

# WORLD MARKETS FOR SOUTHERN COTTONS

Address Delivered Before N. C. Cotton Manufacturers' Association at Wrightsville Beach Friday, July 31, by W. A. Graham Clark, of Boston, Commercial Agent, U. S. Department Foreign Commerce.

As a result of the great conflict in Europe American cotton mills have succeeded to a rich heritage of foreign trade. With some of our main competitors entirely withdrawn from the field and the competition from others greatly lessened we have today an unexcelled opportunity to secure an increase our hold on foreign markets. This opportunity is of especial interest to Southern manufacturers as the larger portion of our export trade in this line originates in the South.

With an export of some \$112,000,000 in the fiscal year ending June 30, 1915, the United States now ranks second to the United Kingdom in the cotton goods markets of the world. This is a position that we have attained only under abnormal conditions but it is a position to which we are normally entitled by reason of the extent and efficiency of our industry. With the exception of the temporary demand from the armies of Europe we should be able to hold the larger portion of the trade we have won, not only hold it but in many of the neutral countries considerably increase it. Our future depends on the use we make of the present.

High tide in the international cotton goods trade of the world was reached in the year of 1913 and before considering the future of our exports it might be well to note the extent and character of the competition that we had to face in that year, and how some of the old established currents of trade have since been changed.

In 1913 the international trade in cotton goods amounted to some twelve hundred million dollars, of which the United Kingdom supplied over a half, Germany over a tenth, France over a sixteenth, and Japan, the United States and Switzerland each something under a twentieth. Smaller competitors were Italy, Austria-Hungary, Holland, Belgium, Russia, and Spain. The largest importer of cotton manufacturers was India, with China second.

The United Kingdom is the one great competitor that is found in every market. The cotton mills of that country regularly export over 90 per cent of their total production so that their industry depends on export trade for its existence. In the calendar year 1913 they exported \$619,051,900 of manufactures of cotton, including cloth sales of over seven billion yards. Cloth constituted over three-fourths of the total amount, about eight per cent, the remainder consisting of thread, lace, cotton waste, knit goods, etc. Of their vast export of cloth some two-thirds go to Asia, India alone usually taking about 50 per cent of the total. Next to India their best cloth market is found in China, followed by Turkey, the Dutch East Indies, Egypt, Australasia, Argentina, etc. Their record cloth sales in 1913 some \$3 per cent were grey goods, 25 per cent bleached, 18 per cent printed, 16 per cent piece-dyed, and 4 per cent yarn-dyed. In the international trade they are some nearer to a monopoly in bleached goods than in any other line, while their competition is least on colored goods. It may be noted that some 85 per cent of the spindles of the United Kingdom are mule, that they have as yet few automatic looms, and that over two-thirds of their looms are engaged in manufacturing goods that carry over 40 per cent of size on the warp.

The British cotton industry is concentrated in a small area and is highly specialized, the operations of spinning, weaving, bleaching, printing, dyeing, making-up and packing being as a rule carried on in separate establishments. A large proportion of the mills work exclusively on special export cloths such as dhooties, sarries, T cloths, tanjibs, lungis, sarongs, combis, lungis, etc. In the line of slendings, that are in great demand in certain sections of the world but whose names even are unknown to the manufacturers of this country.

The war has resulted in a great decrease of the British exports of cotton piece goods, from 7,075,558,400 yards in 1913 to 5,735,554,700 yards in 1914 and 4,748,944,500 yards in 1915, calendar years. Their exports of cotton goods in 1915 were therefore only about two-thirds of those of 1913 and smaller than for any year since 1893. The loss of the important markets of Germany, Austria, and Turkey caused quite a sharp drop in British exports. There has been a still greater drop due to the fact that economic conditions in India, China, and many of their other leading markets, have greatly decreased the demand. The great loss in such markets has been only partly compensated for by France's coming into the market for very amounts. In the home trade some mills have greatly benefited by the orders from the British Government for khaki, duck, sheeting, etc. but only a small proportion of Lancashire machinery is adapted to being used for the manufacture of such heavy goods. The goods that have had to be sent to the United States, Canada and India.

