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WORLD WOOL PROSPECTS

Summary

Mid-September reports indicated a slower market at Boston following the extreme activity of August and early September. Asking prices, however, remained firm. Advances in prices at Boston from late July to the middle of September amounted to 33 to 60 per cent. The continuation and extension of the improvement is dependent upon the sales of finished products to the consumer, which in turn is related to consumer purchasing power. The import level may also influence the limit of advances on domestic wool prices. At the present time, however, most domestic wools, particularly the finer grades, are considered below import value, and foreign markets report firm or rising prices.

United States consumption of combing and clothing wool by reporting manufacturers in July showed great improvement over June but was below the July average of the five previous years. The extremely active market at Boston and an increase of 13 per cent in employment in the woolen and worsted goods industry during August indicates a continuation of the improved consumption into September.

Prices at the opening of the sixth London wool series on September 20 were 10 to 15 per cent above the July close. The wool industry of the United Kingdom has shown more confidence during the past month. The market has been largely dominated by the improvement in raw wool prices in primary markets and prices for wool and tops at Bradford have advanced accordingly. The improvement for spinners and manufacturers of finished products, however, has not kept pace with that for raw materials and tops, and consumer incomes remain low.

Further improvement was evident in the continental wool market during August and buying interest in top and noils was quite good. Improved business was booked by spinners and weavers during the month.

Shearing of the new clip has begun unusually early this year in Southern Hemisphere countries and fair quantities of wool have already arrived at selling centers. Favorable weather conditions combined with the better prices for the new clip accelerated shearing operations, especially in Australia. Shearing will not become general, however, until next month.

The prospective supply of wool for disposal during the entire 1932-33 season in four ^{a/} important Southern Hemisphere countries is provisionally estimated at 1,850,000,000 pounds including carry-over, an increase of about 5 per cent above 1931-32. No estimate of production is as yet available for Argentina. The bulk of the wool carried over at the end of 1931-32 was crossbred, and a considerable portion is reported to be in New Zealand with fair quantities in the South American countries. The 1931-32 export season in Argentina and Uruguay does not close until September 30, and it is possible that stocks in those countries may be reduced somewhat by that time. Stocks in the five important countries of the Southern Hemisphere at the end of June probably did not exceed 200,000,000 pounds or about one-tenth of the total clip of those countries.

Exports during July from Australia, New Zealand, and the Union of South Africa were 4 per cent greater than during July a year ago but considerably below the same month of 1930 when they were unusually heavy.

Marketing Situation

United States

Advances in wool prices at Boston from the latter part of July to the third week of September were from 33 to 60 per cent, reports R. L. Burrus of the Boston office of the Bureau of Agricultural Economics. For the week ended a/ Australia, New Zealand, Union of South Africa and Uruguay.

September 17, average prices of territory wools, scoured basis, were 10 to 13 cents a pound above the low point, fleece wools were up 9 to 15 cents a pound and Ohio and similar grease wools had advanced 5 to 8½ cents a pound. On some grades, prices have reached the previous high of the year reported in January.

The 48s, 50s quality wools have shown outstanding buoyancy on the rise, especially since September 1. Sales of strictly combing 48s, 50s Ohio wool during the week ended September 17 at 23 cents in the grease brought the scoured value to 38-40 cents a pound, which is higher than the January price, and is approximately 60 per cent above the July low point. Advances of slightly over 50 per cent were realized on 46s (low 1/4 blood) and 36s, 40s, 44s (Common and Braid) of both fleece and territory wools. These grades are produced in only very limited quantities in this country, and the inadequacy of the domestic supply to care for a normal consumption places them in a favorable position to make large gains on any extensive buying movement. Demand was very broad on 56s which reached 42-44 cents a pound, scoured basis, the middle of September. Fine (64s, 70s, 80s) territory wools were quoted at 47-49 cents and fleece wools at 48-51 cents scoured basis while fine Ohio and similar grease wools were 20-21 cents a pound. Gains on 58s, 60s and the finer quality domestic wools were not as great as on some of the lower grades. Domestic production of these grades is larger than in the lower grades.

