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WORLD WOOL PROSPECTS

Summary

The dullness which has prevailed in the domestic wool market for many weeks remains unbroken and prices are still nominal to a considerable extent. Manufacturing activity in the domestic wool industry continued very low during July and August and further uncertainty was added to the position by the strike of textile workers in September. The outlook was somewhat improved, however, with the settlement of the strike and the reopening of the mills on September 24. Consumption of combing and clothing wool by United States manufacturers reporting to the Bureau of the Census for the first 7 months of 1934 was approximately 30 percent smaller than in the same months of 1933, but was about 9 percent larger than the consumption reported in the first 7 months of 1932. Until there is an improvement in the domestic manufacturing situation, quotations will probably show no material change unless the movement of foreign wool prices makes an adjustment in the domestic market necessary.

Prices of wool in the Australian markets have declined slightly since the opening of the sales on August 20. At the opening of the new series of auctions at London on September 18 prices were generally 10 to 15 percent below prices at the close of the previous series on July 12. England and Japan are the principal operators in the raw wool markets. Since German and Italian buyers are unable to operate normally, continental buyers are offering little competition. A slight seasonal improvement in wool manufacturing activity was reported by the United Kingdom in August. Trading and manufacturing activity continues very quiet in the wool centers of continental Europe. No change has been reported in the German import re-

strictions which are restricting export trade in some other countries.

Shearing of new clip wool is progressing in most Southern Hemisphere countries and is reported to be in full swing in parts of Australia. Supplies 1/ for the coming season from Australia, New Zealand, and the Union of South Africa will exceed those of last season by about 4 percent, despite the estimated heavy reduction in the South African clip. They are, however, about 10 percent smaller than the supplies available for the 1932-33 season.

There is not much of importance to report so far concerning the movement of wool in Southern Hemisphere countries during the first 2 months of the new season, i.e. July and August, as the main auction season does not begin until September or later. A fair amount of wool of the new clip has been received at selling centers and stocks of old clip wool have been considerably reduced.

Notwithstanding the fairly heavy disposals of old clip wool in July and August, stocks of wool at selling centers were still larger on August 31 than at the same time a year ago. The increase in stocks is partly due to the fact that the carry-over from last season was heavier and partly to the smaller disposals.

Marketing Situation

Southern Hemisphere

The 1934-35 selling season in the Southern Hemisphere opened at Brisbane, Australia on August 20. Prices at the opening were somewhat higher than had been expected and were fully equal to the closing rates of the July series at London. As the sales progressed, however, prices declined slightly. The Brisbane auctions were followed in September by sales at Sydney, Adelaide, Melbourne and other centers. English and Japanese buyers were the principal operators in the early weeks of the sale and Australian mills were also reported to be making fair purchases. Continental buyers have offered little competition. The average price received for greasy wool in Australia, in American currency was 17 cents a pound in August 1934 compared with 18.6 cents in August 1933 and 9.3 cents in August 1932. The

1/ Carry-over plus estimated production.

average for all selling centers in the entire 1933-34 selling season was 25.9 cents a pound.

Wool is said to be arriving slowly in South African selling centers. The selling season was expected to open in Cape Town and Port Elizabeth the latter part of September while selling at East London and Durban is not expected to get under way until after the middle of October.

The New Zealand selling season will open at Auckland November 27.

United States

Purchasing of wool was further restricted in the Boston market in September by the strike of textile workers which lasted from September 1 to September 24, and the volume of business reported has been extremely small, according to reports from Russel L. Burrus of the Boston office of the Bureau of Agricultural Economics. Ohio and similar fleece wools had practically no call in the month ended September 15. The lack of demand, however, brought little change in quotations. Where changes were made prices were slightly lower than on previous sales. A greater interest was reported in territory wools the second half of August, but the movement was of short duration. Strictly combing 58s, 60s (1/2 blood) graded territory wool sold in fair weights at 72-75 cents a pound scoured basis. Other qualities of graded territory wools were sold in small quantities at prices in the ranges established early in August. The shorter combing wools received the best call in the August movement. Short French combing 64s and finer lines sold at 66-68 cents a pound scoured basis, while good French combing and average strictly combing staple moved occasionally in small quantities at 70-72 cents. Spot 12 months Texas wool was sold in a few instances at about 70 cents a pound scoured basis.