The British cotton industry today is not running at more than 80 per cent of its capacity and, while this is partly due to the total loss of some markets and to reduced purchases from others, it is undeniable that the shortage of labor created by the war has been felt acutely and that it has been found impossible to replace the skilled men who have gone into the service of the Government. The mills have made efforts to relax the trade unions to relax their customary rules and this has been done to some extent so that operations are in certain cases permitted to operate more machinery and women are allowed to be employed as creelers in mule spinning rooms. A few of the mills have ordered automatic looms. Wages have been forced up but not in proportion to the increase in cost of living, so that wages will probably be higher yet before the war is over. A very significant fact is that as one means of meeting the labor difficulties spinners are using a better grade of cotton. It is known that English spinners normally use cotton at least a half a grade lower than do American spinners in making the same counts and that the lower cost of their raw material has much aided them in export trade. The use of better grade cotton in itself will necessitate an increase in the price of British goods and it is doubtful if the operatives will ever consent to go back to the use of lower grade cotton or to accept any reduction in wages. The cost of manufacturing in England after the war will be increased still further under the burden of the heavy taxes that will have to be

imposed and the probability is that England costs will rise proportionately much more than American, which will give us a better chance in neutral markets.

Germany, next to the United Kingdom, has been the largest exporter of manufactures of cotton, attaining a record export of \$136,761,200 in the calendar year 1913. It should be noted however that cloth usually makes up about a third of their total exports in this line, their export of knit goods being almost as large, and about a third consisting of other specialties like embroidery, braid, cotton waste goods, artificial flowers, etc. In cloth their competition is strongest in colored and printed goods and their best markets have been found in the United States and Europe, then in South America and the Levant. In the cheap colored goods that they ship to South America and the Levant they have used large amounts of Indian cotton. In knit goods Germany has predominated and usually supplied some two-thirds of the international demand; it has also been the leader in the manufacture of the embroidery known as "Barmen lace" in the braid known as "Barmen lace" in artificial flowers, and in the manufacture of goods from cotton waste. Taken altogether Germany has had little success in competing with England for the cotton cloth markets of the world and its exports of cotton manufactures have been mainly in the line of specialties.

Today Germany controls several additional millions of spindles located in Russia, France, and Belgium, but from all accounts their total output is very much smaller than usual, owing to the increasing scarcity of cotton, and the mills that are being operated are mostly on goods required by the army.

France has ranked third in the export of manufactures of cotton in 1913 reaching a record of \$75,275,600. Cloth accounted for less than half of the total, there being a large export of lace and a smaller export of ribbons and tape, knit goods, yarn, etc. Their leading cloth exports have been in dyed and then bleached goods and their best markets found in the United States and Europe, Algeria and South America. French cloth shipped to this country has been mostly of high grade and tasteful designs but in addition French manufactures, especially those of Normandy, have been accustomed to make large amounts of low grade goods from Indian cotton for shipment to the native populations of their colonies.

The larger part of the French cotton mills, especially those making fine goods, were situated in the east and these are now mostly in the hands of the Germans. The coarse yarn and cloth mills of Normandy have been turned to the production of army goods and aided by operatives from Belgium they are running at full capacity. The export of cotton manufactures has of course dropped greatly and in 1915 was only a little over thirty millions, and even this consisted mostly of specialties like lace and haberdashery. The portion of their former yarn and cloth mills of Normandy that have not been sufficient to supply but a small proportion of the war demands and imports of cotton manufactures have increased from something over 16 million dollars in 1913 to over 116 million dollars in 1915. This hundred million dollar increase in demand has been of great assistance to mills in England, Italy and Spain in affording an outlet for their cloth and yarn during this trying period. The amount bought from the United States in 1915 amounted to only \$3,754,000, owing to the handicap of a tariff discrimination which forces American cotton goods to pay from 25 to 50 per cent higher rates of duty than similar goods from the countries mentioned. Owing to the loss of its best coal districts the mills operating in France are paying very high for their power. Some of the manufacturers from the invaded districts are erecting new cotton mills in other parts of the country but as the mills have been destroyed and others dismantled it will probably be some years after the war before the industry can get back to its former basis.

