

OUTLOOK IS FOR SMALLER CROP

Disturbed Condition of World Assigned as Principal Reason of Decline.

By BION H. BUTLER.

When the price of cotton futures began to drop into the slough of despond it occurred to me that some cause for the trouble would be apparent if we could get to the people who know, so I wrote a number of letters to men prominent in agriculture, banking, shipping, manufacturing, picking men who know, who are thinkers and students, men in the state and out of the state, and I think I have a pretty good symposium of information. It may not be in accordance with the opinions held by some of the readers, but coming from the sources it does I think this material is worth reading by every thoughtful man interested in North Carolina, in cotton and in farming.

Views of Geo. E. Roberts. As a banker I picked Frank Vanderlip, of the National City Bank, of New York, with connections in the cities of the world. He proved to be out of the city, but his assistant, George E. Roberts wrote me as follows:

"The decline of cotton since the armistice was signed expresses a revulsion of sentiment, caused by disappointment over the fact that the expected rush of foreign orders, both for raw cotton and cotton goods, did not materialize. Ever since export of cotton to the countries of Central Europe was cut off by the war, the friends of cotton have been predicting that as soon as the war ended there would be a great demand from that region and from all over the world. But when the armistice was signed, instead of a great demand with higher prices, there came a cancellation of orders of cotton goods at home and abroad. Buyers had concluded that peace meant lower prices. Furthermore, Central Europe has not yet been opened up to cotton, and France and Belgium are not yet in a position to resume the manufacture of cotton goods on a normal scale.

"This disappointment as to the expected European demand for raw cotton together with the slow buying of cotton goods in this country, South America and Asia has caused the revulsion of sentiment. Many good judges believe that this revulsion represents a just conclusion. They hold that it is too early to conclude that the earlier expectations demand will not be realized, in fact when Europe is again turned up to cotton imports, making the consuming markets find making the has been reached for desired level, a healthy consumptive need, cover it be realized.

By some ways believed that the \$10 a day is less would serve their for the machine best by not devoting prevents drive exclusively to cotton. been their practice could make them on footstuffs, for the cash general advice to agriculture on the other ed about certainly want when the market trade is general always be up and efforts to for the purpose of might be easily carried use extent. We would hesitate support artificial messes of this kind but we do say that the South should balance up its agriculture, growing more livestock and other products, and pursuing an even policy from year to year.

Clarence Ouelly. Secretary Houston, of the federal department of agriculture, was absent from Washington, and Clarence Ouelly, assistant secretary wrote:

"The outstanding fact is that industrial conditions in a large part of Europe and the dislocations of business following the European war make it impossible now to distribute the cotton which under normal conditions would be in active demand. No human mind can possibly forecast even the approximate moment of restored industry and pre-war activities.

Generally speaking the department and the agricultural colleges are agreed that the wise policy for southern farmers to pursue in 1919 is to make sure the production of their own home supplies of both feed and food. Special attention is called to the fact that an average yield of cotton on the acreage of 1919 will produce two or three million bales more than was produced in 1917. In the judgment of those of the department and of the colleges who have given closest study to the subject such a production, added to the present cotton season, will be considerably in excess of the world's demand for American cotton during the next cotton year.

J. E. Latham. J. E. Latham, of Greensboro, one of the biggest cotton brokers of the south, writes:

"The signing of the armistice found the world long on cotton. Then the thought began to spread that all sorts of things were selling at

time prices, and that in the adjustment from war to peace a considerable decline in all things, including labor, was highly probable. Every merchant is buying only such merchandise (automobiles lines excepted), as he requires for immediate use. Cotton goods prices have declined enormously as far as the mills are concerned, many mills are running short time, and some few closed indefinitely because of the great peril in piling up goods made of cotton at prices that have ruled since the armistice, and labor is still receiving wages tremendously greater than before the war. This is why I think cotton has declined. As to the crop I believe my personal interest would be best served by a large planting, but I have always been, and am today a preacher for reducing acreage. In the present uncertain conditions growers should prepare to make their cotton cheaper on a reduced acreage than they can hope to make it by planting the earth as they usually prefer to do. Planting 10,000,000 acres to make 12,000,000 bales is an inefficiency that should not exist. For four years the average yield has been 155 to 165 pounds of lint to the acre, and at 30 cents a pound a farmer cannot make much money at that yield. I favor reducing the acreage of cotton and increasing the acreage of cattle, hogs and grain."

Alexander Sprunt & Son, Wilmington, the big exporters, write:

"We do not advise a reduction of acreage. The present crop is not large. The decline is due to the cancellation of large government contracts for cotton products and to the drop of 36 per cent in the market for cotton fabrics, also to speculative holding for higher prices when the whole crop might have been sold at 30 to 34 cents. Cotton bales exposed to the weather will rot rapidly under the spring rains; the damage may be 25 per cent. We advise selling the exposed cotton at the market price without delay."

George A. Holderness. From George A. Holderness, a big farmer and a banker, of Tarboro, I get this:

"There is more cotton than there is demand for, consequently the price is low. If this situation confronted any manufacturing concern it would immediately curtail its production so the amount already manufactured would only be available during some fixed period. If the farmers see fit not to curtail production by reduced acreage they may expect a still lower price. But with reasonable reduction in acreage the consumers of cotton will realize that there will not be a large supply of cotton and the farmer will be able to get an advanced and fair price for his product. The problem is up to the farmers themselves, and if a large crop is made this year they will have only themselves to blame."

