

(AN ADDRESS BY W. P. G. HARDING BEFORE THE CONVENTION X-1897
OF THE AMERICAN COTTON ASSOCIATION AT
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THE MARKETING OF CROPS

The crying need of the hour everywhere is more production. This applies with equal force to the products of the farm, the forest, the mine and the factory.

The factors which regulate production on the farm are essentially different from those which govern in other fields of activity. The mine operator, the lumberman, and the manufacturer can in ordinary circumstances make good a diminished output covering certain periods by an acceleration of energy at other times, but the farmer must operate under natural laws and his work in its various stages must be done at the proper season. Other producers can, generally speaking, regulate their operations and adjust the volume of their output according to conditions which develop from time to time. With an increasing demand the volume can be augmented and it can be curtailed when the trend of the market points to an oversupply.

Certain elements which enter into production, such as the supply of labor and the financial ability to pay labor, apply to all classes of producers, but as the farmer's activities are seasonal he is unable to gauge as accurately and from as close a viewpoint as other producers can the conditions which will affect the market for his product. Certain crops must be planted at certain seasons or not at all, and as the growing crops are cultivated and brought to maturity, advantage must be taken of changing climatic conditions, otherwise the capital and energy expended in planting is lost.

As the crops mature they must be harvested within the time limit prescribed by nature or else permitted to go to waste. When the crops are harvested farmers are confronted with serious problems which call for the exercise of energies totally different from those which are brought into play during the periods of planting, cultivation and harvesting. In the three stages preliminary to marketing the farmer's problems are largely physical in their character and the judgment which he must use relates to physical conditions. In marketing, however, while he still has physical difficulties to overcome in the matter of storage and transportation, the successful farmer must develop the qualities of a merchant under conditions far more perplexing than those which confront the average merchant. His own product is but a small part of the large volume of similar products grown by other farmers, all of which are ready for market at the same time. In the case of small crops and where transportation facilities are available, the problem is solved by making shipments to other sections where the season is later, but my remarks this morning will relate more particularly to the larger crops and especially to the great staple in which this body is interested.

The cotton belt of the United States extends from the southern counties of Virginia through the South Atlantic and Gulf States, Tennessee, Arkansas, and Oklahoma, through the states on the Mexican Border to the Imperial Valley of California. The cotton produced in these states each year is grown not by a few corporations under centralized control with ample capital and with every facility for learning what market conditions are and with the financial ability to take the best advantage of these conditions, but by several millions of individuals. The American crop has no longer a monopoly, it must compete with cotton grown in other countries, more particularly Egypt and India.

The average cotton farmer in this country has but a limited knowledge of market conditions; his resources are small and his necessities usually great. Those to whom he sells are comparatively few in number; they have the advantage of large financial resources and of familiarity with all conditions affecting the market, not only in this country but throughout the world. The farmer has all the odds against him at every stage, and yet his existence and the continuation of his activities are essential, not only for the comfort but for the life of every other class.

It is therefore a matter of vital necessity that the efforts of the farmer be supported and stimulated, that he be assured of preserving the full measure of his harvest, and that he be afforded a market for his product on terms sufficiently remunerative to warrant his staying in the business of farming.

Loss of a potential crop because of drouth or storm is unavoidable; loss by insect damage partly so; but loss of any portion of a crop actually produced and harvested can be avoided and should be avoided; its loss represents a reduction of the resources of the individual and a shrinkage in the wealth of the world. In the present circumstances when the world is suffering from the effects of more than four years of the most costly and wasteful war it has ever experienced, it is doubly important that no product of the farm be wasted for lack of care.

The great crop in which you are interested furnishes the basic raw material for an industry which produces an important part of the world's clothing. It is also an important element in the supply of foodstuffs and fats. The consumption of cotton and cotton seed products is a process which is going on every day in the year, the manufacture of cotton seed products is continuous for a period of seven or eight months while the manufacture of cotton goods never ceases. The whirl of the spindle and the click of the loom are heard around the world, and there is not a minute in the course of the year when the machinery

of the cotton mills, from a world-wide viewpoint, is still. The production of cotton involves about six months of the year, and as a rule a period of eight months is the extreme limit between the planting of the seed in the ground and the final picking.

