Cotton Growers . . .

Are Meeting The Challenge!

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Markets for fibers expanded greatly throughout most of the world during the 1960s. In the U.S., mill consumption of all fibers increased from 6.5 to almost 10.0 billion pounds between 1960-1970. For all other countries combined fiber consumption increased approximately 45 percent.

However, the 1960s were not market expansion years for U.S. cotton growers — neither at home, nor abroad. Annual U.S. mill consumption of cotton was up to 4.6 billion pounds in 1966, but since then has declined to 3.8 billion pounds by 1970.

In comparison, U.S. mill consumption of manmade fibers increased each year from 1.9 billion pounds in 1960 to 5.6 billion pounds in 1970 — from 29 percent up to 58 percent of all fibers used.

Exports of U.S. cotton dropped from about 6.6 million bales in the early 1960s to about 3 million bales annually for the past few years. However, foreign consumption of cotton increased from about 39 million to 45 million bales during the 1960s.

Obviously other countries made the sales — not U.S. cotton growers!

Also, foreign production of manmade fibers, in cotton equivalents, increased from 16 to about 35 million bales during the 1960s.

Drop in total sales of U.S. cotton in the late 1960s occurred when total sales of all fibers were attaining record highs!

Reasons total fiber sales increased, but why U.S. cotton producers lost sales in the late 1960s were analyzed earlier.**

Highlights of the analysis, based on data available through 1969, revealed:

1. Population increases and rising incomes occurred in the U.S. and many foreign countries during 1960s.

2. Manufacturers of manmade fibers capitalized on this market opportunity; U. S. cotton growers did not.

3. Manmade fiber manufacturers expanded their sales as a result of research and product development . . . efficiency and fiber price competition . . . and promotion and fabric price competition.

4. In 1940 cotton and manmade fiber industries each spent $6 million for research and development. By the late 1960s, funds spent for research by cotton industry were roughly $30-$35 million compared to about $175 million by the manmade fiber industry, and manmade fiber research paid-off.

5. In the late 1960s, manmade fiber makers spent $70-$90 million annually to increase sales and prices they received — about ten times the amount spent by U.S. cotton growers for the same purposes.

6. Textile mills, retailers and all firms in between are profit motivated . . . they will handle those items which will maximize profits.

7. During the past decade this profit goal was more easily obtained from the manufacture and sale of 100 percent synthetic fabrics and synthetic-cotton blend fabrics, than it was from 100 percent cotton fabrics.

8. Why? Because makers of manmade fibers exerted strong competition on both *fiber-supply* side and *fabric-demand* side of market, whereas most of cotton's competitive efforts were on the fiber-supply side.

9. On fiber-supply side of the market manmade fiber producers have increased production efficiency. As a result they have reduced prices for their fibers to the lowest acceptable profitable levels.

10. On the fabric-demand side the month-to-month fluctuations in value of blended fabrics strongly suggest that manmade fiber makers have helped all firms — from mills to retailers — get higher prices for p

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ducts containing all or a high proportion of manmade fibers.

11. How? By public relations, sales promotion, advertising and customer service . . . makers of manmade fibers have persuaded an increasing number of consumers to buy products made from their fibers . . . and, to pay comparatively higher prices for them!

12. Because manmade fiber producers helped all firms — mills, garment makers, fashion designers, wholesalers and retailers in all phases of merchandizing — they realized higher gross margins from handling manmade fiber products.

13. On the fiber-supply side U.S. cotton producers have strived to compete by lowering their production costs so that they can profitably sell their fiber at lower prices.

14. However, in the late 1960s, the cotton grower would have had to sell cotton to mills for less than ten cents per pound if manufacture of 100 percent cotton fabrics was to be as profitable as manufacture of blend fabrics.

15. Thus, in addition to competing in terms of selling price on the fiber-supply side of the market, cotton growers must find ways to persuade consumers to demand, through purchase selections, textile products containing more cotton.

16. Also, cotton growers must help U.S. mills and retailers and all firms in between to sell more consumer products containing 100 percent cotton, or a much higher percent of cotton in blends. And, when consumers make these selections they must be willing to pay a price reflecting true value of the product.

