

Economic Research Service, U.S. Department of Agriculture

SHIPPERS' COSTS OF ASSEMBLING AND DISTRIBUTING SOUTHEASTERN
COTTON, BY TYPES, MARKET TRADING AREAS, AND SALES OUTLETS, SEASON 1964-65 1/

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Purpose, methods, and limitations of study.--The study covered in part by this report was largely designed to provide current detailed estimates of the major costs of marketing American lint cotton. These and the related data obtained from the study are needed for measuring changes in marketing costs, to help find ways of increasing cotton marketing efficiencies, and for evaluating existing and proposed policies and programs affecting cotton. They are based mainly on information supplied by a sample of the cotton shipping firms and marketing associations located in the 15 markets designated for establishing official price quotations for U.S. cotton. The estimates reflect within reasonable limits, variations in kind, amount, rates, and efficiencies of the services involved in assembling cotton in specified Cotton Belt regions and trading areas and in delivering it to customers throughout the United States. (Practically none of this cotton was shipped to foreign outlets).

This summary report includes such estimates for cotton purchased in each of 3 trading areas within the Southeastern region and shipped to 4 specified outlets. (See footnote 1 below and table on reverse side of this sheet). These estimates are based largely on data from shippers located in the Atlanta, Augusta, Charleston, Greenville, and Montgomery market areas.

Costs for all Southeastern areas combined.--The weighted average total cost per bale to shippers of assembling and distributing Southeastern cotton to all outlets combined during the 1964-65 season was \$8.23 (see table). About one-fourth of this total was accounted for by carrying costs and exchange and nearly another one-fourth by transportation and related costs. The other costs and their approximate percentage of the total were: Overhead, 16 percent; warehouse services other than storage, 15 percent; selling, 7 percent; buying and local delivery, 7 percent; miscellaneous, 6 percent; and compression, 1 percent.

Costs by trading areas and outlets.--The market trading area with the lowest average total cost per bale--\$7.81--was for the Atlanta area. The estimate for the Montgomery area was \$8.19 and for the combined Augusta-Charleston-Greenville area was \$8.45. The distribution of each of these totals by types of cost is quite similar to the distribution indicated above for the Southeastern region as a whole.

Of the sales outlets for which separate estimates were included, shippers' total costs per bale ranged from a low of \$7.50 for sales from the Montgomery area to Alabama mills to a high of \$10.12 for sales from the Atlanta area to Group 200 mills. The most important variations in costs between outlets as well as between areas of purchase were in transportation and in carrying costs. These and similar differences for some of the other costs were appreciably affected by the trucking and warehousing operations of the shippers and by special arrangements with producers, ginners, and mill buyers.

1/ The Southeastern region as used in this report includes North Carolina, South Carolina, Georgia, and Alabama. The market trading areas within the region correspond with the areas used in establishing price quotations in the 5 designated markets in this region, with the Augusta, Charleston, and Greenville areas combined into one.

2/ All in Marketing Economics Division, ERS.

Shippers' average cost per bale of assembling and distributing Southeastern cotton, by trading areas and outlets, season 1964-65 ^{1/}

Trading area where purchased	Buying and local delivery	Carrying costs and exchange	Warehouse services other than storage	Compres- sion, patches, and marks	Transp.: and re- lated services	Miscel- laneous selling	Over- head	Total	
Outlet to which shipped:	2/ :	3/ :	4/ :	5/ :	6/ :	7/ :	8/ :	9/ :	10/ :
----- Dollars -----									
<u>Atlanta area:</u>									
Group 201 mills.....	0.46	2.17	1.42	0.39	2.18	0.55	0.57	1.08	8.82
Group 200 mills.....	.49	2.46	1.26	.34	3.37	.34	.65	1.21	10.12
Ala. and Ga. mills.....	.44	1.87	1.39	.06	1.44	.72	.54	1.04	7.50
Alabama mills 11/.....	--	--	--	--	--	--	--	--	--
Georgia mills.....	.40	1.95	1.42	.06	1.44	.74	.60	.96	7.57
Other outlets 11/.....	--	--	--	--	--	--	--	--	--
All outlets.....	.45	1.94	1.39	.12	1.63	.68	.55	1.05	7.81
<u>Augusta, Charleston- Greenville area:</u>									
Group 201 mills.....	.57	1.97	1.33	.32	1.94	.63	.75	1.28	8.79
Group 200 mills.....	1.04	1.40	1.21	.10	1.85	.43	.73	1.13	7.89
Ala. and Ga. mills.....	.82	1.49	1.10	.07	2.20	.48	.29	1.62	8.07
Alabama mills 11/.....	--	--	--	--	--	--	--	--	--
Georgia mills.....	.77	1.54	1.13	.08	2.10	.48	.36	1.50	7.96
Other outlets 11/.....	--	--	--	--	--	--	--	--	--
All outlets.....	.71	1.75	1.25	.22	1.99	.56	.63	1.34	8.45
<u>Montgomery area:</u>									
Group 201 mills.....	.71	2.73	1.09	.08	2.78	.54	.22	1.49	9.64
Group 200 mills.....	.93	2.43	1.23	--	2.65	.50	.17	1.63	9.54
Ala. and Ga. mills.....	.53	2.38	1.12	.02	1.74	.50	.40	1.38	8.07
Alabama mills.....	.46	2.09	1.05	.02	1.50	.42	.48	1.48	7.50
Georgia mills.....	.58	2.65	1.18	.02	1.97	.56	.32	1.29	8.57
Other outlets 11/.....	--	--	--	--	--	--	--	--	--
All outlets.....	.54	2.41	1.12	.02	1.83	.50	.38	1.39	8.19
<u>Southeastern region:</u>									
Group 201 mills.....	.58	2.06	1.32	.30	2.04	.62	.68	1.28	8.88
Group 200 mills.....	.97	1.58	1.22	.12	2.06	.43	.68	1.17	8.23
Ala. and Ga. mills.....	.55	2.13	1.18	.03	1.74	.54	.41	1.34	7.92
Alabama mills.....	.54	1.96	1.05	.02	1.59	.44	.40	1.54	7.54
Georgia mills.....	.56	2.24	1.25	.04	1.83	.60	.42	1.22	8.16
Other outlets 11/.....	--	--	--	--	--	--	--	--	--
All outlets.....	.59	2.07	1.22	.12	1.85	.56	.51	1.31	8.23

^{1/} See reverse side for procedures and data limitations. ^{2/} Commissions or comparable direct buying costs, and local delivering expenses. ^{3/} Insured storage, interest, and exchange. ^{4/} Receiving, out-handling, reweighing, resampling, and special warehouse services. ^{5/} Patches and marks in overseas ship-ments. ^{6/} Includes cotton insurance separately reported. ^{7/} Commissions or comparable direct selling costs. ^{8/} Rejections and quality adjustments on sales, bad debts, and fiber test fees. ^{9/} Salaries and bonuses not covered in buying and selling, office rent, property taxes, insurance, depreciation, communi-cation, advertising, donations, social security taxes, and professional fees. ^{10/} Excludes operating margins. ^{11/} Insufficient information to justify separate estimates for this outlet.