classification	Total
Number of Groups	31	32	6	7	11	8	9	3	107
Number of Bales Eligible for Classification	28,774	25,059	3,310	4,308	12,659	6,566	5,406	1,463	87,565
Number of Bales That Received Classification	21,911	14,329	652	389	841	2,919	2,913	888	44,842
Percent of Eligible Cotton Sampled	76.1	57.2	19.2	9.9	6.6	44.4	53.8	59.9	51.2

SOURCE: Estimated number of samples eligible are estimates of production as made by group representatives early in 1939-40 season. Number of samples sent in as reported by the Agricultural Marketing Service at end of season.

groups reported that the quotations were not used. There was a tendency for the groups to use both the classing service and the quotations if they used either.

Number of Samples Submitted for Classification in Relation to Buyer Attitude toward Program. In 31 groups where one or more buyers purchased cotton on government classification, 28,774 bales were eligible for classification; 76 percent of the cotton eligible was classified. (Table 15). In the 32 groups, in which one or more of the buyers indicated that they would like to buy on the classification, 57.2 percent of the cotton which was eligible for classification was sampled and submitted for classification. In the six groups in which buyers claimed to have paid more for cotton than it was worth, only 19.6 percent of the eligible cotton was submitted for classification.

In the groups where the buyers either reported that it was too much trouble to sample or did not buy on the classification, less than 10 percent of the eligible cotton was classified. The other groups either reported "buyers do not buy on classification," "buyers rather have their own classification," or "buyers pay the same price regardless of classification. These communities, however, sampled and submitted for classification over 50 percent of the cotton eligible. A large percentage of these groups where buyers were unfavorable had cooperative gins that did not buy cotton. The cooperative gins sampled the cotton for the farmers in order to give the farmer a classification on his cotton before he contacted a buyer. In other groups where buyers were unfavorable the farmers requested the classification regardless of the gin or buyer's attitude toward the classification.

These farmers felt that their bargaining position would be strengthened when they knew the quality of their product regardless of the buyer's attitude.

As the gins are the principal buyers of cotton in Oklahoma it seems necessary to interest them in cotton improvement and the classification service if the best results are to be obtained. Evidently the buyers can influence the farmers to use, or not to use, the service, as the amount of cooperation between the farmers and the Agricultural Marketing Service in 1939 depended largely on the buyers' attitude and use of the service. The farmers did, in some instances, use the classification service when buyers were against the classification, but it was seldom possible for these farmers to receive the maximum benefits without the buyers' cooperation.

Summary. Prior to the passing of the Smith-Doxey Act, little interest was shown in group organization for Cotton Improvements. This Act was passed in 1937 and as a result two or more producers may organize for cotton improvement and receive free cotton classification and market news service. The purpose of the Act is to furnish the farmer a measure of the results of his efforts to improve cotton and to strengthen his bargaining position.

The combined result of the free classification and loan program has been a shift in cotton production from shorter staple length (15/16 inch and shorter) to longer staple length (1 inch and longer). As a result of this shift the Oklahoma production by staple length approximates the United States consumption by staple lengths.

The farmers have, since the passing of the Smith-Doxey Act, been able to receive returns from cotton more nearly on the basis of

quality than they did prior to the Smith-Doxey Act. The loan program, however, was partially responsible for payment to farmers on a quality basis in 1940.

The organized groups were located in areas where cotton was custom ginned and the attitude of the gins toward the classing service influenced the results obtained by the use of the classing service.

CHAPTER V. SUMMARY AND CONCLUSIONS

The objectives of this study were to discover the cotton marketing practices in Oklahoma in 1940, the causes for and results of these practices in order to show their effect on cotton improvement. An attempt was made to determine principally the results and factors affecting the results of cotton improvement work since the Smith-Doxey Act was passed in 1937.

The two most prevalent methods of sale used by farmers in Oklahoma were the sale of bale cotton and the sale of seed cotton to gins. Over one-third of the cotton produced in Oklahoma in 1940 took some form of government loan. Consequently, it was not sold at the time it was ginned. More than one-half of the cotton produced in District II (Northeastern Oklahoma) was sold in the seed. In the southern and western sections of the State the cotton was custom ginned and a large percentage was put into the government loan.

