

The
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The American Cotton Association

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I

Side by side with incalculable suffering and material losses, war periods bring social, political and economic convulsions which in the long run often prove beneficial to mankind. So great is man's inertia that he tends to put up with conditions which limit his progress until shaken out of his accustomed well-worn ruts by the forces let loose in such times as we have recently had. National emergencies set the wheels of change moving in some lines and in others accelerate the pace of movements already begun. It is practically never possible to restore ante-bellum conditions. Witness the world changes now going on in the realm of international trade and national industry, as well as the far-reaching developments of a political character and readjustments in the relations of capital and labor.

The cotton South, along with the rest of the world, is being powerfully affected by the uprooting of old conditions. The ills of the cotton farmer are an ancient and oft-repeated story.¹ His spokesmen represent him as being cursed with inefficient labor, oppressed by a wretched credit system, exploited by spinner, speculator and compress interests, and show that for two generations he has been able to wrest from the land a bare living. The cotton planter has always felt that, having an ideal climate and soil and a practical monopoly of one of the world's

¹ M. B. Hammond, *The Cotton Industry*, Chs. V, VI, X. (Publications of the American Economic Association, 1897.)
R. P. Brooks, *Agrarian Revolution in Georgia*, pages 32-36. (University of Wisconsin Studies, 1914.)
Hammond, "Cotton Production in the South since 1865." (*South in the Building of the Nation*, vol. VI. 87-104.)
St.G. L. Sioussat, "Economic History of the South." (*History Teachers' Magazine*, vol. 7, pp. 224-229.)

prime necessities, he ought to be prosperous. That he has not been he attributes to adverse forces with which he could not successfully contend.

The conditions surrounding the cotton farmer have been graphically described by the man who is now playing the role of a modern Moses, leading his people out of economic bondage. In a number of papers and published speeches, Mr. J. Skottowe Wannamaker, President of the American Cotton Association, has painted in drab hues an impressive picture of the cotton South.²

In his speech before the New Orleans Convention of the American Cotton Association he said:

"While interested broadly in the welfare and happiness of the whole country, we are primarily and immediately concerned with the South and its problems, and to it we shall give our main attention. This favored section of the United States ought to have been the most prosperous part of our nation. It has a fertile soil that will produce any crop grown in America, in fact almost any crop grown anywhere in the world. It has vast natural resources, including water power and minerals; it has an unrivalled climate, with mild winters and summers and only occasional storms. It offers certainly opportunities of every kind inferior to none to be had elsewhere. It would seem then that the South should have become the garden spot of America, that it should contain a dense white population, and yet with these many natural advantages and the stirring record of the South in all phases of human endeavor in America before the introduction of cotton, the South is today cursed with illiteracy, bad roads, and poverty when it should be the leader in prosperity and enlightenment. That the South is poor, the poorest section of the United States, is evidenced by the tax assessment of the government, in the calls for Liberty Loans, for Red Cross, Y. M. C. A., and other national demands on the loyalty and ability of the people. The South was assessed the least, not because it was the least loyal, but because it had the least money. Why is this true?

In the practical monopoly in the production of cotton the South has long held in its hand the opportunity to become immensely wealthy. But the production of cotton in the South has brought wealth to every section of the globe where it is handled commercially except in

² *Carolina Farmer and Stockman*, Nov. 1, 1919. (Charleston, S. C.) Speech delivered at the Convention of the American Cotton Association, New Orleans, La., Sept. 8, 1919.

Modern Farming, Nov. 10, 1919 (New Orleans). Address delivered at the World Cotton Conference.

The Banker-Farmer, Nov. 19, 1919 (Champaign, Ill.). "What Cotton Must Bring."

Modern Farming, Nov. 25, 1919 (New Orleans). "Complete Change Wrought in Cotton Industry by Organized Producers."

New York Commercial, Jan. 10, 1920. "How the American Cotton Association Aids the Farmers of the South."