Wools offered direct to the mills from Texas through Boston houses have had a large share of the limited business transacted in the Boston wool market in the last month. Average 12 month Texas wools were reported sold in this manner at 58-60 cents a pound scoured basis, delivered east. Good 12 months Texas wools were reported to be held at country prices that would average 63-65 cents a pound scoured basis, delivered to eastern buyers. Fall Texas wools were offered from the country to eastern buyers at 48-50 cents scoured basis.

Sales of woolen wools have been small and declines of 3-8 cents a pound were reported on scoured pulled wools in the month ended September 15. Noil prices have also shown a moderate decline. New business in wool tops continued very small in the last month with demand confined largely to spot lots of 64s. Average oil combed 64s tops sold at 88-93 cents a pound late in August. After September 1 demand almost ceased as a result of the closing of many mills by the strike. Deliveries have been small.

Receipts of domestic wool in Boston so far this year have been greatly below normal. Receipts from January 1 to September 1 were only 142,067,000 pounds compared with 213,829,000 pounds reported for the first 8 months of 1933 and an average of 193,538,000 pounds for the corresponding period in the 5 years, 1929-1933. Only 23,000,000 pounds were received at Boston in August 1934 compared with 46,000,000 in August 1933 and

an average for August of 41,000,000 pounds in the years, 1929-1933. Imports also continue small. Imports for consumption from January to August were 17,079,000 pounds of combing and clothing wool and 65,023,000 pounds of carpet wool. Figures on imports for consumption are not available for the corresponding period of earlier years, but total imports minus re-exports, from January to August 1933, were 25,983,000 pounds of combing and clothing wool and 78,923,000 pounds of carpet wool.

Machinery activity figures for July indicated a further decline in that month in most branches of the wool industry. Figures for August are not yet available, but unofficial reports indicate that manufacturing operations showed little change from the low level of July. In September activity was further curtailed by the strike of textile workers which extended from September 1 to September 24, and by the previously announced temporary closing of several mills to keep production in line with sales. Because of a change in the Bureau of the Census reports on consumption, it is not possible to compare consumption figures for July 1934 with those for earlier months. The new series will cover 4-week periods instead of calendar months. The reports will also be much more complete as they now cover more than 95 percent of the industry instead of about 80 percent previously reported. The consumption of combing and clothing wool reported for the 4 weeks ended July 28 was 8,846,000 pounds in clean equivalent. In June manufacturers representing about 80 percent of the industry reported a consumption of 8,275,000 pounds of such wool and in July 1933 they reported 20,287,000 pounds. As reported last month, consumption on a clean basis by these manufacturers in the first 6 months of 1934 was 22 percent smaller than in the first half of 1933.

United Kingdom

The fifth series of 1934 wool auctions at London opened September 18 with prices generally 10 to 15 percent below prices at the close of the previous series on July 12, and the opening results were confirmed by later sales. The decline was not unexpected for while prices at the opening of the new Southern Hemisphere selling season in August were fully equal to the July prices at London, prices in the Australian centers had declined as the sales progressed. The selection at London on the opening day was good except in the case of New Zealand greasy crossbreds. England and France were the chief buyers of combing sorts and the English woolen mills purchased clothing lines. France, Switzerland, Holland, and Belgium were buying sparingly. It is reported that many who have held wool since February are releasing it at this series. Withdrawals during the opening week were negligible.

Sales of wool and semi-manufactures on the Bradford market have been very moderate. Quotations for tops and yarns were advanced late in August following the favorable opening of the Australian selling season, but the advance was not justified by the state of trade and prices were again lowered. More business, chiefly for forward delivery, was booked at the lower prices. The weekly Wool Chart (Bradford) index number for raw wool prices in August was 70 (English currency basis, July 1914 = 100) compared with 72 in July, 102 in January, and 74 in August 1933. The corresponding index for tops was 75 compared with 78 in July, 111 in January, and 85 in August 1933.

It is reported by the Yorkshire Observer (Bradford) that Yorkshire exporters have collectively agreed to send no more yarns to Germany until some arrangement is made for the settlement of old debts for such goods. This follows similar action by Lancashire exporters several weeks ago. While exporters in a number of cases had already taken such action independently it is hoped that the collective action of a large group may have more effect. Several agreements have recently been made between the interests in this matter, but have failed to effect the desired results. The difficulty lies in a lack of foreign exchange for the transfer of funds.