In view of these facts, how many months of the year should be devoted to the marketing of cotton? Shall there be a mad rush, as was the case in bygone years, on the part of the cotton farmer to dispose of his entire crop by Christmas, or shall the marketing of cotton, like its manufacture and consumption, extend throughout the entire year?

If no facilities are provided for the physical care of cotton, for its protection from weather damage, from its loss by theft or fire, if the financial necessities of the producer are urgent and if there are none to extend him a helping hand, then, indeed, must he sell as his father did in the old days as soon as his cotton is ginned and baled at whatever price his customer in a narrow market is pleased to offer him.

There are some steps which are essential for the salvation of the cotton farmer. Adequate warehousing capacity must be provided at locations convenient to the farmers, a system of good roads must be developed and local transportation facilities provided to enable the farmer to convey his cotton to competitive points. It is important, too, that congestion at the local centers be avoided by means of adequate railroad transportation facilities. Whatever may have been the sins of the railroads in other days they have been chastened and today most of them are in need of larger net operating revenues. They are great arteries which are essential for the life of the nation and they should be permitted to live, to extend their activities and to afford the necessary facilities. Ocean transportation is another important factor in the cotton business, and the present is the first season since that of 1913 that anything like a normal amount of shipping has been available.

The cotton growing industry has experienced many vicissitudes during the past quarter of a century. Some of you may remember the days of four and a half cent cotton in the middle nineties. Those were days when the shadows of the wolf and the sheriff menaced many of our farmers; those were the days when stern necessity dominated the situation, when the crop movement was virtually over by Christmas. As the years progressed the pall of depression was gradually lifted, and although for a long time cotton growing yielded no profit, yet by dint of hard work and close economy and by the application of the principles of crop diversification the farmers gradually became more independent and the crop marketing season began to lengthen in a corresponding degree. The years 1911, 1912 and 1913 were fairly good ones for the cotton farmer, and in 1914, as the season advanced and indications of an abundant yield, which was actually realized, became more in evidence, there was a particularly hopeful and confident feeling throughout the cotton belt until August, when without warning the European war broke out and paralyzed the commerce of the world.

All of you remember the fall of 1914. The season had been propitious, the largest crop in history had been produced - more than sixteen million bales - and yet for months because of the closing of the markets and the stoppage of ocean transportation cotton could not be sold at any price. Quotations of five cents a pound, which had been real quotations eighteen or twenty years before, were merely nominal, and a cry of distress went up throughout the entire length and breadth of the cotton belt. There was a great demand for loans on cotton, but the need for a market was even greater. During these months the entire business of the country was affected, the Federal Reserve System had not begun to function, exchanges were closed, money was scarce and credit hard to obtain on any terms. Gradually, however, the situation

began to improve. A cotton loan fund of one hundred million dollars was provided during the autumn, and the Southern people should not forget that subscriptions to this fund were made by banks in other sections, many of which were in localities whose immediate interest seemed to lie in cheap cotton. It was realized then that cotton is not merely a sectional crop but that it is a great national asset. While the fund was not used to any appreciable extent, its establishment had a good moral effect for it established a loan value for cotton, and as the ocean vessels which had been tied up for fear of destruction by enemy cruisers began once more to leave their havens of refuge and as the financial situation became easier the spinners began to buy and the crisis was passed.

Since the fall of 1915 there has been a steady and almost continuous advance in the price of cotton; middling uplands, which sold at about eight cents a pound on July 1, 1915, bring now, I believe, about forty-two cents. During this period, however, there has been more holding of cotton on the farms and in the small towns than was ever known before. This holding has been due in larger part to the necessities of the case, to the inability of certain countries owing to the war to purchase their accustomed supplies, and to priorities in the use of ocean shipping for the transportation of food-stuffs, war materials and troops. We have had, therefore, during the past two years a continuous cotton season. The more gradual marketing of cotton has been made possible because of improved banking facilities, but more particularly because of the stronger financial position of the producers themselves. Yet the price of a commodity is a relative term. Two hundred dollars a bale for middling cotton would have seemed six years ago a fabulous price; today, when we consider the price of cotton goods, the cost of labor, both on the farm and in the cities, the price of grains, meats, clothing, shoes, agricultural implements, of mules and horses, and the enormous taxes which are imposed in

consequence of the war, it is evident that relatively the price of cotton is not so high. There has been an advance in the market value of the lands upon which the cotton is produced and a great advance in the price of fertilizers, and it is clear that the cost of production has mounted in proportion to the increased price of the staple.