Manufacturers' Record, Nov. 20, 1919, p. 95.

the South; to the South it has brought poverty along with other misfortunes. It has blessed mankind wherever the sun shines except in the South; to the South it has proved a curse. For the production of cotton in the South brought Negro slavery; the slaves were sold into physical bondage, and the South at the same time thereby became foredoomed to commercial bondage. It exchanged its birthright for a vile mess of pottage. It cannot be questioned that had it not been for the production of cotton, the South would have been the country's greatest granary, its stock-raising center. Her vast mineral resources would have been developed and manufacturing on a great scale would have early been started and developed. Concretely put, it may be declared that the production of cotton in the South is responsible for the following deplorable results: Negro slavery, that ultimately caused the War between the States, and after it only slave labor in practice if not in theory; the enslaving of the South to the production of cotton with cheap, inefficient labor and unable financially to shift its economic life, since with meager returns from the production of cotton the producers were unable to finance other commercial undertakings, or to grow other money crops. These starvation wages for labor forced on the South through unfair returns for its cotton linger still today and have brought in effect the illiteracy of the South, its impoverishment, its bad roads, the enforced withdrawal of the white population from rural communities where they are unable to support schools for their children and to find even meager comforts and recreation. Even the negro slave is now unwilling to remain on the farm, for with his new aspirations he is no longer satisfied with his uncomfortable surroundings. It is responsible for the child-labor and the woman-labor on the farms in the South, where they often labor from early morn till late evening performing manual labor beyond their power of endurance in tilling the soil and gathering the crop. It has often made it impossible for the producer of cotton to own sufficient cotton clothing made from his own product and manufactured with great profit by spinners who would sell it back to him at a cost beyond his reach. And added to this economic depression and mental backwardness the people of the South were forced through the production of cotton to become the defenders of slavery and are so until this day condemned by the thinking world. They become the victims of a vindictive peace and were long the sufferers of sectional prejudice even from their own national government. And the natural demand that cotton should be grown cheap and sold cheap has forced the South to appear in everlasting defense of its life-product and in the fatal position of organizing within the country an *ex parte* government for its own protection. These things furnish the answer to the question why the South is poor and not rich."

The unprosperous character of cotton farming has been due to three main causes: (1) an unscientific general system of farming; (2) the crop lien arrangements; and (3) an unsatisfactory marketing system.

Farming in the cotton belt has been unscientific and uneconomic until very recently. There has never been practiced that wise diversification of agriculture which would make it possible for the farmer to provide his own living and regard his cotton as a money crop, the ups and downs of which would be a matter of comparative unimportance. On the contrary, he has tended for a half-century to stake everything on the cotton crop.

To go no further back than the Civil War, this exclusive devotion to cotton is a product of conditions beyond the farmer's control. In the sixties and seventies he was without capital except land. To obtain the means of production—farm animals and equipment, food and clothing for his family—he was driven to appeal to the town supply merchant. Having no collateral to offer for advances except nearly worthless land, the practice arose of giving a lien on the cotton crop when it was planted. Practice crystalized into custom and soon the vast operations of the cotton belt proceeded on the basis of liens on the cotton crop. No other crop was so certain of making; no other could so stand drought, rain and inefficient labor. The farmer thus entered thralldom to the supply merchant. The supplies he received were sold to him at ruinous prices and interest charges.

The marketing system was intimately bound up with the credit system. Rent notes became due in the fall and the merchants expected immediate payment. A glutted market and low prices almost invariably resulted. Merchants, warehousemen and speculators might, and frequently did, hold cotton for better prices, but the producer never got the advantage of them.

II

The remedy for these economic maladies seems obvious enough when stated—diversification, better credit facilities, and revolutionary changes in marketing methods; but it is easier to prescribe than to effect a cure. Diversification can be realized only by overcoming the weight of inertia and skepticism of farmers wedded to a one-crop regime and in spite of a laboring population lacking in versatility and intelligence; reformation of the credit and marketing systems can come

only through a determined and successful fight against vested interests of a powerful character. Farmers are hard to organize into a co-operative effort; individualism is their strongest trait, especially in the South; whereas, the agencies interested in maintaining the *status quo* are well organized and in control of the financial machinery of the country. The Herculean task of marshaling the hitherto inarticulate masses of Southern farmers is, however, actually in process and the progress already made is such as to hold out hopes of ultimate success.

The American Cotton Association was organized at a propitious time. By the beginning of 1919 boll-weevil ravishes had forced farmers over the larger part of the cotton belt to introduce diversified crops on a scale never before known. The production of corn, velvet beans, peanuts, potatoes and tobacco reached enormous figures; the partial eradication of the cattle tick and hog cholera facilitated the beginning of cattle raising and hog raising on a commercial scale. Moreover, these developments came during a period when, on account of war conditions, prices of food-stuffs were very high and enabled the farmers to make a profit from the beginning. The short cotton crops of the past five years in the presence of war demands raised the price of the staple to a point exceeded only by Civil War prices, and served to convince thousands of farmers of the wisdom of raising food-stuffs primarily and a small crop of cotton as a subsidiary money crop. Furthermore, the psychology of war conditions tended to put the producers in a frame of mind favorable to organization, the great benefits of which had been so evident during the war itself.