There was a slight seasonal increase in activity in the English woolen and worsted industry in August as compared with July, but activity was much lower than in the corresponding period of last year. The increase in activity in August as compared with July was almost entirely in the combing and worsted spinning sections with declines in activity reported in the weaving sections of the industry. The percentage of insured workers registered as unemployed on August 20 was 23.4 compared with 24.1 percent on July 23 and 12.3 percent in August 1933.

The export trade of the English wool industry in woolen and worsted tissues continues to improve. Exports in August amounted to 11,014,000 square yards and were the largest reported for any month since February, 1930. Exports for the first 8 months of this year were 70,600,000 square yards compared with 62,400,000 in the same months of 1933. Exports from January to August were larger than in the same period of any year since 1930 when 79,700,000 square yards were exported. Exports of woolen and worsted yarns were also larger in the first 8 months of 1934, than in the same months of 1933, but there has been a decline in the export of tops. Imports of raw wool into the United Kingdom from January to August were 112,000,000 pounds smaller than imports in the same months of 1933. This was a decline of 15 percent. While reexports of wool have also been smaller than last year, the reduction has not been sufficient to compensate for the decline in imports.

Continental Europe 1/

Developments in August contributed nothing toward the removal of the general pessimism which prevails in the continental wool textile industry. Trading in tops, noils and washed wool was quiet during the month and following a temporary improvement prices declined further. The lull in the British wool textile industry and the continued restrictions on German trade are viewed by continental wool interests as particularly unfavorable factors. Germany is apparently making some progress toward the production of artificial fibers which it is expected will be used to some extent as substitutes for wool.

Stocks of tops in commission combing establishments of continental Europe at the end of August were slightly smaller than on July 31 and were also smaller than on August 31, 1933. Combing establishments of France, Belgium, and Italy reported a decline in stocks of merino tops, but a small increase in stocks of crossbred tops at the end of August as compared with July. In Germany, on the other hand, stocks of merino tops increased slightly in August, while stocks of crossbred tops declined.

1/ Based largely on a report from D. F. Christy, Assistant Agricultural Attaché at Berlin.

Combined stocks of merino tops reported by the four countries for August 31 were 30,278,000 pounds compared with 30,975,000 on July 31, 30,335,000 on August 31, 1933, and an average of 29,800,000 on August 31 in the 5 years, 1929-1933. Combined stocks of crossbred tops amounted to 35,007,000 pounds on August 31 compared with 35,190,000 on July 31, 39,965,000 on August 31, 1933 and an average of 30,400,000 for August 31 in the 5 years 1929 to 1933.

Recent developments in European countries were reported by Mr. Christy as follows:

France

Trading in tops, noils, and wool was very quiet during August. Export trade remains greatly restricted. A slight improvement was reported in the market for noils toward the end of August. New business was slow for spinners and weavers as well as for knitting mills. The woolen section of the industry is reported to be in a more favorable position than the worsted section. The introduction by Belgium of the license system for imports of yarns and tissues is causing further uneasiness in the French industry. Occupation of the mills showed little change in August as compared with July.

Imports of raw wool into France in the first 6 months of 1934 were 124,000,000 pounds smaller than in the same months of 1933, a decline of 30 percent. Exports of tops in the first 6 months of 1934 were about the same as in the same period of 1933, but exports of yarns showed a decline of 6 percent and exports of tissues a decline of 25 percent in the same period.

Germany

Inasmuch as the restrictions on trading in wool and wool products remained in force domestic business in the German wool industry was greatly limited during August. Manufacturing activity has been reduced by the working-hours decree described in last month's report. Manufacturers are reported to be cautious in accepting new orders because of the restrictions on working time and because of the difficulty in covering sales in the raw wool market. At the beginning of August the Minister for Economic Affairs in Germany issued a decree which requires that all deliveries of wool material for public needs, such as uniforms, etc., must consist of material which contains artificial wool and/or artificial fibers.

