

Economic Research Service/ U.S. Department of Agriculture
in cooperation with
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SHIPPERS' COSTS OF ASSEMBLING AND DISTRIBUTING SOUTHWESTERN
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 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. Information was obtained from 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. Within reasonable limits, the resulting cost estimates reflect variations in the kind, amount, rates, and efficiencies of the services performed by and at the request of shippers in assembling cotton, in each of 4 regions and 13 market trading areas of the Cotton Belt, and delivering it to customers throughout the world.

This summary includes estimates for upland cotton purchased in each of the 3 trading areas within the Southwestern region and shipped to 9 specified outlets. (See footnote 1 below and table on reverse side of this sheet.) These estimates are based largely on data from shippers in the Dallas, Houston, Galveston, and Lubbock markets.

Costs for all Southwestern areas combined.--The weighted average total cost per bale to shippers of assembling and distributing Southwestern cotton to all outlets combined during the 1964-65 season was \$19.13 (see table.) About 54 percent of this total was accounted for by transportation and related costs. The other costs and their approximate percentage of the total were: Compression, 12 percent; carrying costs, 8 percent; overhead, 9 percent; selling, 6 percent; buying and local delivery, 4 percent; warehouse services other than storage, 5 percent; and miscellaneous, 2 percent.

Costs by trading areas and outlets.--The market trading area with the lowest average total cost per bale--\$18.22--was the Houston-Galveston area. Estimates for the Lubbock and Dallas areas were \$19.28 and \$20.06, respectively. The distribution of each of these totals by types of cost is very similar to the distribution indicated above for the three trading areas combined.

Of the 9 sales outlets included, shippers' total costs per bale ranged from a low of \$7.52 for sales from the Houston-Galveston area to "other domestic" outlets (largely Texas mills or other shippers) to a high of \$28.25 for sales from the Lubbock area to India. Total costs for the 2 major domestic outlets of Group 201 mills and Alabama-Georgia mills ranged from \$13.79 to \$14.20 and \$12.95 to \$13.27, respectively. Similar costs for sales to Europe and Japan, the largest foreign outlets, ranged from \$18.30 to \$21.19 and \$21.72 to \$24.01, respectively. The most important variations in costs between outlets as well as between areas of purchase were in transportation and related services. There were, however, significant variations by geographical areas in most of the other costs.

^{1/} The Southwestern Region as used in this report includes all of Texas and Oklahoma except Crop Reporting District 6 of Texas. The market trading areas within the region correspond with the areas used in establishing price quotations in the 4 designated Texas markets, with the Houston and Galveston markets covering the same area.