Under these circumstances the movement to organize the cotton producers was begun early in 1919. The leading spirit was Mr. J. Skottowe Wannamaker, a South Carolina banker, business man and farmer. He has proven a genius in organization and a publicity agent of uncommon ability. After a period of newspaper agitation, there met in New Orleans in May, 1919, a "Cotton Acreage Reduction Convention." It was called by Governor Pleasants, of Louisiana, and was attended by two thousand or more delegates, representing all of the cotton-growing states. The delegates were appointed by

the Governors, Commissioners of Agriculture, and Presidents of various organizations, such as the bankers' associations. This convention organized the American Cotton Association, and on May 15, 1919, adopted a constitution.³ The preamble recites that the producers of cotton "have been condemned to lives of grinding toil and deprivation in order that they might win a bare and pitiful subsistence for themselves and their families." In general terms the purposes are stated to be the production of cotton in such a way as to adjust the supply to the demand and thus maintain a fair price; to promote diversification; to improve transportation and distribution facilities; and to act as a clearing-house of information for the cotton producer.

Membership in the organization is not confined to producers, but is open to all who are interested in the prosperity of the farmers, particularly bankers and merchants. The constitution creates a Board of Directors consisting of forty-five members. Each cotton-producing state is to have a State Division and the President of the State Association is to be an *ex officio* member from the given state on the Board of Directors. Other members of the Board are allocated to the states in proportion to their importance in cotton raising. The Board of Directors is empowered to carry into effect the purposes of the organization and to elect the officers, President, Vice-Presidents, Secretary, and Treasurer. The President and First Vice-President are members of the Board. The Board is required to designate not less than five of their number to serve as an executive committee, which will wield all the powers of the Board while the latter is in recess. One annual meeting of the Association is required.

The convention adopted a recommendation that each state form a division of the American Cotton Association, and that each county or parish and each division thereof organize units of the same sort. The ward or township or other political unit shall elect its board of directors; the county board of directors is to consist of representatives chosen from the several community boards; the states organization is to have as its board

³ Printed in *Official Bulletin* No. 1 of the American Cotton Association, May 22, 1919, issued by the Secretary, Dallas, Texas. Nos. 2 and 3 of this *Bulletin* were issued in June and July, respectively, after which the publication was discontinued.

of directors representatives of the county boards of directors. In this way it is provided that the representative principle shall be carried out in an extreme way and an intimate relation established, running all the way from the smallest political unit to the parent organization.

At the same New Orleans meeting, on May 16th, a Board of Directors was named by the state delegations and the directors elected Mr. J. Skottowe Wannamaker, president and *ex-officio* chairman of the Board of Directors; J. T. Scott, of Houston, Texas, vice-president; and W. C. Barrickman, of Dallas, Texas, secretary. An executive committee was also named from the Board of Directors, consisting of one member from each one of the cotton-producing states.

On July 1st and 2d the Board of Directors, with representatives from nine states present, met at New Orleans and adopted by-laws,⁴ which give elaborate details as to the work of officers, create many committees for the various phases of work to be done, provide for the employment of a statistician, a publicity director (J. W. Mahone, of Dallas, Texas, was employed and began work on July 8), for foreign representatives, and also various classes of members, fixing the dues for each. Cotton growers are to pay dues to their state association of twenty-five cents per bale of cotton produced by said member in 1917, and each membership shall run until January 1, 1920. Merchants, bankers and other firms and corporations shall pay dues from "July 1, 1921,"⁵ on the basis of twenty-five cents per thousand dollars of capital stock invested. After January 1, 1921, cotton growers, merchants, bankers and other business firms and corporations shall pay dues in advance of ten cents for each bale of cotton ginned in 1917, or for each thousand dollars of capital invested in their respective businesses. Other individuals, such as doctors, lawyers, and teachers, shall pay \$3.00 per annum. The central association is to be supported by dues from the state association at the rate of two and one-half cents per bale produced in 1917 until January 1, 1921; after that date, dues are fixed at one and one-half cents per bale of cotton produced in 1917. In order

⁴ *Official Bulletin* No. 3, July 18, 1919.

