Government Programs and the Cottonseed Crusher


When the subject of this discussion first came up, I was offered the choice of either the position of cottonseed and its products or the longer-range subject of national cotton programs. As a compromise I shall touch on both, for cottonseed is inextricably bound to cotton. Seed and its products are not free to supply and demand in the way that other agricultural commodities are. It is doubtful that increasing the support price of seed would result in a really noticeable change in the acreage or the marketing of cotton although it could make an enormous difference in the marketing of seed. As a result of this dependence, the seed crusher must be concerned deeply with the construction of the cotton support program.

Our agricultural goals should be freedom to choose, freedom to plant. We need price freedom that will allow U. S. cotton to compete on world markets both with other growths and with synthetics. Bigger and bigger subsidies are not the answer. The finished cotton only comes back again to compete with the other goods in the international cotton trade. Not long ago the president of a mill spent considerable time at a stockholders' meeting explaining the dire threat of imports of cheap shirts made with subsidized U. S. cotton. At the end of his talk when he asked for questions, one stockholder, a housewife, asked "please sir, will you tell me where I can buy some of those shirts?"

Quotas are also being proposed. The catch in this is that the countries that we are likely to put quotas on are the only countries in the world that consistently show a record of increasing imports of American cotton. Without exception they take more of our cotton than they send back. Japan, for example, takes 3.6 times as much American cotton as she ships back in the form of finished goods or tariffed cotton. Not long ago the president of a mill spent considerable time at a stockholders' meeting explaining the dire threat of imports of cheap shirts made with subsidized U. S. cotton. At the end of his talk when he asked for questions, one stockholder, a housewife, asked "please sir, will you tell me where I can buy some of those shirts?"

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We hear a great deal about how the population explosion both at home and abroad is going to solve all the problems of U. S. agriculture in 10-20-30 years. We are told that if we can only hold out long enough, surpluses will be absorbed and there will be a great pressure on our productive facilities. I say to you, "don't hold your breath." Our agricultural capabilities and those of the rest of the world may scarcely have been touched. The promised day of reckoning is not only not imminent, it may never come. We will probably double acre yields of many field crops in the next 15 years. No one knows just what the oilseed capabilities of Brazil are, for example, or the protein capabilities of the sea. Nutritionally adequate protein can be obtained from things ranging from soil bacteria to seaweed.

To sit back and hope for the best is no way to run a business let alone the nation's agriculture. Yet this "wait" notion has pervaded the theory of controls since the days of the seven lean and seven fat years envisioned by Joseph. We are told, "what if cotton demand is declining due to higher prices? Some day so many people will be around that they will grab for cotton at any price." This demand is not going to send your children to college, maybe not even your great-grandchildren. It is certainly not going to do anything for the employees of closed cottonseed mills. One
such closing was announced a few weeks ago in the Cotton Gin and Oil Mill Press. The owners said, "it has been necessary to suspend cottonseed crushing operations...since the effect of cotton acreage control has been adversely felt. Reduced acreage of cotton has not permitted a sufficient supply of seed to permit crushing. Only a reversal of farm legislation, permitting freedom from controls, will enable reduced acreage of cotton to again become competitive in...this area."

Since the end of World War II the nation has been moving slowly but inexorably toward a showdown on what is popularly called the "Farm Problem." Yet really there is not one farm problem, there are two. First and most celebrated is the problem of cost. U.S.D.A. budgets take a huge portion of direct, domestic-benefit dollars and are equal to approximately 60% of total net farm income of around 11 billion dollars. Higher domestic consumer costs must add another billion dollars a year to the total bill. This sort of expenditure coupled with failure to show demonstrable results is annoying voters very considerably. As usual when feelings are aroused, the remedy will likely be worse than the disease. The second farm problem is the curious distribution of the monies expended. In 1954 (the latest census year) major commercial farmers constituted 27% of the farm population, yet accounted for 79% of sales. These big commercial farmers run mechanized businesses. Their output supplies all but the smallest portion of domestic use, export needs, and carryover. At the other end of the scale is the small farmer, a man acutely in need of a higher standard of living and greater economic opportunity. In 1954 he and his ilk were 56% of the farm population but accounted for only 9% of sales. The "in-betweens" were 17% of the farm population and 42% of sales. These then are the recipients of farm-program dollars. They receive help roughly in proportion to their sales and almost exactly opposite to their needs. We are guaranteeing prosperity to the prosperous and poverty to the poor. The big commercial operators are being Hampured in their attempts to invest and expand. The small farmers are being asked to help the "little man," but helps him not at all.

