

Bale of Cotton, Scrap of Paper

'Cotton Student's' Plan to Bring Futures of Parity With Spot Cotton.

(From The Savannah Morning News.) The Morning News has received the following from a "cotton student":

Owing to the prices quoted on the New York Cotton Exchange for contracts to deliver cotton during future months, the holders of spot cotton in the South are confronted with a situation where their middling cotton, based on futures, is worth today approximately 16 1-4 cents—that is to say, in order to buy cotton and ship it to New York and tender it against March contracts sold January 24, it would be necessary to buy at least 16 1-4 cents, basis middling. The owners of spot cotton in the South believe their middling cotton to be worth in the neighborhood of 20 cents, and the sellers of "paper" cotton in New York believe it to be worth nearly four cents a pound less. If the spot holders in the South are right, how can they demonstrate to the parties dealing in future contracts in New York that this is the case?

In order to correct an evil it is necessary to understand the situation:

Demand the Cotton. The purpose of this article, therefore, is to explain how New York future contracts can be depressed so far below the parity of spot cotton in the South, and to suggest a remedy.

There are in New York today approximately 55,000 bales of certificated cotton, of which very little more than 5,000 bales grade below American middling. In other words, the entire trading in the New York Cotton Exchange is based upon a certificated stock, nine-tenths of which grades American middling and above. Not only does this mean that the grade is American middling, as certified by the proper United States Government authorities, but it means that the differences between grades are fixed under the terms of the Smith-Lever bill. It is impossible, therefore, for sellers of contracts in New York to deliver improper grades at improper differ-

ences. Every man who buys a contract in New York and demands the actual cotton, will receive Government grades at market differences.

The holders of the certificated stock in New York are in a position to dictate the course of prices to a very large extent. To illustrate this it is only necessary to realize the principles on which all clearing houses are operated: If A owes B a dollar, and B owes C a dollar, and C owes A a dollar, then a dollar which starts in A's pocket can circulate through B and C and back to A, and the same dollar can pay three sets of indebtedness, and wind up where it started. By comparing obligations and swapping receipts all of these debts can be liquidated without the dollar ever leaving A's pocket. Very few people who trade in contracts expect or desire to handle the actual cotton. There is a certain amount of expense connected with receiving and tendering cotton, and nearly all buyers of contracts prefer to sell out their holdings at the market differences rather than to accept cotton when it is tendered to them. Many of these holders of "long" contracts are unable to take up and pay for cotton, no matter how cheap the cotton is when it is tendered to them. Relying upon this well-known disinclination to accept spot cotton, it is an easy matter for the holder of the certificated stock to tender the actual cotton to those who are "long" of the current month, and force them either to accept the cotton or sell out their notice of intention to deliver cotton is issued by the holder of the certificated stock, and those who have bought contracts immediately try to sell them out, thus causing a competition of selling in a narrow market, which immediately depresses the price. The holder of the certificated stock by judiciously circulating notices, can depress the market far below its real value, and at the end

wind up by still owning the certificated stock.

A Rare Opportunity. It seems curious that buyers of contracts will run away from \$90 a bale cotton when it is offered to them at \$50 a bale, but if their resources are such that they cannot finance over \$10 a bale, the relative cheapness of the cotton offered them is of no value to them. The owner of the certificated stock can only carry out this policy as long as the buyers of the contracts are afraid, or unable, to accept the spot cotton—when tendered. The instant that the buyer accepts the cotton (in technical terms "stops the notice"), the whole situation changes, and, if a large short interest has been created, it is absolutely necessary for that interest to secure from somewhere actual spot cotton to fill its contracts.

The present situation in New York presents a rare opportunity for an exceedingly profitable investment. January contracts in New York closed on January 23 at 16.75-79 cents. Assuming that January contracts can be bought at 17 cents, a 500 pound bale of American middling would cost \$85, and banks would certainly be willing to advance \$65 per bale (or 13 cents per pound) on such cotton. A party buying a contract for 100 bales would have to put up only \$2,000 cash to pay for the spot cotton. The cost of receiving and shipping same to a port like Savannah would not exceed 50 points. It can be carried here very cheaply. If 500 people were to buy 100 bales each and demand delivery, they would absorb the entire contract stock in New York, and if they could get the cotton at 17 cents they would almost certainly have an immediate profit, since the shorts in other months would all endeavor to cover, and the market would be forced to a point where it would attract cotton from the South based on the present ruling quotations there. Cotton purchased in New York on a basis of 17 cents there for American middling is the cheapest investment which presents itself in this country at this time.