17. However, present legislation which restricts the "check-off" to $1 per bale does not provide sufficient funds for cotton growers to compete effectively on the consumer-demand side of the market . . .and competition by manmade fiber producers is getting progressively stronger.

18. The amount of funds U.S. cotton growers need for consumer product research and sales promotion must be determined from experience with properly designed market surveys.

19. As a rough guide, however, manmade fiber makers spent about eight percent of their gross sales for public relations and sales promotion, and for research and product development.

In contrast, U.S. cotton producers spent less than one-half of one percent of their gross sales for the same purposes.

20. Creating customer demand for cotton products seems to be a logical alternative if U.S. cotton growers are going to be successful competitors in fiber markets.

Grower Accomplishments in 1970

The directors of COTTON Incorporated — called Cotton Producers Institute until January 1, 1971 — made several notable and closely related decisions in 1970:

. . . Sales and service activities of COTTON Incorporated were spun off from the National Cotton Council, thereby creating an independent organization representing cotton growers exclusively.

. . . Creating the position of Executive Vice-President and General Manager to head-up activities of COTTON Incorporated.

. . . Shifting COTTON Incorporated head offices to New York City — the decision-making capital for garment and fashion design industries.

. . . Moving research and technical service personnel to Raleigh, North Carolina — putting your cotton researchers and technical personnel in closer contact with mills and other firms in the textile industry, and nearer to other textile research and servicing organizations.

. . . Changing the name of your organization to COTTON Incorporated — which projects a "business atmosphere" and suggests a more positive and progressive approach — reflects the intensity of your efforts to sell more cotton.

The fact that cotton's leadership was able to take a realistic and an objective look at the job . . . and be willing and able to reorganize into a more potent force in the U.S. fiber market, is a credit to the entire cotton industry.

COTTON Incorporated, in representing U.S. cotton growers, is dedicated to increasing demand and use of cotton, thereby selling more cotton and eventually raising farm cotton prices — resulting in more money for growers. To accomplish this goal, three major sales departments have been created. They are:

- Home Furnishings and Industrial
- Men's & Boy's Wear
- Women's, Girl's and Children's Wear

Each of these departments is headed up by a separate director who is directly responsible for increasing cotton sales.

These sales departments are backed up by research, development and technical services groups. For example, one group will be responsible for *fabric development* — interpreting needs of sales departments, and initiating new fabric concepts and finishes to meet market requirements. This group will serve as a catalyst for joint research between the sales departments and mill customers. It, also, will involve COTTON Incorporated technical services, mill manufacturing facilities, finishing operations and converters.

Another department is responsible for providing *fashion services* to sales departments, and advising them of all significant fabric trends and developments. This is the primary means for presenting new and original cotton fabric ideas to mills, converters, major manufacturers and retailers.

Market research is another key backup group. It is charged with keeping sales departments up to date on all significant market shifts. These include consumer attitude and product preference studies, industrial sales reports and trends, and market intelligence on competitive activities of manmade fiber companies.

Advertising and public relations will provide promotional follow-through on COTTON Incorporated merchandising programs. Presently these efforts will be confined to the top U.S. markets — tops in terms of total customers and potential cotton consumption. The retail power in these markets can be directed toward increasing consumer demand for cotton products. A strong retail promotion position will give cotton growers muscle to force new cotton products into the marketing mainstream from mill to converter, to manufacturer and to store, and on through to consumers.

Research and technical services group, located in Raleigh, North Carolina, is in close proximity to several of the nation's top textile research organizations and universities. For the first time, product development and marketing research can be closely coordinated.

The technical services team will assist in solving manufacturing problems at the manufacturing level, and agricultural research will be more closely geared to the marketplace. Also, on- and off-farm cost cutting research will be actively tied into bringing cotton to the mill in a more useful, economical package.

Both Organizations Needed

Along with this concerted effort of COTTON Incorporated to sell more cotton, the National Cotton Council is continuing to:

- promote and coordinate on- and off-farm cotton research by industry, government and other groups.
- represent cotton industry in government circles on technical matters such as textile flammability, labeling, pesticide residues, pollution, public health and safety, and legislative activities — on both federal and state levels.