Similar marketing practices were found in like type-of-farming areas; conversely different marketing practices were used in different type-of-farming areas. Acres in cotton per farm seemed to be the predominant factor affecting variation in marketing practices between type-of-farming areas.

The type of gin ownership had little effect on the farmer's marketing practices but it did largely determine the method of gin sales.

In Districts I, II, and III, 74.5, 14.3, and 41.7 percent of the cotton produced in the respective districts was put into the loan. The principal factors that caused this variation in amount of cotton that went into the loan were: the amount of cotton custom ginned, the gins'

attitude toward the loan program, acres in cotton per farm, and the relation of local market price to loan price.

It was found that in District II in 1940 the price farmers received for seed cotton varied directly with the volume ginned per gin in counties where a large percentage of ginnings was purchased as seed cotton. However, exceptions were found when gins varied prices evidently to attract customers or when there was a marked change in quality. This was possible because the ginning cost per bale decreased as the volume ginned increased.

The farmer's returns from seed cotton are affected by his location and practices existing in the locality where he gins. The averaged returns from selling seed cotton compared to returns when cotton was custom ginned and put into the loan varied from one 15-day period to another. During the peak of the ginning season and the 15-day period preceding the peak the farmers on the average would have received greater returns by selling in the seed. For the other 15-day periods it would have been more profitable to custom gin and put cotton into the government loan. In some communities where high quality cotton was produced, the returns to farmers would have been greater had the farmers custom ginned for all periods provided they put their cotton into the loan.

It was found that gins can and do pay a higher price for bale cotton than other types of buyers can afford to pay but they do not buy strictly on quality basis. The gins comprise the principal buyer in the local cotton markets in Oklahoma. It is likely then that more education in the use of the free classification and market news service will cause cotton to be purchased on quality basis where cotton is custom ginned.

The one-variety communities that made application for the free classification and market news service were mostly in District I where cotton is the most important crop, a large percentage of the gins was operated by cooperatives and the farmers custom ginned their cotton. These farmers have, since the Smith-Doxey Act was passed, received returns more nearly on the basis of quality than they did before the Act was passed. Consequently, the improvement in cotton has been more marked in this district than it has been in the other districts of the State.

The combined result of the one-variety communities, free classification service, and loan program has been a shift to production of better quality cotton. The cotton produced shifted from shorter staple lengths (15-16 inch and shorter) to longer staple lengths (1 inch and longer). As a result of this shift the Oklahoma production by staple length approximates the United States consumption by staple lengths.

It is evident that the free classification and market news service has been responsible, to a great extent, for the success of organized one-variety communities in Oklahoma, and that these communities have been largely responsible for the improvement of cotton quality. Yet, at the present time, attempts to organize groups for cotton improvement in northeastern Oklahoma have met with little success because a large percentage of the cotton is sold in the seed.

APPENDIX

Table 1

Sub-District 1-A. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	25	6	4,554	1.9	98.1	20.3	72.4
Cooperative	6	2	2,085	1.9	98.1	21.6	75.9
Independent	6	1	625	3.2	96.8	44.8	51.2
Partnership	7	2	799	5.6	94.4	33.3	46.9
Total	41	11	8,063	2.4	97.6	23.8	69.1

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Ginner Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	1,011	22.2	100	0.0	0.0	0.0	0.0
Cooperative	490	23.5	100	0.0	0.0	0.0	0.0
Independent	300	48.0	100	0.0	0.0	0.0	0.0
Partnership	311	38.9	100	0.0	0.0	0.0	0.0
Total	2,112	26.2	100	0.0	0.0	0.0	0.0

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	1,011	97.5	0.0	2.4	0.0	0.0	0.0
Cooperative	490	0.0	0.0	41.8	37.7	18.4	0.0
Independent	300	0.0	0.0	75.0	25.0	0.0	0.0
Partnership	311	0.0	0.0	51.8	0.0	48.2	0.0
Total	2,112	46.7	0.0	29.2	12.3	11.4	0.0