Foreign trade statistics for July show the severe effect of the import restrictions imposed at the end of March. Imports of raw wool in July were only 9,000,000 pounds compared with 26,000,000 pounds imported in July 1933. Because of the heavy imports in the early part of 1934, however, imports for the first 7 months of the year were 258,000,000 pounds which was 18,000,000 pounds larger than in the same months of 1933. The decrease in the importation of wool tops started as early as April, reports Vice Consul Heiler at Dresden. Unlike raw wool imports which are received from production points thousands of miles away, wool tops are received principally from England, France, and Belgium, and Germany was able to make its restrictive policy on buying effective much earlier on foreign purchases of tops. Purchases of tops were heavy in the first quarter of the year, but total imports from January to July 1934 were

17,650,000 pounds compared with imports of 25,760,000 pounds in the same months of 1933. Imports of yarns were larger in the first 7 months of 1934 than in 1933.

Italy

Purchases of tops, noils, and wool in the Italian market during August continued on the conservative scale noted in July. Recent statistics on activity of the Italian wool textile mills indicate that during the first half of 1934 mill activity declined on the whole. Weaving mill activity at the end of June 1934 was about the same as at the end of June last year while activity of worsted spinners and topmakers was somewhat below and that of woolen spinners somewhat above that of June 1933.

Belgium

Although the textile workers strike at Verviers was terminated at the end of July after having lasted more than 5 months, work was resumed to only a limited extent during August. The unsatisfactory condition of the domestic wool textile market is in part responsible for the slow resumption of manufacturing activity. Under a decree dated August 17 and operating from August 21, imports of wool yarns and wool tissues into Belgium are now regulated by a license system. It is reported that total imports will probably be restricted to 60 percent of the quantity imported in 1933. The decree provides, however, that if found necessary, supplementary licenses may be issued to import additional quantities of yarn and also additional quantities of tissues of types not made in Belgium. The countries chiefly affected by this decree will probably be the United Kingdom and France.

Supply Situation

United States

The condition of sheep on western ranges grew worse during August, with no immediate signs of improvement, but rather the contrary, when it becomes necessary to move them from fairly good summer range to poor winter ranges, according to information contained in the Western Livestock and Range Report of the Division of Crop and Livestock Estimates. Although late August and early September rains provided prospects of relief, they came too late to be of much benefit except in the Southwest. Late fall and winter ranges are generally poor and short of water.

Sheep losses had not been heavy up to September 1 except in the most severe drought areas, and the Government sheep buying program is providing an outlet for old ewes and consequently relief to the industry. Sheep conditions were particularly bad in southeastern Montana, northeastern Wyoming, southeastern Colorado, eastern New Mexico, Texas, and parts of Nevada, Utah, and eastern Oregon. Sheep and lambs will be sold close over much of the range area and lamb feeding will be materially reduced in the western feeding sections. The condition of sheep on September 1 was reported at only 73 percent of normal compared with 76 percent on August 1 and 83 percent on September 1 last year. The 10-year average was 90 percent. During the first 3 months of the new wool growing season, July 1 - September 1, sheep conditions have averaged only 77 percent of normal compared with 84 percent in 1933 and 90 percent in 1932.

Australia

At the end of August there were approximately 156,000,000 pounds of old and new clip wool on hand at selling centers, an increase of 33,000,000 pounds above stocks at the same time last year, but 16,000,000 pounds less than the quantity on hand at the same date of 1932. Approximately 39,000,000 pounds of the total quantity on hand this August consisted of old season's wool compared with about 7,000,000 pounds last year and 37,000,000 pounds in 1932. Stocks of current season's wool amounted to 116,863,000 pounds compared with 116,022,000 pounds last year and 134,879,000 pounds at the same date of 1932. During August, however, stocks of wool carried over from 1933-34 were reduced from 61,235,000 pounds to 39,223,000 pounds.

Receipts of current clip wool for the first 2 months of the season beginning July 1 amounted to 118,927,000 pounds in 1934, a decrease of 10 percent as compared with the same period of the preceding year and 18 percent as compared with 1932 when they were unusually large. Disposals of current clip wool were small, amounting to only 2,063,000 pounds, compared with 16,000,000 in 1933 and 10,000,000 in 1932. In addition, about 25,000,000 pounds of old wool were disposed of compared with about 6,000,000 pounds in the same month of 1933.