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

Trading area where purchased	Buying : and local :	Carrying : costs and exchange :	Warehouse : services other than storage :	Compres- : sion, & marks :	Transp. : and re- : lated services :	Selling 7/	Miscel- : laneous 8/	Over- : head 9/	Total 10/
Outlet to which shipped:	2/	3/	4/	5/	6/				
----- Dollars -----									
Dallas area:									
Group 201 mills.....	0.84	1.82	1.00	1.99	5.24	1.04	0.35	1.92	14.20
Ala. and Ga. mills.....	.77	1.58	.99	2.00	4.62	.94	.20	2.06	13.16
Group 200 mills.....	.78	1.55	.96	1.96	5.39	.92	.26	1.98	13.80
New England mills.....	.80	1.49	1.03	1.98	6.34	.97	.18	2.18	14.97
Other domestic.....	.79	1.76	.82	1.75	1.38	.52	.34	1.58	8.94
Total domestic.....	.79	1.63	.98	1.98	4.78	.94	.24	2.02	13.36
Europe.....	.80	1.68	1.05	2.26	11.48	1.42	.28	1.84	20.81
Japan.....	.82	1.86	1.13	2.33	14.66	.97	.48	1.76	24.01
India.....	.84	1.98	.99	2.42	18.48	1.35	.32	1.78	28.16
Other foreign.....	.80	1.72	1.20	2.46	14.96	1.19	.26	1.36	23.95
Total foreign.....	.81	1.78	1.12	2.34	14.06	1.14	.38	1.69	23.32
All outlets.....	.80	1.73	1.08	2.22	11.03	1.07	.33	1.80	20.06
Houston-Galveston area:									
Group 201 mills.....	.80	1.78	1.22	1.86	5.07	.98	.38	1.90	13.99
Ala. and Ga. mills.....	.78	1.65	1.06	1.98	4.65	.91	.31	1.93	13.27
Group 200 mills.....	.76	1.64	1.10	1.98	5.52	.92	.29	2.04	14.25
New England mills.....	.76	1.61	1.04	1.99	6.72	.98	.26	2.36	15.72
Other domestic.....	.76	.90	1.00	1.56	1.38	.98	.06	.88	7.52
Total domestic.....	.78	1.56	1.08	1.89	4.40	.93	.28	1.80	12.72
Europe.....	.53	1.68	1.22	2.20	9.58	1.44	.36	1.29	18.30
Japan.....	.66	1.73	1.17	2.20	12.70	1.34	.46	1.46	21.72
India.....	.75	2.14	1.10	2.54	17.18	1.28	.36	1.86	27.21
Other foreign.....	.86	1.78	1.22	2.56	14.13	1.30	.27	1.56	23.68
Total foreign.....	.64	1.73	1.20	2.28	11.66	1.38	.38	1.41	20.68
All outlets.....	.69	1.67	1.17	2.16	9.42	1.24	.34	1.53	18.22
Lubbock area:									
Group 201 mills.....	.62	1.68	.84	2.00	5.69	.91	.27	1.78	13.79
Ala. and Ga. mills.....	.62	1.53	.81	2.00	5.10	.86	.13	1.90	12.95
Group 200 mills.....	.56	1.33	.65	2.00	5.89	.80	.14	2.57	13.94
New England mills.....	.73	1.53	.95	2.00	7.27	.92	.26	2.18	15.84
Other domestic.....	.54	1.32	.54	2.00	2.13	.75	.10	2.85	10.23
Total domestic.....	.61	1.50	.77	2.00	5.09	.86	.15	2.07	13.05
Europe.....	.64	1.51	.95	2.64	11.97	1.08	.32	2.08	21.19
Japan.....	.70	1.53	.97	2.49	14.78	.97	.26	1.79	23.49
India.....	.66	1.64	.94	2.64	18.78	1.02	.31	2.26	28.25
Other foreign.....	.66	1.74	1.06	2.64	15.24	1.06	.32	1.88	24.60
Total foreign.....	.67	1.58	.98	2.57	14.21	1.02	.30	1.90	23.23
All outlets.....	.64	1.55	.90	2.35	10.67	.96	.24	1.97	19.28
Southwestern region:									
Group 201 mills.....	.73	1.75	1.01	1.95	5.38	.96	.32	1.85	13.95
Ala. and Ga. mills.....	.70	1.57	.92	2.00	4.88	.90	.19	1.94	13.10
Group 200 mills.....	.63	1.42	.78	1.99	5.75	.84	.19	2.39	13.99
New England mills.....	.78	1.54	1.00	1.99	6.80	.96	.24	2.24	15.55
Other domestic.....	.66	1.16	.77	1.78	1.73	.84	.10	1.86	8.90
Total domestic.....	.70	1.55	.91	1.96	4.83	.90	.20	1.98	13.03
Europe.....	.62	1.62	1.09	2.38	10.75	1.31	.34	1.66	19.77
Japan.....	.72	1.67	1.06	2.37	14.23	1.06	.38	1.70	23.19
India.....	.72	1.86	1.00	2.56	18.24	1.16	.32	2.04	27.90
Other foreign.....	.76	1.74	1.14	2.57	14.82	1.17	.29	1.66	24.15
Total foreign.....	.70	1.67	1.09	2.42	13.30	1.18	.34	1.68	22.38
All outlets.....	.70	1.63	1.03	2.26	10.34	1.08	.30	1.79	19.13

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, outhandling, reweighing, resampling, and special warehouse services. 5/ Patches and marks in overseas shipments. 6/ Overseas shipments include marine insurance and, for some areas, wharfage, forwarding, and controlling. 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, communication, advertising, donations, social security taxes, and professional fees. 10/ Excludes operating margins.