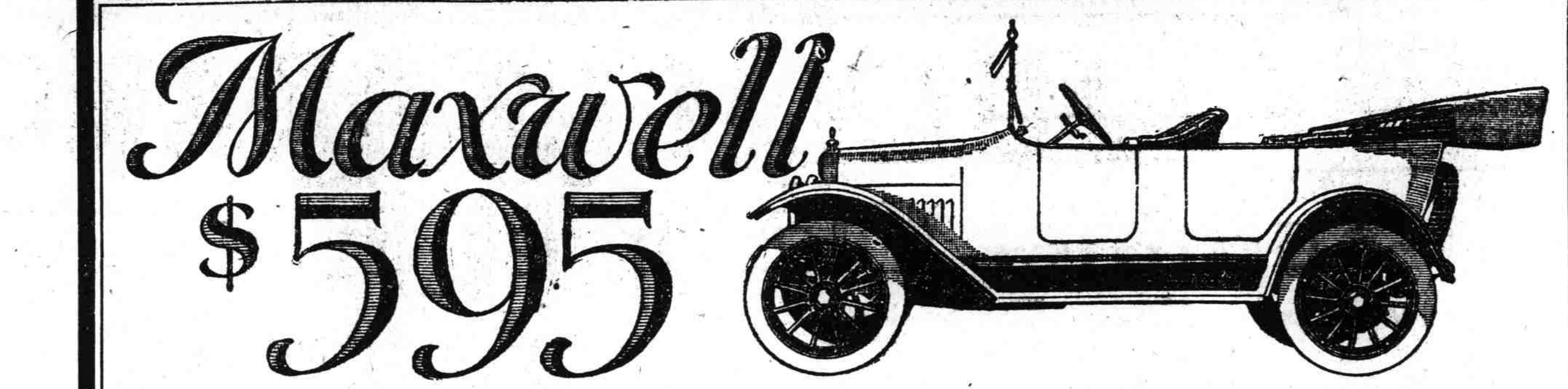
In the export of cotton manufactures from Japan yarn usually accounts for about 60 per cent of the total and cloth for about 30 per cent, there being a smaller export of knit goods and specialties. Their one big market is China and they have taken advantage of the war to strengthen their hold there on the yarn market in competition with India and on the grey sheeting and drill market in competition with the United States. Their exports have increased in these lines and in addition they have profited by the stoppage of German imports and the falling off in imports of Manchester goods that have strengthened their control of the home market by making more of the medium yarn goods that they have hitherto had to import. They have been able to ship knit goods to England and in England their demand and they have been trying to secure a larger foothold in India, Australia, and the Philippines. Many of the mills in Japan have placed orders for machinery in England and their output is steadily increasing.

Embroidery usually accounts for some three-fourths of the total export of cotton goods from Switzerland, there being a smaller export of cloth, yarn, etc. During the war they have had difficulty in getting the cloth and net used as foundations for the embroidery work and they have been hampered by the mobilization of the Swiss forces so that the industry as a whole has been in a rather depressed condition.

The Italian industry has suffered from the depression in their best market, Argentina, and from the total loss of their second best market, Turkey, but has been helped by war orders from the Italian and French governments and it is now getting in much better condition and seeking new markets. They are strong competitors in certain lines, especially in colored and narrow goods.

British India exports mainly yarn to China, this accounting for some seven-eighths of their total export of cotton manufactures, and the industry has suffered from the depression and the increasing competition from Japan in that market. Their small export of cloth goes mainly to East Africa and various sections of southern Asia. The mills were hard hit by the decreased purchasing power at home but are now beginning to get on a better basis.