Exports for the first 2 months of the season amounted to only 18,414,000 pounds compared with 57,000,000 pounds during the same period of 1933-34 and 43,600,000 in 1932-33.

Shearing of the current wool clip in the State of Victoria, Australia began a little earlier than usual this year, according to a report from Consul John W. Dye. Early arrivals at selling centers point to a heavier cut per sheep than was the case in 1933.

The total wool clip of the State of Victoria for the season 1933-34 is now officially estimated at 148,670,000 pounds and was approximately 10,000,000 pounds below that of 1932-33. This State produces only about 17 percent of the total Australian clip, but produces about as much as the three States of South Australia, Western Australia and Tasmania combined. The Queensland clip has been slightly larger than that of Victoria in recent years, although in 1927, 1928, and 1929 the Victorian clip exceeded that of Queensland. The New South Wales clip greatly exceeds that of any other State as it comprises about 50 percent of the total Australian clip. The Australian wool clip in recent years has consisted of approximately 17 percent crossbred and other strong breeds, and about 83 percent merino, accordin to Dalgety and Company's reports of sales. The bulk of the crossbred wool grown in Australia is of Victorian origin, according to Dalgety and Company's report of sales at selling centers. In 1932-33 out of a total Australian clip of 1,061,673,000 pounds about 145,740,000 1/

1/ This is the result obtained by applying Dalgety and Company's percentages of crossbred wool sold in the individual States to the official production figures. Dalgety and Company estimates that 17 percent of the total quantity of wool sold in Australia was crossbred in 1932-33. This discrepancy may be explained possibly by the fact that sales figures include carry-over wool and probably the bulk of the wool carried over from 1931-32 was crossbred.

pounds or 14 percent consisted of crossbred wool. Of that quantity, 52 percent or 75,000,000 pounds was grown in Victoria and 37 percent or 53,000,000 pounds in New South Wales. However, crossbred wool comprised almost 44 percent of the Victorian clip, but only 10 percent of that of New South Wales.

New Zealand

Apparent supplies of wool for disposal during the season which began July 1, 1934 are now estimated at approximately 337,000,000 pounds, a decrease of 6 percent below 1933-34. The 3 percent increase in production, according to preliminary estimates, is not sufficient to offset the 37 percent decrease in carry-over.

It is now officially estimated that stocks of wool in New Zealand at the end of the 1933-34 season, i.e., June 30, 1934, amounted to only 44,712,000 pounds, grease and scoured wool combined, or 29,000,000 pounds less than on the same date of 1933, and 62,000,000 pounds less than on the same date of 1932. The heaviest reduction was in the quantity held by farmers which was only about one-fifth as large as in 1933. The percentage of the total carry-over held by the different interests on June 30, 1934 was as follows, with the corresponding percentage for last year given in parentheses: farmers 13 (38); wool brokers, 42 (37); shipping companies, 14 (7); and woolen mills, 11 (2). The grease equivalent of the quantity held this year is 49,800,000 compared with 78,600,000 pounds a year ago and 117,900,000 pounds on June 30, 1932, which was the largest carry-over since 1922. The bulk of the wool held is of the crossbred type.

During the first 2 months of the new season beginning July 1 10,664,000 pounds were exported this year compared with about 17,700,000 the preceding season, and an average of 13,500,000 pounds for the 5 years 1929-30 to 1933-34.

Union of South Africa

The preliminary estimate of the South African clip which places it at 245,000,000 pounds or about 11 percent below that of 1933 was based on returns from 2,100 wool farmers who last season sheared about 2,400,000 sheep, states the Division of Economics and Markets of the South African Department of Agriculture. These returns indicate that about 10 percent fewer sheep will be shorn this year than last. Increases are expected in a few densely populated sheep areas of Cape Province, however, such as the Southern, Central, and Eastern Karroo, and some other districts, whereas the greatest reduction in the number to be shorn is in Bechuanaland, Griqualand, West, in the Orange Free State, and in the Western Highveld district of the Transvaal.

Taking the provinces as a whole, a decrease somewhat under 4 percent is in prospect for Cape Province. In the Orange Free State the clip will be about 22 percent smaller than that of a year ago. The new clip will be somewhat lighter than that of last season, but will probably contain more vegetable matter in the form of grass seeds.