Foreign wools had practically no part in the trading in Boston of August and the first half of September. The sharp rise in domestic wool prices caused some inquiry on foreign lines but it was found that practically none of the dutiable foreign wools offered were priced at levels, after payment of duty, which could compete with home-grown wools. Quotations on offerings of Australian 64s, 70s super warp wools suitable for this country figured about 65-67 cents, scoured basis, duty paid, at Boston as compared with about 50 cents scoured basis on Ohio delaine. Medium and low wools abroad, on the other hand, are in large supply and the difference is not so great.

Scoured pulled and shorn wools sold freely in the past month and made substantial gains as the woolen branch of the industry showed signs of further expansion. Noils showed little change in price until mid-September. Prices of noils had not declined as severely as raw wool prices owing to the curtailed combing activity and consequent small production of noils. Wool tops made decided advances in late August and early September and have kept up with advances in wool. Deliveries have increased to very high volume and all available commission combing space for 64s tops was taxed to capacity in mid-September in order to make deliveries at times specified on contracts.

The initial spurt in the wool market in August developed as several large manufacturers entered the market for large quantities of wool after an absence of many months. The extent of the movement, however, is explained by the better conditions in the goods market and bookings of sizable orders for cloth; buying of wool in anticipation of cloth orders and some speculative buying in view of the low level to which wool prices had fallen. Greater confidence in the general business situation offered a favorable background for the operation of factors immediately affecting the goods market.

The recent activity in wool manufacture has resulted in greatly improved consumption of combing and clothing wool. Consumption in July by manufacturers reporting to the Bureau of the Census was 57 per cent greater than the June consumption and was 82 per cent above the low level of May. Consumption by

reporting mills was 23,700,000 pounds (grease equivalent) in July compared with 15,200,000 in June. In spite of the large gains consumption in July was still well below average. For the five years, 1927-1931, the average July consumption was 33,800,000 pounds. In July 1931 reported consumption was 44,000,000 pounds, the highest monthly total in eight years. Consumption of combing and clothing wool reported for the first seven months of 1932 was 149,430,000 pounds (grease equivalent) while last year from January to July, 240,008,000 pounds were reported. This is a reduction of 38 per cent.

Receipts of domestic wool at Boston so far this season have been well below those of last season. While this may be due in part to a reduced clip the unfavorable marketing situation and low prices which prevailed during the first half of this year probably caused the holding of considerable wool in country districts for higher prices. The tendency last year was toward early marketing and shipping and 75 per cent of the year's receipts were received at Boston by the end of July, compared with an average of 68 per cent of the total received in this period during the years 1926-1930. Total receipts of domestic wool at Boston from January 1 to September 17 of this year were 174,986,500 pounds. In the same period last year 236,364,000 pounds, or 93 per cent of the year's total, had been received. Arrivals in August for the first time this season were greater than in the corresponding month last year, and receipts for the first half of September this year surpassed those for the entire month in 1931. Imports of combing and clothing wool for the first eight months of 1932 were only 13,740,000 pounds compared with 30,395,000 pounds imported in the same months last year.

United Kingdom

Confidence has returned to the wool industry in the United Kingdom to a considerable extent reports H. E. Reed, Marketing Specialist at London. Prices at the opening of the sixth series at London on September 20 were generally 10 to 15 per cent above the July closing prices. The improvement in raw wool values in the primary markets largely dominated the situation in consuming centers of the United Kingdom during the first half of September and prices for wool and tops advanced accordingly. After a brisk buying movement both for the home trade and for export, following the Sydney opening, the activity subsided as prices hardened but the market remained firm. English buyers were not very active at the opening of the London sales and their competition in Australia has also declined.

Spinners at Bradford have had difficulty in obtaining prices in keeping with top values and little new business has been done at the advanced prices. The yarn and finished goods sections of the trade are reacting slowly and with caution.

The return of confidence with the rise in commodity prices has been material. However, while conservative observers recognize the importance of the returning confidence throughout the world and the value of higher commodity prices in restoring purchasing power, they also comment on the large supplies of raw wool and present low purchasing power. The inability of manufacturers to obtain higher prices in keeping with raw wool values is causing some concern.