Table 2

Sub-District 1-D. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	53	24	15,629	1.3	98.7	27.9	68.4
Cooperative	38	24	31,750	0.6	99.4	12.7	32.1
Independent	10	2	1,855	0.2	99.8	3.7	90.9
Partnership	13	7	5,927	1.7	98.3	30.0	67.6
Total	114	57	55,161	0.9	99.1	18.7	77.0

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Ginner Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	4,581	29.3	99.6	0.4	0.0	0.0	0.4
Cooperative	5,765	18.2	73.2	5.4	13.2	8.3	26.8
Independent	164	8.8	100.0	0.0	0.0	0.0	0.0
Partnership	1,881	31.7	100.0	0.0	0.0	0.0	0.0
Total	12,391	22.5	87.4	2.6	6.1	5.8	12.6

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	4,565	84.0	0.0	4.4	6.3	5.1	0.0
Cooperative	4,219	0.0	13.6	31.0	49.5	5.9	0.0
Independent	164	0.0	0.0	6.1	93.9	0.0	0.0
Partnership	1,881	99.5	0.0	0.0	0.0	0.0	0.0
Total	10,829	52.7	5.3	14.0	23.5	4.4	0.0

Table 3

Sub-District 1-C. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan 1/
Corporate	67	28	24,207	2.4	97.6	23.1	73.1
Cooperative	37	23	30,668	2.0	98.0	19.4	73.3
Independent	4	1	344	3.5	96.5	43.6	52.9
Partnership	9	2	2,300	1.7	98.3	30.4	67.0
Total	117	54	57,519	2.2	97.8	21.6	72.8

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Ginner Sold For Farmers	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	6,348	26.2	97.3	0.6	0.0	2.1	2.7
Cooperative	7,370	24.0	89.3	9.1	0.0	1.7	10.7
Independent	162	47.1	100.0	0.0	0.0	0.0	0.0
Partnership	740	32.2	100.0	0.0	0.0	0.0	0.0
Total	14,620	25.4	93.4	4.8	0.0	1.7	6.6

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	6,179	95.6	0.0	1.4	2.8	0.0	0.0
Cooperative	6,579	0.0	9.4	18.3	42.9	12.1	13.0
Independent	162	0.0	0.0	100.0	0.0	0.0	0.0
Partnership	740	0.0	0.0	0.0	14.8	17.6	67.6
Total	13,660	43.2	4.5	10.6	22.8	6.8	9.9

1/ Includes export program in Caddo County.

Table 4

Sub-District 2-A. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	19	3	2,034	35.0	65.0	7.7	48.2
Cooperative	3	2	1,943	11.3	88.7	27.8	60.5
Independent	5	0	—	—	—	—	—
Partnership	3	1	676	3.4	96.6	7.5	88.8
Total	30	6	4,653	20.5	79.5	16.1	59.2

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Ginner Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	868	42.7	100	0.0	0.0	0.0	0.0
Cooperative	760	39.1	100	0.0	0.0	0.0	0.0
Partnership	74	10.9	100	0.0	0.0	0.0	0.0
Total	1,702	36.6	100	0.0	0.0	0.0	0.0

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	868	100.0	0.0	0.0	0.0	0.0	0.0
Cooperative	760	0.0	0.0	5.3	7.9	64.5	0.0
Partnership	74	73.0	0.0	0.0	27.0	0.0	0.0
Total	1,702	54.2	0.0	2.4	4.7	28.8	0.0

Table 5

Sub-District 2-B. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	44	4	4,198	14.6	85.4	70.0	8.7
Cooperative	1	0	—	—	—	—	—
Independent	17	2	2,766	23.7	76.3	63.5	6.9
Partnership	0	0	—	—	—	—	—
Total	62	6	6,962	18.2	81.7	67.4	8.0

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Ginner Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	3,686	87.8	96.3	3.7	—	0.0	3.7
Independent	2,453	88.7	98.4	1.6	—	0.0	1.6
Total	6,139	88.2	97.1	2.9	—	0.0	2.9