Here, then is the remedy for a false situation: Let those cotton men who read this article immediately wire to know at what price they can buy the current month in New York, stating that they intend to demand delivery of the cotton. It is not likely that they will be able to buy as much as 25,000

bales, and the mere receipt of this inquiry by the New York brokers, and the announced intention of accepting delivery will put the market up anywhere from 1 cent to 3 cents per pound. If it is desired to correct the abnormal discount now prevailing in New York, and to bring New York futures in line with spots, the way to do it is to buy futures and demand delivery of the actual cotton, and there is no other way to do it.

Supply and Demand. To show the situation in New York is entirely abnormal and unreasonable, we quote the following extracts from The Journal of Commerce of January 23:

"Whenever selling orders appeared, professionals, in popular parlance, 'helped them sell.' There was more or less selling by Wall Street; the South, the West, and as already intimated, local traders sold at every opportunity. But there is no disguising the fact that nine men out of every ten are bears on cotton. Most people see no good in it. Sentiment, from being very bullish a while back, has swung to the opposite extreme. New York, and to a lesser degree, is going to 15 cents for May. There is plenty of cotton. There will be more than plenty if the exports are sharply cut down by raiders and allied economy. Meantime there is a big acreage, and crop is looking ahead. And so on. This is the time when it is considered the thing to sell cotton on bulges."

As to the supply and demand, in its relation to the dry goods trade, the circulation of 1916-1917 of the First National Bank of Boston said: "Cotton manufacturers are unable to foresee any early reduction in the costs of production. The most recent cost figures show an increase of 19 cents over 1915-1916 of \$44,166 bales, a lessened world's visible supply of 437,663 bales, and a lessened visible supply of American cotton of 218,563 bales compared with the January 1, 1916, situation. The last ginning figures of the Government (January 9) showed a total of 11,045,225 bales, the Government crop estimate for the season being 11,511,000 bales. The heavier character of the cotton goods output, together with an addition to cotton mill spindles in the South alone last year of 614,682 (orders booked for 280,000 more), warrant the assumption that the consumptive requirement for domestic millings will be substantially greater than a year ago, when it was 7,240,000 bales. These figures lead to the inference that raw material can continue high for some time, and at present, there is little or no indication of an early decline in other costs."

"Freeze to Your Spots." With regard to the submarine menace, it is well to point out that the exports are already nearly a million bales larger than last year, and that exports have got to fall off a million bales during the remainder of this season in order to bring exports down to the same figures as those prevailing last season. Is it reasonable to suppose that the German submarines during the remainder of this year can reduce America's exports a million bales if Europe really wants our cotton? It is admitted on all sides that if every bale of the American supply of July 31 last, plus the American crop of 1916, is available for consumption it will still leave a dangerously small surplus on July 31 next. It is quite possible that a considerable portion of the American supply will not be offered for sale at all unless prices advance, because many holders believe that cotton will reach 25 cents or 30 cents when peace is declared. With the menace of the boll weevil, the shortage of labor, the inferiority of the fertilizer, the uncertainty of the weather, the certainty of a small surplus, the possibility of peace, and the excellence of the dry goods demand, it seems a trifle dangerous to sell short in New York, a market which is now at least 100 points below the parity of spot cotton everywhere else in the country. If holders are willing to disregard futures and cover up their samples during the present dull period they will reap a rich harvest when the bad crop accounts begin to come in, as they most certainly will at some time before the new crop is harvested.

Bears are going to meet a continuation of the war, an 18,000,000-bale crop, a 14,000,000-bale demand, until they have dislodged the unsold spot cotton and gotten possession of it at 15 and 16 cents; then they will announce that the war will end, that there will be an 18,000,000-bale demand, with a 15,000,000-bale crop, and they will proceed to ask 20 cents for the cotton they have secured at 15 cents. As the editor of The Cotton and Cotton Oil News has said: "Freeze to your spots and let the shorts sell their heads off." To which should be added: "Buy a few hundred bales of New York futures and demand delivery."

FUNERAL OF FORMER CHARLOTTE RESIDENT

The funeral of Mrs. Alice Carter, who died Friday morning at 2 o'clock in Albemarle, will be held this afternoon at 3 o'clock from Brevard Street Methodist Church. The services will be conducted by Rev. L. A. Falks, of Mooresville, former pastor of the Church, assisted by the present pastor, Rev. J. L. Cardell. The pallbearers will be George Teeter, C. W. Ramsey, Ned Hall, John Vogler, Nat White and J. L. Redwine. Mrs. Carter, before her marriage, was Miss Alice Hargett, of this city. She had been ill practically for the last two years and her death had been expected for some time. During the course of her residence in Charlotte, she had been a consistent and active member of Brevard Street Methodist Church.

RANGE EXPLOSION HURTS NEGRO CHAUFFEUR BADLY

Special to The Observer. Gaffney, S. C., Feb. 3.—John Wood, colored chauffeur for Dr. S. E. Sherard, is lying at the Gaffney Hospital seriously injured, caused by the explosion of the range in Doctor Sherard's kitchen today. The whole front of the range was blown out, striking him on the head and chest. Mrs. Sherard was in the kitchen at the time and was seriously injured. While it is probable that the negro will recover partially he will be permanently injured.