During the season just past, the Union clip was valued at $55,984,300 American currency compared with only $28,536,200 the preceding season.

In spite of a smaller clip the average returns to growers were nearly twice as large as the preceding season owing to the appreciation of wool prices. The average price per pound of grease wool increased from 8.6 cents in 1932-33 to 22.1 cents in 1933-34.

The autumn and winter (March - June) lambing in the Union is described as poor largely on account of the serious losses of the preceding spring and summer (December - January) and outbreaks of disease.

Receipts of wool at Union ports during the first 2 months of the new wool season amounted to only 2,390,000 pounds compared with 6,407,000 pounds during the corresponding period of 1933-34 and 7,152,000 pounds in the same period of 1932-33. During the same 2 months 4,480,000 pounds of grease wool was exported, a reduction of 11 percent as compared with the same 2 months of 1933-34, but 65 percent below that period of 1932-33, when shipments were unusually heavy. In addition, 564,000 pounds of scoured wool were exported compared with 912,000 in the corresponding period of 1933 and 953,000 in 1932. Total exports, converted to a grease basis during July and August amounted to 5,954,000 pounds in 1934 compared with 7,310,000 the preceding year and 15,362,000 in 1932-33. Stocks of wool at ports continue to be unusually heavy. At the end of August stocks of unsold wool had reached about 28,000,000 pounds grease and scoured combined, and were over four times larger than at the same date of 1933, the bulk being carry-over wool from 1933-34. At the end of the 1933-34 wool season, i.e., June 30, there were about 24,000,000 pounds of unsold wool on hand and 9,000,000 pounds of sold wool awaiting shipment.

Argentina and Uruguay

The 1934-35 wool season in South America begins October 1. Reliable estimates of the new clips are expected to be received in this Bureau shortly.

Exports from these two countries for the 10 months of the 1933-34 season ended July 31 were greatly reduced as compared with those for the same period last season. Only 269,000,000 pounds of grease and scoured wool was shipped from Argentina during this period and 94,000,000 pounds from Uruguay, (not including wool reported to have been smuggled into Brazil) the decreases as compared with the preceding season being 18 percent and 17 percent respectively below the unusually heavy exports of last season. The only countries taking larger quantities this year are the United Kingdom and Japan. The United Kingdom increased takings from Argentina 9 percent to 82,282,000 pounds and from Uruguay 22 percent to 28,835,000 whereas Japan showed an increase of over 100 percent to 8,922,000 pounds in purchases from Argentina and an increase of almost 400 percent to 1,524,000 pounds from Uruguay. The United States also increased takings from Uruguay, the total quantity being only 5,252,000 pounds, however, an increase of 74 percent compared with last season.

The important countries showing the greatest falling-off in purchases of Argentine wool were as follows with the quantities taken this season being given and percentages of last season's purchases in parentheses: France, 44,363,000 pounds (65); Germany, 40,221,000 pounds (84); and Italy 31,579,000 pounds (82).

The principal countries showing decreased purchases from Uruguay are as follows, with total quantities purchased being given and the percentage of last season in parentheses: Germany, 24,460,000 pounds (85) ; Italy, 10,199,000 pounds (49); France, 6,357,000 pounds (40).

Although figures of total stocks remaining in Argentina and Uruguay are not available, the quantity on hand on August 15 at Central Produce Market near Buenos Aires, was 6,074,000 pounds or about ten times larger than at the same time a year ago. In 1924-25, however, they reached 13,274,000 on that date. Last year at the end of September, total stocks in Argentina amounted to about 16,000,000 pounds compared with 67,000,000 at the end of the 1931-32 season, according to adjusted figures (See Foreign Crops and Markets, June 25, 1934). As a result of the decline in European demand since the beginning of the year stocks at the end of the season, September 30, will probably be larger than they were last year, although not excessive. The same condition also applies to stocks in Uruguay where they were estimated at 13,000,000 pounds in May this year compared with only about 5,000,000 pounds in 1933 and 33,000,000 pounds in 1932. Exports since May have been unusually small. Production for the 1933-34 season in Argentina is estimated to have been about 2 percent greater than in 1932-33 and that of Uruguay about 5 percent smaller.

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