I have not time this morning for a discussion of the causes and general effects of credit expansion, but I do wish to say that while in terms of commodities the purchasing power of the dollar is far less than it was in pre-war days, there has been no decline in its debt-paying power. While one cannot buy with the two hundred dollars which he receives for a bale of cotton today as much food and clothing or as much gasoline as could have been exchanged for one hundred dollars a few years ago, you can still pay off two hundred dollars of indebtedness with the proceeds. There has never been a time within the memory of the present generation so favorable for the payment of debts as the present, and I would strongly advise those of you who have money in the bank or a surplus of salable crops and have at the same time some indebtedness which is not pressing not to yield to the temptation to buy something which you do not need but on the other hand to avail yourselves of the extremely favorable conditions which now exist and liquidate or reduce your old indebtedness.

A year ago we were still in the midst of a period of hesitation and uncertainty which followed the armistice. Adequate ocean transportation was not available, for transports were being used in bringing back the two million soldiers who had been sent to France. It was thought that the great cotton using countries of Europe were financially exhausted and it was realized that if the normal amount of cotton was to be sent abroad, not only was the transportation problem to be solved but the still greater problem

of credit facilities. The total value of our exports during the year 1919 exceeded imports by more than four billion dollars. Of this amount about a billion and three-quarters was taken care of out of advances made by the United States Treasury as authorized by war time legislation. The remainder has been financed in various ways. It is probable in many cases that payment has been accepted by exporters in the form of European bank credits, for not until quite recently has there been any movement of gold from Europe to America since 1916, and the imports thus far have been comparatively small in amount and totally inadequate for the financing of Europe's large adverse trade balance. Our own banking statistics would indicate that very substantial credits have been given by banks in this country to manufacturers and exporters who have sent goods to Europe.

From August 1, 1919 to April 2, 1920, total exports of cotton from the United States amounted to 5,134,822 bales, of which 2,672,312 bales went to Great Britain, 489,400 to France, and 2,023,100 to other countries. This compares with total exports for the entire season 1918-19 of 3,514,269 and for the entire season 1917-18 of 3,356,142 bales. The cotton producer is vitally interested in the continuation of exports, at least in the present volume.

There is no question as to the need for cotton, but whether or not this need will develop into an economic demand depends upon the ability of ^{consumers} on the other side to pay in cash, or failing that, to secure credits. It is difficult to secure accurate information as to conditions in Europe; reports are conflicting. The complications which have within the last few days arisen between France and Germany/^{are} disturbing factors as is the situation in Russia. Nevertheless when everything is considered, it seems likely that the

economic position of Europe as a whole is better than it was a year ago. Great Britain appears to be making rapid headway towards regaining its old time position in world commerce and finance, and the marked advance in sterling which has taken place in the last sixty days is both an indication that this is true and an assurance that the progress made will be sustained. Goods can be exported to Great Britain more readily with sterling at a discount of 16% than when the rate of discount was 33%. The productive capacity of France and Belgium has increased during the past twelve months although the depreciation in the exchanges of both these countries restricts their ability to import and emphasizes the necessity for credit arrangements. Germany and Austria, formerly imported a large amount of cotton, and mills in both countries, as well as in Czecho-Slovakia, which was formerly a part of the Austrian Empire, and Poland also lack only the raw materials in ^{order} to resume operations. The currencies of these countries, however, are so greatly depreciated as to make imports on usual terms impossible.