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	3,551	100.0	0.0	0.0	0.0	0.0	0.0
Independent	2,413	0.0	0.0	42.0	12.4	0.0	45.6
Total	5,964	59.5	0.0	17.0	5.0	0.0	18.4

Table 6
Sub-District 2-C. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	97	14	17,142	76.0	24.0	12.3	5.9
Cooperative	1	1	3,000	31.9	68.1	18.4	35.1
Independent	51	3	4,300	57.1	42.9	31.9	10.5
Partnership	31	10	20,616	59.0	41.0	28.7	11.1
Total	180	28	45,058	63.5	36.5	22.1	10.7

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	15,377	89.7	98.4	1.6	0.0	0.0	1.6
Cooperative	1,908	63.6	79.0	13.1	0.0	7.9	21.0
Independent	3,828	89.0	100.0	0.0	0.0	0.0	0.0
Partnership	18,095	87.8	100.0	0.0	0.0	0.0	0.0
Total	39,208	87.0	98.4	1.2	0.0	0.4	1.6

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	15,137	65.4	0.0	7.4	2.0	0.0	26.5
Cooperative	1,508	0.0	0.0	51.7	0.0	0.0	48.1
Independent	3,828	0.0	0.0	50.4	0.0	15.7	33.9
Partnership	18,095	59.5	0.0	19.0	6.9	0.0	14.1
Total	38,568	52.8	0.0	18.0	4.0	1.6	22.5

Table 7

Sub-District 5-A. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	57	14	14,747	3.6	96.4	25.3	67.1
Cooperative	13	2	3,800	0.8	99.2	13.2	74.9
Independent	27	3	4,274	3.9	96.1	25.4	71.6
Partnership	12	5	7,635	4.9	95.1	16.3	77.9
Total	109	24	30,456	3.6	96.4	21.2	71.4

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Sold For Farmer	Percent to Local Buyers	Percent Other Than Ginner
Corporate	4,543	30.8	93.6	6.3	0.0	0.0	6.3
Cooperative	880	23.2	60.2	39.8	0.0	0.0	39.8
Independent	1,169	27.3	100.0	0.0	0.0	0.0	0.0
Partnership	1,613	21.1	100.0	0.0	0.0	0.0	0.0
Total	8,205	26.9	92.2	7.7	0.0	0.0	7.7

Ginner Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	4,255	38.2	0.0	0.0	11.8	0.0	0.0
Cooperative	530	0.0	3.8	48.1	0.0	48.1	0.0
Independent	1,169	0.0	7.9	25.7	10.6	49.1	0.0
Partnership	1,613	0.0	0.0	14.9	22.9	62.1	0.0
Total	7,567	49.6	1.3	10.5	13.1	24.2	0.0

Table 8

Sub-District 3-B. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	17	5	4,508	9.5	90.5	46.2	34.5
Cooperative	1	0	—	—	—	—	—
Independent	16	6	8,188	4.5	95.5	24.1	40.4
Partnership	12	3	5,315	4.2	95.8	0.0	73.3
Total	46	14	18,308	5.7	94.3	22.9	48.4

Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Ginner Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	5,133	65.2	85.5	1.6	12.9	0.0	14.5
Independent	4,874	59.5	48.1	14.5	37.4	0.0	51.9
Partnership	1,418	26.7	15.7	0.0	84.3	0.0	84.3
Total	9,425	51.5	55.6	8.0	36.3	0.0	44.4

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Percent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	2,678	100.0	0.0	0.0	0.0	0.0	0.0
Independent	2,344	0.0	0.0	10.5	30.9	32.5	21.8
Partnership	222	0.0	38.2	0.0	61.7	0.0	0.0
Total	5,244	51.0	1.6	4.7	15.8	14.5	9.7

Table 9

Sub-District 3-C. Total Number of Gins Operating, Number of Schedules Taken, Bales Ginned by Gins from Which Schedules Were Taken, Percentage of Total Ginning Sold in Seed, Custom Ginned, Custom Ginned Bought by Gin, and That Went Into Loan, Farmers Sales of Cotton and Ginners Sales of Cotton By Type of Gin Ownership (1940-41 Season)