Russia has lost about a fifth of its cotton mills, those located in Poland, and the remaining mills have mainly



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switched to making heavy goods required by the army and the industry as a whole is using more cotton than ever before and is a great boom with wages increasing enormously.

In Austria the condition is much the same as in Germany and there is a great scarcity of cotton. It is understood that the Austrian mills are making some efforts to strengthen their hold on the markets of Turkey and the Balkans but otherwise their export trade is at a standstill.

The mills in Belgium are under German control and are not in a position to export. A few have been destroyed and most of the others are idle, a few still being operated on very short time.

In Holland the mills have been aided by orders from the Government but their exports trade has greatly decreased.

The Spanish industry has profited by large orders from France and has been able to make larger sales to some of its other markets so that it is in fairly good condition.

To sum up we find that as a result of the war the exports of cotton goods from the United Kingdom have greatly decreased, Germany and Austria and Belgium are doing no export trade, while France and Holland and Russia are tied up with war orders at home. In all of these countries wages and costs of manufacture have risen and even where they can ship goods the mill prices, and especially the retail prices are on a much higher level. Though Japan and Italy and Spain are benefiting by the situation it is on the United States that foreign buyers have to rely for many lines and our mills have the greatest opportunity in their history to increase their export trade.

Now what of the future when the war will find our cotton industry running full time at the highest state of efficiency, it will find the cotton industry of Europe in a disorganized condition. Only a small percentage of their mills have been destroyed but many have been adapted to other uses than those for which they were designed, many have been shut down and their machinery has rusted, others have been pushed to the limit on war orders and their machinery worn out. Their working force, taken as a whole, has been disorganized and many of their best workers killed or crippled, thousands of others have lost the habit of working and will doubtless go abroad or drift into other industries. It takes time to make trained workers and time to build up a smooth running organization so that even after the war ends it will take the industry a couple of years at least to get back to their former state of efficiency. Taxes in Europe after this war will necessarily be enormous, wages have already increased considerably and with the higher cost of living the operatives will hardly be content to go back to the former scale, the prices of coal and many supplies will probably be higher than before the war. Altogether it seems certain that European manufacturing costs will be considerably higher after the war than they were before and that in neutral markets goods from Europe and the United States will be in price level than ever before. Even with the keen competition before the war American mills were increasing their export trade and I believe will be in a better position to withstand European competition after the war.

Now let us consider the status of American trade in exports of manufactures of cotton. In 1930 our exports amounted to \$9,999,277, in 1900 to \$24,002,087, in 1910 to \$33,398,672, in 1913 to \$53,743,977, in 1914 to \$51,467,233, in 1915 to \$71,555,519, and in 1916, for which complete figures are not yet available, it was about \$112,000,000. These are for fiscal years ending June 30th.

During the 25 normal years—from 1890 to 1914 inclusive—the exports of cotton manufactures from the United States totaled \$708,442,011, of which 34.65 per cent were taken by Asia, \$154 per cent by Europe, 10.32 per cent by South America, 10.82 per cent by Europe, 8.63 per cent by Oceania, and 2.36 per cent by Africa. From 1896 to 1910 inclusive, a period of fifteen years, China was the leading customer for cotton manufactures but Canada then took first place and held it for four years until the war demand of 1915 and 1916 made the United Kingdom the leading buyer. Our record export in normal times was the \$53,743,977 exported in 1913, for which the best markets were found in Canada, Philippine Islands, China, United Kingdom, Central America, Cuba, in the order named. Over half of the total consisted of cloth, the only other items of importance being wearing apparel and cotton waste. Of the cloth exports about half consisted of grey goods, followed by colored, printed, bleached, and piece-dyed in the order named.