Accomplishments of the National Cotton Council in these efforts are too numerous to list in this short article. It is important, we think, that growers continue to support the National Cotton Council. The accomplishments of both organizations (National Cotton Council and COTTON Incorporated) complement each other.

Cotton growers need the National Cotton Council — the industry-wide organization. Also, they need the personal representation on the consumer-demand side of the textile market provided by COTTON Incorporated. These organizations provide growers a two-pronged approach to increasing cotton sales and incomes!

Because of these efforts to put new life back into U.S. cotton, we feel that cotton growers must continue to:

- encourage and support your organizations to advertise, promote and sell finished consumer items containing cotton.
- help your organizations provide textile manufacturers and fashion designers with the finest technical services and personnel.
- assist and urge your organizations to complement and supplement one another in activities to make U.S. cotton a stronger competitor.

In these ways, cotton growers can help put raw cotton fiber into profitable end-uses, benefiting textile manufacturers, retailers, and all firms inbetween, as well as growers themselves.

Manage Fiber Supply

In addition to putting stronger emphasis on the consumer-demand side of the market, the fiber-supply side of the market must be managed in a similar business-like manner.

One aspect of fiber-supply side of the market which requires closer scrutiny is reduced annual production resulting from Congressional action.

What is the problem?

U. S. Production of cotton in the early sixties — up through 1965 — remained fairly constant at about 14 to 15 million bales per year. This was in excess of total sales and carryover increased.

However, for the past five years annual production has averaged less than 10 million bales. This was less than total annual sales, and carryover has declined sharply.

Although there are some sound arguments against growing more cotton than we can sell — as was the case in the early 1960s — this approach to providing an *ample supply* of cotton also had some good points. From these large annual supplies, domestic mills were usually able to find bales possessing specific fiber properties and other requirements needed — in sufficient quantities — to meet their needs for manufacturing the *many different* fabrics and textile products demanded by consumers. Also, this was true of exporters.

The remainder, of course, went into government storage. And, it was the steady accumulation of carry over stocks up to 14-17 million bales which led to what some people refer to as the "strict supply" concept embodied in the 1965 farm bill. The 1970 legislation also includes many elements of this concept, although it is less restrictive than the 1965 bill.

The "strict supply" concept is an attempt to match *total* bales produced with *total* bales which will be sold. We do *not* argue with the objective of keeping production and "normal" inventory in line with sales, because the "surplus" carried over from last year becomes strong competition against this year's crop!

The problem with the "strict supply" concept, as now conceived, is that "a bale of cotton is not just a bale of cotton." Growers — as well as merchants, mill buyers and all other cotton people — know that this is not so! The many different "kinds" of cottons grown in the U.S., are needed to meet various requirements of mills for making the many *different* end-use products demanded by consumers.

Because "a bale of cotton is *not* just a bale of cotton," and because of the "strict supply" concept does not take into account the fact that some qualities of cotton will be in short supply while others are in long supply we think you, the grower, must make a much *greater* effort to produce the precise "kinds" of cotton fibers — and in the amounts needed — to meet the needs of domestic and foreign textile mills.

If growers want an orderly expansion of cotton markets they must meet the specific needs of textile mills. U. S. cotton growers must have a means of assuring mill customers that their *specific needs* for cotton fibers will be satisfied. Because the current "strict supply" concept fails to give due weight to quality differences, growers efforts and determination to produce the specific "kinds" of cotton needed will be more important than ever before. The authors' advice to growers is: "Don't leave any gaps in the demand-side of the market for some other *fiber to fill!*"

Growers have asked: "How are we to find out what specific 'kinds' of cottons are needed?"

This can be done through rapid, up-to-date market communication systems.

We visualize the ideal market information system as being a separate department in COTTON Incorpo ed. As heads of the "selling" departments of COTTON Incorporated gain experience, they must look ahead one, two, and more years. They must estimate quantities of different cotton textile products to be manufactured. Then, the "information" department can translate these estimates into *qualities* and *quantities* of cotton fibers needed to fulfill future needs of mill customers. This "market information" can then be made available to growers several weeks, or months, *prior* to planting time.

Although we think such a system would be an improvement, we recognize two of its limitations which have and will continue to hinder farmers.