Activity in the combing section of the English wool industry increased during August and September as a result of increased deliveries to the home trade and increased exports of tops. The depreciation in sterling has again

avored English conversion costs in comparison with countries on a gold basis and the combing section has benefited greatly. The spinning and weaving sections have not increased activity in proportion to the combs but spindle activity was slightly better by mid-September. Bradford conditioning house figures reflect the increase in activity. The amount of top conditioned in August was larger than for any month since April and was considerably in excess of August 1931. Most of the increase took place in the latter half of August and continued into September.

The percentage of unemployment in the woolen and worsted industry on August 22 was 26.8 according to the British Ministry of Labour. This compares with 26.6 in July. A slight decline was reported in the worsted section compared with July, but little change occurred in the woolen section. Exports of woolen and worsted piece goods in August were larger than those of July and were also greater than the exports of August 1931.

France

The volume of business in tops and noils on French markets increased greatly during the month of August, according to a report from L. V. Steere, Agricultural Attache' at Berlin. The tendency of prices was generally firm, particularly because of rather restricted supplies, especially of noils.

The increased buying did not lead to an immediate increase in mill operations during the first half of August, but in the second half a rather general, though perhaps small, acceleration of mill activity became evident in topmaking, spinning, and weaving establishments. New orders booked by yarn and weaving mills increased noticeably during the course of the month, both for export and domestic account.

Italy

Italian markets for tops, noils, and washed wool were ruled by a more conservative tone than was the case in France during August, business being obviously influenced to a certain degree, seasonally, by the quietness characterizing the vacation period, states Mr. Steere. Buying activity tended, however, toward an increase as the month progressed, as a result of the favorable developments in other European markets and the general firmness of wool prices. Rising quotations for raw cotton also stimulated the business in wool to a certain degree. Sales of yarns and cloth booked by the Italian wool industry showed a moderate increase during August, and occupation of the mills is indicated to have made a further slight rise. Buying interest for carded wool was fairly active in connection with recent important orders for military cloth. The rate of operation of Italian woolen mills has now been showing a slow but steady increase in all sections of the industry since March.

Belgium

The improvement in conditions in the Belgian wool market reported at the end of July has been maintained during August, and has made some further progress, apparently as a result of more general optimism in most branches of the woolen textile industry. Trading in tops and noils was considerably more active than in the previous month, but washed wool was rather neglected.

Manufacturing activity in the woolen industry did not change greatly during August, but occupation, none the less, was somewhat higher than in July,

notably in hat making establishments. It would appear that activity is destined to show some further acceleration because of the rather general increase in the flow of new business recently reported. New sales of semi-manufactured and manufactured goods booked by the wool industry have shown a fair increase, especially in the hat making branch.

Trade observers now quite commonly express the opinion that betterment in the textile situation may be regarded as definite, and that hopes for further improvement are justified. This view assumes, however, that prospects for general economic recovery in the world at large are now somewhat better than at any time in the past two years.

Germany

The improved situation in top and noils markets evident in most European countries has also been apparent in Germany during August according to Mr. Steere. The worsted industry has booked considerably more new business during August than for many months past, and the buying of top, especially of fine crossbreds and short merinos, has increased significantly, particularly during the second half of the month. The order situation in the woollen industry also improved during August. As in other countries, however, interest in washed wool continued small.

The increased demand from the woollen branch is reported to have been influenced to a noticeable extent by the firmness of raw cotton prices. Worsteds spinners report considerable optimism on the part of their customers, though prices which can be obtained are still unsatisfactory. The pressure which has weighted down prices of the finished product so long continues to make it difficult to advance quotations. Weaving mills likewise report unsatisfactory margins, though the volume of business has definitely improved.

The number of workers fully employed in all branches of the German wool industry, in per cent of trade union members, showed an increase of 3 per cent in July compared with June but was only 30.5 per cent compared with 50.0 per cent in July 1931.