DR. ORR RETURNS FROM SUCCESSFUL REVIVAL

Dr. W. W. Orr, pastor of East Avenue Tabernacle, A. R. P., has returned from Grove City, Pa., where he conducted a series of evangelistic services which lasted for three weeks. During this time, there were 124 professions of faith and 500 people consecrated their lives to the worship and service of God.

LOCAL PYTHIAN ASKED TO DELIVER ADDRESSES

Past Grand Chancellor J. G. Baird, has received two invitations within the past few days to address Pythian meetings during the month of February. The first is a meeting of the side lodge, K. of P. of February 17, and the second is the annual banquet of White Oak lodge, at Rock Hill, S. C., on February 22.

SERIES OF EXTENSION LECTURES SCHEDULED

Six Members of University Faculty to Speak in Charlotte During Course of Winter and Spring.

An announcement that will be of interest to a large number of Charlotte citizens is that there will be a series of University Extension lectures, to be promoted under the joint auspices of the Mecklenburg Alumni Association of the University of North Carolina, and the Young Men's Christian Association. These lectures will take place at Hanna Hall of the Y. M. C. A.

The speakers will include the leading professors of the State university. Following is a list of speakers and the dates of their appearance:

February 15—Prof. Andrew Henry Patterson, of the chair of physics and astronomy, will speak on the subject, "The Story of the Stars." This lecture will be illustrated by a stereopticon. March 2—Prof. Eugene Cunningham Branson, professor of rural economics and sociology. Subject to be announced later. March 11—President Edward Kidder Graham. Subject to be announced. March 23—Dr. William Whitley Pierson, Jr., instructor in history. Subject, "Trade Relations Between United States and Latin America." April 13—Dr. Archibald Henderson, professor of pure mathematics. Subject to be announced later.

TO CELEBRATE PASTOR'S SECOND ANNIVERSARY

April 6 has been selected for the observance of Charlotte's second "bird day," and various prizes will be offered to the children of the city in several different phases of the occasion's observance. To encourage public interest, and especially the children, in the preservation of bird life, the day was inaugurated last year and its first observance in this city was a complete success.

The committee, having in its charge the preparations for the day, has announced that three prizes will be offered for the first, second and third best bird houses constructed by Charlotte children. The first prize will be \$5; the second, a year's subscription to The American Boy, and the third, a one dollar bill. Directions for the making of bird houses may be obtained by prospective entrants at the Carnegie Library.

In addition to the boy's contest, there has been arranged a "snapshot" event for girls. The girl submitting the best photographic picture of bird life, will be presented with a tennis racket.

The committee in charge consists of Mrs. William H. Jasson, from the Woman's Club; Miss Anna Pierce, children's librarian at the library; and C. E. Lacey, head of the manual training department of the Charlotte High School.

WILL GIVE RECEPTION TO NEW DURHAM PASTOR

Special to The Observer. Durham, Feb. 3.—Baptists of Durham are planning a reception in honor of the arrival of Dr. B. D. Gaw, of Washington, D. C., who has accepted a call to the pastorate of the First Baptist Church in this city. A committee composed of each Baptist minister and three laymen from each church are planning a reception. Dr. Gaw has written that he will arrive February 10.

MID-WINTER EXCURSION

--TO--

WASHINGTON, D. C.

--VIA--

Southern Railway

Wednesday, Feb. 14th, 1917

THE SOUTHERN RAILWAY will operate low round trip fare excursion from North Carolina points to Washington, D. C., Wednesday, February 14th, 1917. Special train consisting of Standard Pullman Sleeping cars and high class day coaches to leave Charlotte at 8:45 P. M., arriving Washington 8:00 A. M. Thursday, February 15th.

The following round trip fares will apply from stations named below:

From—	Fare
Charlotte	\$ 7.50
Concord	7.50
Salisbury	7.00
Lexington	6.50
High Point	6.50
Greensboro	6.00
Gastonia	8.00
Elkin	7.50
Hickory	7.50
Statesville	7.00
Morganton	7.50
North Wilkesboro	7.40
Mount Airy	7.50
Albemarle	7.00
Winston-Salem	6.50
Siler City	7.00



Fares from all intermediate points same basis.

Tickets good going only on special train. Good returning on all regular trains except train No. 37. Passengers on branch line points will use regular train to junction point, connecting with special train.

Tickets good for three days in Washington.

See Congress in session and the other attractions at the Nation's Capital.

Pullman reservations should be made in advance.

For full and complete information, Pullman reservations, etc., consult nearest Southern Railway agent, or write

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