That almost complete failure to aid the marginal farmer is perhaps the most unfair aspect of support programs as we have known them in recent years. This problem is a sociological one and requires a sociological approach. This country is probably the most generous nation the world has ever known. Most taxpayers would not have a really strong objection to some sort of income help to those in need. Directly or indirectly subsidized are airlines and barge lines, shipbuilders and magazine publishers, home builders and slum clearers, colleges and symphony orchestras, kids and old folks. We give willingly to charity drives for every conceivable purpose, both at home and abroad. All these things give us satisfaction. If we called it "help to marginal farmers "subsidies" or just "donations to the needy," there would likely be nowhere near the pressure that there is now for the government to "stop throwing money around." We need an enormous shift in U.S.D.A. emphasis.

At present the Rural Development Program gets less than 1% of the U.S.D.A. budget and considerably less than 1% of U.S.D.A. enthusiasm. Yet this is the program to help the marginal farmer, the man in need. We must devote even greater pressure to develop free-dollar markets both at home and abroad for our surpluses. An example of the kind of research we need to spend big money on appeared in last month's "Cotton Gin and Oil Mill Press." It was reported that cottons are being chemically processed for wash-and-wear at the rate of nearly 2 billion lbs. a year. How much of this is new demand? Obviously we do not know. However I would guess that this wash-wear movement has resulted in more cotton consumption and has contributed more to the betterment of the cotton situation than all the Washington intervention since 1929.

The A-B cotton program is embarking on its second year. It was designed to try to ease the stranglehold of the government on the cotton business and to try to get cotton moving at an intelligent price. It was obvious that acreage allotments could only get smaller and U. S. cotton could only become progressively more of a burden at home and more of an unneeded item abroad. Smaller production threatened to ruin ginners, seed crushers, cotton merchants, cotton brokers, and everyone who depended on the volume of commodity handled. The great dependence of the Valley seed crusher on volume is illustrated by U.S.D.A. figures on theoretical crush-plant designs and actual market territory characteristics of those crushings and lower volume. In every case, except the very largest mills, whenever volume increased, there was a significant increase in net per ton not to mention the big increase from bigger volume. This effect was particularly strong among the smaller and medium-sized mills. In some cases doubling volume tripled per ton net. The lower the volume of seed available, the tighter the mill will always be pinched. Similar dependence on volume will be encountered all along the marketing line. The only one untouched by lower volume is the farmer, for his support price is usually changed to compensate for volume.

High price-supports have fostered research, production, and use of synthetic fibers both in the United States and abroad and have encouraged bigger cotton production all over the world. The old program was without sense, without hope. A-B was designed also to return to the farmer some measure of control over his economic destiny. This it has done; witness the general choice last year to participate in "B" whereas this year "B" will be more popular in many areas, less popular in others. Here at least is economics returning to the scheme of things, and this is a step in the right direction. A-B is far from perfect. As you may be aware, there was one day last August when not a single transaction was handled on the New Orleans Cotton Exchange, the first time in its 88-year history. Spot cotton houses are dying on the vine. We cannot afford to lose these people and their generations of accumulated knowledge. We are hopeful that the lower support this year and the more general choice of "B" plus the upward adjustment in CCC resale price may allay some of the difficulty. At least within the framework of this program some solution appears feasible. We have broken away from past errors. However changes the law is changed, tight controls and supports are likely to be re-introduced in 1961. It seems almost certain that this would result in higher support and lower acreage. If this is allowed to happen, we shall be back on the same old bankrupt road.

This past season the effects of changes in the cotton program were felt throughout the belt. In most areas production of seed was much higher than a year before. Despite this higher production, marketing was quite orderly and CCC was not forced to intervene. Seed remained fair. The big export demand for all meals served to offset the slow demand for SBO.

### AUGUST-JANUARY EXPORTS

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<tr>
<td>CSO</td>
<td>74,245,000 lbs.</td>
<td>285,682,000 lbs.</td>
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<tr>
<td>SBO</td>
<td>449,295,000 lbs.</td>
<td>385,046,000 lbs.</td>
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<tr>
<td>CSM</td>
<td>5,102 tons</td>
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<tr>
<td>LSM</td>
<td>12,492 tons</td>
<td>60,932 tons</td>
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<td>SSM</td>
<td>245,061 tons</td>
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CSO was in better demand than SBO because of lower availability of the items that compete most directly with CSO, that is PNO and Copra/CCNO. The huge olive crops along the northern rim of the Mediterranean reduced demand in the "poor-man's oil market," particularly in Spain. The result of all this was over-production of SBO, a stock build-up, and declining prices. Overseas demand was not sufficient to lift CSO prices as SBO was too much of a weight. Over-expansion of bean crush-facilities finally came home to roost. Too many plants worked too many hours. Lard production was also heavy as the hog cycle was in a mild liquidating phase. Lard, like cottonseed, cannot be stored for any length of time in its raw form (hogs), and storing lard itself is even worse. Meal demands have now tapered off somewhat, and this is reducing the huge over-production of SBO.