Australia

The new Australian selling season opened at Sydney on August 29. In line with the advances at the July series at London and the strength in Bradford and continental markets during August the opening prices showed considerable advance as compared with the closing quotations in June. Increases on merino wools at the opening averaged 15 to 20 per cent in Australian currency. Crossbreds were not represented at these sales. As the sales progressed, further advances were reported and at the close of this series on September 8, prices were 10 to 15 per cent higher than at the opening. These advances were well maintained and some further improvement was noted at the sales held at Brisbane and Adelaide after the close of the Sydney series.

Early reports indicated that all sections of the trade operated at the Sydney sales. As prices advanced English buyers became more cautious. France became the chief competitor supported by Japan. England bought little wool at the sales, buyers limits in general being lower than the price at which France and Japan were taking wool. At the Brisbane and Adelaide sales Japan also became more cautious while Germany offered some competition to French buyers.

South Africa

The selling season in South Africa opened on September 6, prices showing an advance of 15 per cent compared with June according to H. E. Reed at London. France has been the chief purchaser, with Japan also buying while England has not been active. The carry-over from last season of 54,000 bales was reported as cleared by private treaty prior to the opening of the first sale.

Last year, effective from September 1, the South African Government reduced rail charges 33-1/3 per cent on all wool being shipped to port for export. The original plan was to have these rates effective to June, 1932. The Ministry of Railways now announces that the reduction will continue for another year, according to a report from Assistant Trade Commissioner, D. G. Clark. Furthermore, wool in bags will now be treated on an equal basis with wool in bales and both will enjoy the reduced rates. Since the export subsidy of 25 per cent was also extended by the South African Government the wool grower maintains his competitive position with the grower in Australia where wool prices are affected by the depreciation in currency values.

Supply SituationUnited States

Feed conditions on western ranges on September 1 were much better than at the same time last year when drought conditions prevailed. On September 1, 1932, the condition of ranges was 84 per cent of normal compared with only 73 per cent at the same date last year and a 5-year average of 84 per cent.

The condition of sheep and lambs was 90 per cent of normal on September 1, compared with 84 per cent at the same date last year, and a 5-year average of 90 per cent. Hot dry weather during August did some damage to lower ranges but west of the Continental Divide ranges are good, carrying more feed than for several years, according to the report of the Division of Crop and Livestock Estimates.

There appears to be a desire to hold ewe lambs in some sections, but the extent of this will depend on finances. The lamb crop this year was 8 per cent smaller than last year and 1 per cent smaller than in 1930.

Australia

The new clip has been arriving at selling centers in large quantities, receipts from July 1 to August 31, amounting to 134,644,000 pounds, an increase of 9 per cent above the same period of 1931-32 according to a report from Senior Marketing Specialist Reed at London. Shearing has been abnormal during the month. Growers appeared anxious to obtain the better prices which were expected and which materialized at the opening of the selling season on August 29. Stocks at the beginning of September of old and new clip wool, amounted to about 160,000,000 pounds compared with about 133,000,000 pounds at the same date of 1931, an increase of 20 per cent. The increase in stocks is undoubtedly due to earlier arrivals of the current season's wool as well as to the increased quantity of carry-over wool on hand, which amounted to about 37,000,000 pounds on September 1, compared with about 13,000,000 pounds at the same time last year. The new clip is reported as sound, well grown and generally in attractive condition.

Although an increased number of sheep is expected to be shorn this season, fleeces are averaging somewhat lighter, according to early reports. An unofficial estimate places sheep numbers at the beginning of 1932 at 112,000,000 compared with the official estimate of 110,568,000 at the beginning of 1931. Numbers for the past three years have exceeded the previous record of 106,421,000 reported in 1891.