⁵ Apparently a misprint for "to January 1, 1921."

to obtain funds for organization purposes, the board of directors is authorized to elect a limited number of charter members at \$100.00, such members being exempt from dues until January 1, 1921.

Section 9 of the by-laws gives in minute detail the plan of organization of the state and smaller units. The state organization is made to consist of three representatives from each county association and is to have officers analagous to those of the general organization; and similarly with the smaller units. All officers are to be paid salaries determined by their organization.

A national organization committee was appointed (at a directors' meeting in Atlanta, on August 2d and 3d), including nine governors and fourteen United States senators.⁶ Harvie Jordan, of Georgia, was made national campaign director and Atlanta was designated as the headquarters of the Association. The incorporation of the Association on August 21st under the laws of the state of Delaware completed the framework of the organization. In each state during the fall and winter mass meetings were held and organizations effected prior to the meeting of the Association in Montgomery, Ala., in March, 1920. In some of the states, notably Louisiana and North Carolina, special publications were put out and from all states the reports were that farmers and business men by thousands were joining. No statistics, however, are available as to the exact numbers.

III

The plans announced by the American Cotton Association in its fight for a revolution in the cotton industry are well laid and seem for the most part practical. The end in view is more profit to the farmers. To realize this purpose, there must never be a larger production of cotton than the world demand seems to justify, and the Association, in order to keep the farmers posted on this point, will maintain agents in every cotton-spinning country to report on conditions, and will issue reports on acreage, on the effects of the boll weevil and other pests, the amount of cotton in local warehouses and in the

⁶ *American Cotton News*, January 20, 1920. (Atlanta, Georgia).

hands of spinners, the cost of spinning and of manufacturing cloth. It will recommend the amount of cotton to be planted per farm; it will suggest a fair price at various times of the year; it will conduct a determined campaign for diversification.

A study of the literature thus far produced by the movement leads one to believe, however, that the main emphasis will be placed on a drastic reform in the machinery of marketing.⁷ It is believed that the world will need ever-increasing amounts of cotton at good prices and that profits can be realized, provided the producers do not allow the advantage to be lost by waste or by the operations of middlemen. The Association is urging the erection of adequate warehouse facilities in each county in the cotton belt and at the ports, so that every bale produced may be housed. There has always been a tremendous waste due to allowing cotton to stand about the farm houses and unprotected in towns, a loss estimated at from \$35,000,000 to \$50,000,000 annually. These warehouses will be operated under federal or state supervision, with an expert grader in charge. Each bale will be sampled, graded and appropriately marked at the time it is placed in the warehouse, and a receipt given to the owner. This receipt will protect the farmer in the matter of weight and grading. The Association proposes to install in each county high-density compression gins, so that the cotton at the point of origin can be put into a proper marketable condition, thus avoiding shipment to compress plants, which involves unnecessary freight charges, resampling and rewrapping. Such a system in operation would enable the producer to obtain carload rates on cotton. At the present time this cannot be done, because carload lots are based on weight and the bulk of the uncompressed cotton is such as to make it impossible to load a car to its capacity.

This warehousing scheme is the heart of the whole matter. With the cotton stored in a fireproof structure and holding a government receipt, the producer will be able to finance himself by borrowing up to about seventy-five per cent. of the face value of his receipt. In this way he can avoid dumping his cotton on the market in order to satisfy creditors. Distributing the sale of cotton over twelve months, withholding it from the

⁷J. S. Wannamaker, *New York Commercial*, Jan. 10, 1920.

market during periods of low prices, will, it is hoped, prove the salvation of the producer. The recent amendment of the Federal Reserve Act permitting national banks to lend on cotton up to 25 per cent. of their capital and surplus will help provide funds for this purpose.

It is realized, of course, that large sums will be needed to finance cotton-holding movements. In the early days of the American Cotton Association a beginning was made in organizing a concern to be known as the "American Cotton Export Corporation. At the time it was thought that a large sum of money in the hands of the War Finance Board would be available for a long period at low interest rates. It was discovered, however, that no such funds were to be had, and the Export Corporation plan collapsed. It is now the intention of the Association to further the organization under the Edge Act of export corporations or cotton banks in each state (similar to those now being organized in Georgia and South Carolina), and that these shall all clear through a large central corporation along the lines of the originally proposed export corporation.