For some time past American business men have been considering means of sending raw materials to Central European countries for conversion into finished products and have endeavored to work out a plan whereby credit could be furnished in connection with these exports with reasonable safety and fair business profit. All reports from abroad agree as to the necessity that the various countries of Europe be supplied with raw materials in order that the wheels of industry may once more be set in motion. It is highly essential that the United States be able to continue to sell her raw materials and it is imperative that Europe be able to secure these raw materials, for without them industries can not be established and a complete economic collapse avoided. It is important to the entire world that not

only the countries of the Entente but those of central Europe be placed in a position to produce. It is needless to expect recovery from the economic disarrangement from which the world suffers today as long as 100,000,000 people in central Europe remain in enforced idleness.

I am informed that conferences have recently been held for the purpose of developing a plan whereby raw materials can be sent to countries whose currencies are most seriously depreciated for conversion into finished manufactured products under contracts for exportation under a plan whereby title to the raw materials exported remains in the American shippers throughout the process of manufacture into finished products; when these products are sold the proceeds are applied to the payment of amounts due for the raw materials, the arrangement to be supported by proper guarantees given by the manufacturers receiving the raw materials, by the exporters and importers selling the finished products, and by foreign banks of good standing. I am told that for various reasons it seems desirable to apply this plan in the first instance to the manufacture of cotton goods and that it is proposed to organize a financing and trading corporation with broad powers under state or Federal laws to finance the proposition.

The necessity for providing means of exporting raw materials to Europe has been given much consideration during the past year by government authorities in Washington and by the Congress of the United States. An important measure known as the "Edge Act" has become a law. This act provides for the Federal incorporation of associations engaged principally in international or foreign banking or other international or foreign financial operations and permits National banks as well as individuals, firms and other corporations, to invest in the capital stock of such associations; the total investments of this character

by National banks, however, being limited to 10% of their capital and surplus. The act provides further that the Federal Reserve Board shall issue regulations governing the organization and operations of corporations organized under its provisions, and these rules have recently been formulated and made public. A copy of the regulations will be handed the Secretary of this convention.

Many of the obstacles which have stood in the way of the cotton farmer have been overcome. I shall not undertake to predict the future course of prices, and in fact at the risk of meeting your disapproval I will say that I am not so much interested in the actual price of cotton as I am in the development of a steady and dependable market, for I believe that if such a market can be established little concern need be felt as to prices. A good market is essential for the stimulation of production, and it is important also that the prices of cotton and other farm products bear a proper relationship to the prices of commodities in general.

The census figures which are now being published from day to day show a marked increase in the urban population and indicate a movement from the farms to the towns and cities. This is not altogether a healthy condition. There should be no halt in the development of farms, but in order to assure this rural life must be made more attractive. The comforts and advantages of city life must be extended as far as possible to the country and attention must be paid to the betterment of the living conditions on the farm. The rural communities must enjoy the benefits of easy communication, of sanitation, and of education; schools must be kept open for far longer periods of time than is now unfortunately the case in many localities and in order to secure competent teachers, living salaries must be paid. Absentee landlordism has been the curse of many communities and tenant farmers should be encouraged

-12-

X-1897

and assisted to become land owners. Labor must be attracted to the farm, not necessarily by duplicating the wages paid in the cities but by means of agreeable living conditions and the inducement of a net return after living costs are met, comparable to that of the city wage earner.

This program will involve higher production costs than have been usual but these can be counteracted to some extent at least by more scientific methods of farming and by cheapening certain essentials, such as nitrates and commercial fertilizers. Fewer dogs and more sheep on the farm would cheapen the cost of living and add to the income of the farmers. There are many ways of stimulating production on the farms but increased production can not be maintained if haphazard methods of harvesting and marketing are permitted to obtain. Farm products are essential for feeding and clothing the world; these should be marketed in an orderly manner and not dumped in such volume as to bring about price reactions which will be detrimental to the producer and the consumer alike. But they should not be hoarded and held from the market in the hope of forcing prices up to an artificial level. Such a policy is bound to result in disaster to those engaged in promoting it. The volume of our great staple crops is so large and the value so enormous that all efforts to corner them will result in failure by the operation of economic law. Conversely, it is to the interest of the consumer that farming be profitable in order that production may be adequate; in effecting this an open market in which the law of supply and demand is given free play and in which the buyer and the seller meet on equal terms is the great desideratum, and to its attainment your best efforts may well be directed.