Types of Ownership	Number of Gins Operating	Number of Schedules Taken	Number of Bales Ginned	Percent Sold in Seed	Percent Custom Ginned	Percent Custom Ginned Bought By Gins	Percent That Went Into Loan
Corporate	17	4	3,290	39.9	60.1	54.1	5.3
Cooperative	1	0	—	—	—	—	—
Independent	17	2	2,142	5.6	94.4	88.3	0.0
Partnership	11	1	703	20.1	79.9	54.1	25.6
Total	46	7	6,135	25.6	74.4	66.0	5.8

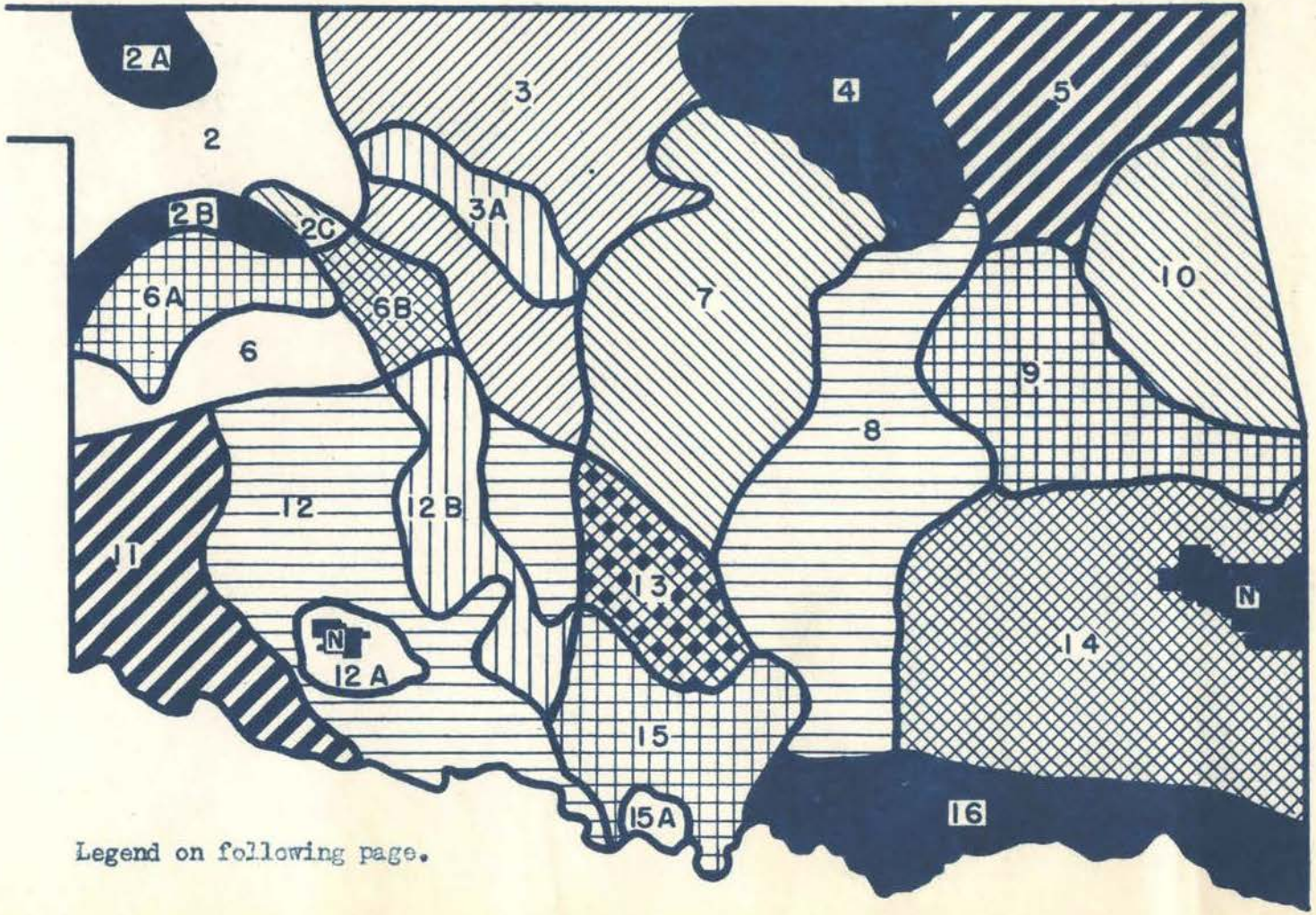
Farmers Sales of Cotton

Types of Ownership	Total Bales Sold By Farmers	Percent of Total Ginning Sold By Farmers	Percent Sold to Gins	Percent Sold Through Cotton Growers Association	Percent Sold For Farmer	Percent to Local Buyers	Total Percent Other Than Ginner
Corporate	3,091	94.0	100.0	0.0	0.0	0.0	0.0
Independent	2,136	99.7	94.1	5.9	0.0	0.0	5.9
Partnership	521	74.1	100.0	0.0	0.0	0.0	0.0
Total	5,748	93.7	97.8	2.2	0.0	0.0	2.2

Ginners Sales of Cotton

Types of Ownership	Total Bales Bought	Percent Through Own Agency	Percent to Cotton Growers Association	Percent Through Brokers	Pecent to f.o.b. and Independent Buyers	Percent to Merchants	Percent to Mills
Corporate	3,091	41.6	0.0	30.7	3.4	24.3	0.0
Independent	2,011	0.0	0.0	42.3	36.4	21.3	0.0
Partnership	521	0.0	0.0	0.0	0.0	100.0	0.0
Total	5,623	22.8	0.0	32.0	14.9	30.2	0.0

PRELIMINARY TYPE OF FARMING MAP OF OKLAHOMA



Legend on following page.

AREA DESCRIPTIONS