First, predicting or estimating future needs of customers must be based on certain assumptions about the future. And, because of rapidity of change in today's world, assumptions relative to the future — even for next month — may have to be modified from time to time. This, in turn, necessitates revising and adjusting previous estimates.

Second, cotton growers must cope with nature — best made plans for producing a specific kind of cotton can be disrupted by weather conditions or other natural phenomena.

Nevertheless, a properly operated market information system based on estimated future market requirements can greatly supplement the pricing system for reflecting cotton fiber requirements of textile manufacturing firms.

In contrast, the way our cotton pricing system works today, you growers learn several months too late — usually about harvest time — that there is an under-supply of some cottons, and an over-supply of other cottons.

Obviously, at this late stage of the cotton season, some growers may get "premium" prices because they were among the few who were fortunate to have produced the kinds of cottons for which the resulting supply is below mill requirements. Other growers — who were among the many who produced cottons for which the resulting supply exceeds mill requirements — will have to sell on a weaker market and take whatever price is offered!

A modern market information system for cotton growers, as we visualize it, could greatly alleviate some shortcomings of the present pricing and market news systems!

Possible Obstacles

However, there are two closely related obstacles which have the combined effect of greatly reducing benefits that *could* be realized from *any* market information system!

And, for the past several years these same obstacles have greatly reduced the benefits realized by almost *all* farmers from existing "agricultural market news" reports!

One of them is the century-old beliefs and inherited attitudes of many farmers that "I am an independent, free-enterprise, self-made businessman" . . . "I'll stand on my own two feet" . . . "I want my freedom" . . . "I don't want anybody else telling me how to run my business."

This attitude may have been appropriate 50 years ago when "farms" were self-sustaining family-living units. But, today's commercial farms are business establishments, similar to many other business operations in that almost all inputs are purchased, and almost all farm outputs are sold in the marketplace! Today's farmers must join the mainstream of the modern business world — they must think and react like the other progressive businessmen with whom they do business.

The other obstacle is that for most major agricultural commodities there are many producers, often scattered from coast to coast and in other countries and each is producing an insignificant proportion of the total annual crop. This puts the individual producer, *acting alone and independently*, at a tremendously great disadvantage in the *selling* of his commodities, and in *buying* production supplies and inputs! He pays the *asking price* when buying, and takes the *offer price* when selling! Acting alone, almost all farmers are completely defenseless under these market conditions! And, as long as farmers allow these market situations to continue, it is doubtful if farm incomes will ever reach the level of non-farm incomes!!!

It is the combination effect of these two obstacles which also makes it very difficult for farmers — including cotton growers — to realize any long run benefits from any existing, or proposed, modern market information system.

Acting individually, it is logical to expect a majority of farmers to react in a similar manner to market prices and other market information. And, when this happens, their combined reactions will result in over-production or under-production — that is, since they react the same as individuals, they will over-react in total.

For these reasons, we feel that if present day cotton growers are to remain in business, even closely resembling their present operation, they must take *group action*.

As a group, cotton growers must use some of the same organizational, legal and financial tactics that other businessmen use to control and regulate production and marketing. These tactics include formation of corporations and cooperatives — some are already in existence — and eventually, perhaps, the merger and consolidation of some of these. Forward pricing, cost plus pricing, production-sales contracts and profit sharing arrangements will most likely be involved. Based on present trends, it is conceivable that farmer-owned marketing businesses may broaden their activities to provide stockholders with processing, storing, transporting, and financing services.

These techniques are used by other businesses to achieve greater control over production and maintain greater control over supplies as they are *sold* and *moved* through market channels. This permits businesses to exert greater competitive power in the market place — they *do not* have to take the offered price, or pay the asking price — they are in a position to negotiate and bargain for an "acceptable" price!

We think similar approaches can be made to work for cotton growers — if *you want them to work!*

With these types of organizational relationships and pricing arrangements, growers can more fully utilize "modern market" information and pricing systems. By contractual agreements grower-owned and managed firms can produce the "kinds" and amounts of cottons that textile mills want, and, at profitable prices to growers.

This control over cotton fiber production and supply, along with sales and promotional programs of COTTON Incorporated, should increase the demand and prices for U.S. cotton.