Leaders of the American Cotton Association point to recent developments in Spartanburg County, S. C., as evidence of the practicability of the warehousing scheme.⁹ Spartanburg County is said to rank next to Lowell, Massachusetts in the number of cotton mills, having twenty-eight mills, with an annual consumption of 150,000 bales, about twice the production of the county. Despite this fact, Spartanburg County cotton was, under the old regime, hauled away and other cotton imported, involving a loss of freight to both producers and spinners. John B. Cannon, vice-president of the Bank of Spartanburg, saw the possibilities of the situation. He organized a local unit of the American Cotton Association, with 2,200 members and annual dues of \$10,000. The membership includes farmers, bankers and merchants. He then organized in September, 1919, the Spartanburg County Warehouse Company, with a capital stock of \$300,000. Funds thus being provided, the company bought the warehouse system of Car

⁸ *Official Bulletin* No. 1, May 22, 1919.

⁹ *Southern Banker*, October 1919. Cotton Extra.

John B. Cannon, *New York Commercial*, January 10, 1920.

W. L. Glessner, *Southern Ruralist*, January 15, 1920.

Wadsworth for \$140,000, and threw it open to cotton. Within ten days, it is said, more cotton was stored than had ever before been collected together in Spartanburg County at one time, and today the company has storage facilities for more cotton than is raised in the county. For, in addition to the "Central Warehouse," the company has a number of smaller warehouses scattered about over the county for the temporary storage of cotton, and is operating a truck system to convey the cotton to the central warehouse. The warehouse system is being operated under the Federal Warehouse Act. Its advantages are obvious. The owner of the cotton is able to take his receipt to the bank and borrow seventy-five per cent of its face value. The bank will readily lend, because it is absolutely secured against loss by damage, or fire, or by a mistake in the value of the collateral. The bonded receipt contains details as to weight, grade and staple. The cotton merchant is aided, because under the new system he can go to the warehouse and buy his cotton in a lump and not have to find a dozen or more farmers who have small lots to sell; he is further saved the expense of weighing, grading and stapling. Perhaps few counties will find themselves so favorably situated as Spartanburg County in the matter of capable leadership and excellent warehouse facilities already established and purchasable at a small part of the original cost; but it is believed that every cotton county in the South can in a measure reproduce what Spartanburg has done, and the example of that community is an inspiration to the whole section.

IV

Any attempt at this time to appraise the American Cotton Association is necessarily premature and without value. There can be no gainsaying the statement, however, that never before has any proposal to organize southern farmers and allied interests met with such universal response; never before has such able leadership been forthcoming; never before have conditions been so favorable for the emancipation of the cotton producer from the ills which encompass him. Leaders in the movement claim¹⁰ that already noteworthy results have been

¹⁰ Thomas J. Shackleford, in *New York Commercial*, Jan. 10, 1920.

obtained—that the price of cotton last year was kept up by the Association in the face of a determined bear movement; that warehouses are being built very rapidly all over the South; that large cotton banking and export corporations are being organized in two states; that the Association was instrumental in having the National Bank Act amended in 1919, so as to permit loans of twenty-five per cent on stored cotton.

On the educational side the publication of a high-grade journal as planned, to be devoted to cotton interests and the dissemination of information on the many problems of rural life, will undoubtedly have a far-reaching effect.

Those inclined to view the whole movement with doubt, on the other hand, do not believe it possible to organize farmers into an effective coöperative movement. They particularly doubt whether farmers can ever be led to reduce cotton acreage with the hope of larger returns. The tendency, many believe, will be for the individual farmer to try to feather his own nest at the expense of all the others; that the tenant farmers, the vast majority of the whole, are so ignorant and improvident that it will not be possible to get them to hold cotton once it is ready for the market. Others do not believe it possible to organize the vast scheme of financing. The compress people, with millions invested, seem not to be worried about the future of their business, which, of course, would be ruined if the county high-density compression scheme should prove successful. Furthermore, cotton merchants say that the scheme of grading and stapling at the point of origin, even when done by a government agent, will not prove acceptable to buyers and spinners, who will be unwilling to take such judgments at their face value.

Some parts of the plan of the American Cotton Association may, of course, prove impracticable. Modifications no doubt will have to be made as the result of experience. Coöperative efforts all over the world are, however, being successfully managed and no serious student of southern economic conditions will fail to watch with the keenest interest the result of the present movement. It is a truism that cannot too often be repeated that the prosperity of the nation depends on the prosperity of the farmer.