1. CASH GRAIN AND LIVESTOCK.
   - 1A. LARGELY RANGE LIVESTOCK
2. SOMEWHAT BROKEN TOPOGRAPHY, SOME SMALL GRAINS, FEED CROPS, LIVESTOCK
   - 2A. CASH WHEAT PRIMARILY
   - 2B. CASH WHEAT PRIMARILY
   - 2C. SANDY AREA GENERAL FARMING
3. CASH GRAIN, GENERAL FARMING, SOME DAIRY AND POULTRY
   - 3A. WOODED AREA OF SANDY SOIL, GENERAL FARMING, SOME COTTON PRODUCED ON THIS STRIP
4. RANGE LIVESTOCK
5. GENERAL FARMING, LIVESTOCK, DAIRY, POULTRY, SELF-SUFFICING
6. COTTON, CASH GRAIN, GENERAL FARMING, LIVESTOCK
   - 6A. ROUGH SANDY AREA, SCARCELY ANY FARMING, SOME RANGE LIVESTOCK
   - 6B. WOODED AREA, GENERAL FARMING AND COTTON
7. GENERAL FARMING, COTTON, LIVESTOCK, DAIRY, AND POULTRY
8. COTTON, GENERAL FARMING, SELF-SUFFICING, DAIRY (AN AREA OF GENERALLY POOR SOIL, EXCEPT ON SMALL BOTTOMS)
9. COTTON, SOME DAIRY, POTATOES, SELF-SUFFICING
10. SOME FRUIT, GENERAL FARMING, DAIRY AND POULTRY, SELF-SUFFICING (ROUGH WOODED LAND)
11. COTTON PREDOMINANTLY
12. COTTON, SOME GRAIN, SOME DAIRY AND POULTRY
    - 12A. RANGE LIVESTOCK
    - 12B. SANDY, WOODED SECTION, COTTON, GENERAL FARMING
13. COTTON, LIVESTOCK, BROOMCORN
14. COTTON, SELF-SUFFICING, LIVESTOCK (ROUGH MOUNTAIN AND WOODED AREA)
15. RANGE LIVESTOCK, SELF-SUFFICING
    - 15A. COTTON
16. COTTON, GENERAL FARMING

N. NATIONAL FORESTS

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