Stuart Cramer. Stuart Cramer, one of the biggest cotton manufacturers in the world, writes me:

"My personal opinion is that the decline in the price of cotton is due largely to the general feeling that the prices of all commodities will automatically be reduced during the period of reconstruction both in this country and abroad, following the war. For exactly the same reason cotton goods are practically unsaleable now, even when offered at the cost of production; yet the stock in the hands of the retailers was probably never so low as now.

"I believe the best interests of the country will be conserved by maintaining a fair price both for labor and commodities; and I hope we will not see, and I do not expect to see, a return to pre-war values. I do expect to see a readjustment of prices of commodities that show an abnormal profit, and that is all. I do not believe cotton to be one of them, and as a cotton manufacturer I should be glad to pay the present price of cotton for next year's crop if the price is maintained. The outlook now is that the demand might possibly warrant the planting of a normal crop, but a record crop would probably be a misfortune and break the price materially in spite of the stoutest efforts to maintain it."

W. B. Cooper. W. B. Cooper, cotton exporter and banker of Wilmington, writes:

"If the South plants acreage equal to 1918 it means 15 cent cotton. If the Lord gives good seasons \$50 per ton guano cannot be paid for with 15 cent cotton. Two-thirds of last year's acreage means fully as many dollars, as full acreage, in my opinion. Forty cent cotton or even 35 by April means 15 cents next fall. I fear. The South is in a more critical state now than in the fall of 1914. No one is going to help us if we do not save ourselves. We need a strong state warehouse system to help us borrow money at reasonable rates, a system fully safeguarded in every possible way."

J. W. Cannon. J. W. Cannon, one of the biggest manufacturers in the world, writes:

"The cotton situation is one they say the apple woman knows as much about as any one else. It appears to me that the New York Cotton Exchange is a great detriment to the interest of the South—both to the farmers and the manufacturers—for the reason that this great country watches New York quotations on cotton and takes it for granted that the price sent out by the exchange are reliable, and a great slump in futures will cause buyers to withdraw from the market and feel as if the goods should be sold on the basis of New York quotations.

"It is necessary to have a serious exchange to disseminate prices, and for this reason it should be guarded or controlled by the government, and the contracts should be based upon, say middling white cotton, and permit nothing to be delivered on this contract below middling white cotton, and good middling white cotton. In other words, to embrace five grades. Good middling, stained middling, middling, stained low middling, and low middling, all white cotton, inch staple. This contract would be fair to the buyer and seller and would be made up of 10 or 20 grades value of cotton. In the south today, a contract is based on almost all the grades and a contract delivered to you would be made up of 10 or 20 grades—mostly of very inferior low grade cotton, which no one would take up, and the manipulators of the New York exchange market use this as their playhouse, and they endeavor to make it as undesirable and expensive as possible to even deliver these grades, hence, when they want to force the market down they issue notices, and deliver this grade of cotton which no one will take, and they can make their own price and still own their own cotton. I have repeatedly heard that it was to the interest of the farmer to have this kind of a contract—so he could find a place for his low grade cotton—but this is a camouflage of the worst kind, as the manipulators know the game and the amount of low grade cotton they buy from the farmers is comparatively small—just enough to make up their playhouse, but it answers the purpose of depressing the market, and today if we wanted to buy middling white cotton, it would cost us 400 points more than New York's exchange quotations.

"Now Chicago has their grain exchanges but they call for a specified grade of wheat or corn, and it represents the market value over the whole country.

"In regard to the planting: Unquestionably the farmer would realize 50 per cent more money for a 10,000,000 bale crop than he would for a 14,000,000 crop, and he could put the additional land in other crops that would be of great benefit to him."

Col. F. H. Fries. Col. F. H. Fries of the Winston-Salem bank writes:

"I have foreseen the decline in cotton and am today one of those who does not expect it to advance. Its course downward has been due to natural causes and should have been expected. The curtailed shipping facilities, the depreciation of cotton mill industry and the inability of Europe to pay for their stock in large quantities in the near future has led me to think that cotton should be sold at present prices before the new crop is raised unless parties are prepared to carry it indefinitely. I also differ with the consensus of opinion as to the advisability of planting a new crop next year. If I am right in believing that a larger crop costs less to produce than a small one, I am quite of the opinion that the farmer should plant as large a crop as possible. The demand which has been looked for up to this time will not, in my opinion, materialize before a new crop is far advanced and perhaps marketed. By that time conditions will probably have righted themselves to such an extent that the larger crop will be sold at a good price, and I think an artificial curtailment of acreage would be a mistake.

"These views are so much at variance with the opinions expressed by cotton men that I hesitate to express them, not only because they may not be correct, but because I do not believe they are the opinions that are popular. I, therefore, think that my publication may not do much good, and if you agree with me it might be well to not publish this letter."

As what I wanted was the views of the men who know, and not merely something popular to please the reader, I think Col. Fries' statement highly valuable. He is a thinker and a well-informed man, and we do well to weigh what he says.

Views of New York Brokers. While I was writing these letters I fell in with S. B. Chapin, a New York broker, who is also a large cotton producer in South Carolina, and I asked him his views. He said:

"The large amount of low grade cotton is one trouble. We have on hand a considerable quantity of cotton, but we have been trying to get rid of our low grade cotton, and have sacrificed some of it rather than be caught with it too long. During the war low grade cotton has been accumulating, and of the last crop more than ordinary is low grade. The weather has much to do with the low grade, but another fact was the fact that when cotton should have been picked, the pickers were so affected with influenza that they could not get out, and cotton that should have been of the higher grades is low and blue or yellow. I do not think we are long on good cotton, but we certainly are long or have been, on the low grades. But even on those I think we are cleaning out considerably over the country. We are holding some of our better grades of cotton. The low grades do not appeal to me as good stuff to carry."

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