As a result of the war we have made large sales to the warring nations but that is only a temporary demand and it is of more importance to note that

we have sold greatly increased amounts to many neutral countries and have secured a foothold on many lines that we have not hitherto seriously attempted to sell abroad. As yet we have however only scratched the surface and millions of dollars worth of orders have been turned down because the goods were of a kind not made by our mills, this refers especially to heavy sized goods and to goods made with colored head ends. It is hardly probable that we shall be able to make these, much less special export goods such as are required in large quantities by Asia and Africa, until we have mills especially built for export trade. There are however great opportunities now for the export of any lines of goods required abroad in exactly or very nearly the same styles, widths, weights, etc. as now made by Southern mills.

Without attempting to enumerate the different lines required by the various markets I will say that in particular there is a great market abroad, especially in South America, Central America, the West Indies, and the Philippines, in increased business in the future. In flannelettes, denims, gingham, and striped nobby shirting, and many other lines there will be an extension of the export trade of this section. One of the best opportunities lies in the sale of prints. I mention this because there is an increasing amount of print cloth made in the South and I think the mills in extending should consider the advisability of making more prints in the 31-32 inch width rather than in either 24 or 36 inch widths. The bulk of the international trade in cotton prints is in prints of 28 to 32 inches, especially in the 31-32 inch width, and the demand for narrow prints is much smaller. We sell mostly narrow prints and have been shipping over a million dollars' worth a year to the Philippines, with considerable amounts to other countries like Canada, Cuba, Colombia, Mexico, Panama, Dominican Republic, and Honduras, but in many of the best markets, such as Argentina, for instance, we have not been able to get a foothold because our widths were not right. We can make print cloths, with the assistance of automatic looms, as cheaply as can the English and our ordinary designs our printing prices are fully as low. If we make the prints in the widths, lengths, etc., as required and will put them up in assortments to suit the customer there is no doubt in my

mind but that we shall be able to offer the English the strongest kind of competition.

For a long time our mills depended for their export trade mainly on the shipment of heavy grey sheetings and drills to China. Since the Japanese have invaded that market with goods of similar type, but made of cheaper Indian and Chinese cottons, and heavily sized, our sales have been steadily growing less and we cannot hope for much revival of this trade. In China trade I think that we have much better chances of competition in grey and white shortings, in jeans, satens, and poplins, in which the Japanese have as yet little to offer and where our competition will be mainly with the English.

In the Philippines our export of cotton goods have steadily increased and we now have the bulk of the trade in most lines, including about seven-eighths of the trade in cloth. In wearing apparel, however, we rank after Japan, the Japanese being especially strong in cheap knit goods; while of the yarn requirements of a half to a million dollars a year we are supplying nothing, and have let Japan supply all the coarse yarns and England the fine. It is doubtful if we can compete with Japan in the class of knit goods that they ship to the Philippines but it is surprising to find that American yarn mills have made no attempts to gain a portion of the trade in the medium grades at least.

In Canada our trade in cotton goods has been steadily increasing, reaching 10 1-2 million dollars in 1913, but the United Kingdom, aided by a preferential tariff rate, has always led. Since the war we have ousted the British from first place and the last fiscal year statement of the Canadian government shows some 17 millions from the United States against only 11 millions from the United Kingdom. A good part of our export of cotton goods to Canada has consisted of wearing apparel but we have found a ready market for many other lines especially printed and dyed cloths. Besides the British competition there has to be considered the output from the increasing home industry but as yet Canadian mills have not been able to keep pace with the increasing amount and variety of goods required and the total import of manufactures of cotton have increased from year to year. Canada is becoming wealthier as a result of the war and in spite of the tariff there should be an increasing market for many of our goods, especially as the Canadian tastes are more similar to the American than to the British and we are in a position to give very quick deliveries.

Cuba is another especially attractive field for the export of American cottons and our share of the market has been increasing several years. The British, however, have always led until this last year when we took the first place.

In studying the trend of our export of cotton goods in the past, in the light of the present, it seems inevitable that the country is destined to occupy the first place in the markets of most of the countries of the Western Hemisphere as well as offer strong competition in many other sections. Our best (Continued on Page Thirteen.)

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