There has been an upward trend in sheep numbers in Australia since 1928. However, Australia is subject from time to time to droughts of great severity and of long duration, the drought of 1883-84 lasting 22 months, that of 1904-05, 19 months, and those of 1901-02, 1914-15 and 1925-26 lasting 17 months each; the latter extending into 1927. The number of sheep lost during a drought depends largely on the density of the sheep population in the area affected and the condition of the rest of the Continent. In 1901-02, when the drought was general, sheep losses approximated 18,000,000. In 1914-15 the drought was more severe in the South than in the North with losses approximating 14,000,000. In 1925-26 the drought was very severe in central and northern Queensland, whereas the southern part of Australia experienced a good season and total losses were about 7,000,000 sheep. The average annual losses during the period of the five most severe droughts was 10,800,000, whereas the average for the 16 drought periods from 1883-84 to 1925-1927 was above 4,000,000 for each period. Since 1927 there have been no heavy losses on account of drought.

Australia has experienced exceptionally favorable weather for the past two seasons. In Queensland, however, for the year 1932 up to August only 13.12 inches of rain had fallen which is 17 inches below normal for seven months. Last year the average was 46.45 inches.

New Zealand

New Zealand has passed through the winter without any serious shortage of feed despite the extended drought of last summer and fall. Shearing of the new wool clip has begun in early shearing districts. The clip is provisionally estimated at 250,000,000 pounds or 6 per cent below the quantity produced in each of the two preceding seasons.

Lambing is now proceeding in various districts of North Island and losses have been very low so far. However, a 10 per cent decrease in the number of lambs is indicated for New Zealand as a whole. There is a possibility of a serious reduction in the number of breeding ewes for the coming year, according to the Pastoral Review. The sheep returns for 1932 showed a decrease of 3 per cent in breeding ewes which were reduced to 17,000,000. Breeding ewes comprised about 60 per cent of the total sheep numbers on April, 1932 according to the interim report.

The slaughter of ewes for export for the season ending September 30 is unofficially estimated by Pyne, Gould, and Guinness in their annual review at 1,445,000, compared with the official estimate of 771,000 in 1930-31 and 1,157,000 in 1929-30 according to records of the New Zealand Meat Producers Board. The estimate for 1931-32 is probably too low as the total number of sheep, including wethers, slaughtered up to July 30 was estimated at 2,889,000, compared with the unofficial estimate of 2,885,000 for the whole season. It was reported, however, that sheep slaughter, especially ewes, fall off heavily in June and July. Lamb slaughter up to the end of July was estimated at the record figure of 8,822,000, an increase of 14 per cent above 1930-31 for the same period.

During the first month of the 1932-33 season exports of wool amounted to 6,441,000 pounds, which was a decrease of 18 per cent compared with July 1931, and was over 50 per cent below exports for the same month of 1930-31 when they were unusually heavy. Exports during July 1928 and 1929, however, amounted to about 5,000,000 pounds each year.

Union of South Africa

The movement of the early shorn wool of the 1932-33 clip to market has begun but will not reach maximum proportions until in October and November. Receipts at ports by rail for the first month of the season amounted to 1,561,000 pounds, an increase of about 500,000 pounds above the same period last year. Exports for the same period were considerably heavier than they were last year, amounting to 7,500,000 pounds compared with only 1,280,000 in July 1931.

Stocks of unsold wool at ports on August 1 were about the same as they were at the same time a year earlier, i.e., about 14,000,000 pounds. For the preceding three years the average quantity on hand on August 1 was about 6,000,000 pounds.

The 10 per cent export subsidy begun in October 1931 and later increased to 25 per cent is expected to be maintained for about two years more.

Receipts at ports during the season ended June 30, 1932, are now estimated at 309,000,000 pounds, an increase of 5 per cent above the preceding season, according to Agricultural Attache' C.C. Taylor stationed at Pretoria. Exports for the season are now estimated at 300,000,000 pounds, an increase of 6 per cent above 1930-31, but 2 per cent below exports for the season 1929-30.

The estimated decrease of 2 per cent in the coming wool clip was not due to fewer sheep but to an estimated lighter weight per fleece. Sheep numbers in the Union continued the upward trend during 1931-32, although at a slower rate, according to an unofficial estimate of Agricultural Attache' Taylor, which places the number of woolled sheep at 47,000,000 on August 1, 1932, compared with 46,300,000 in 1931 and the census figure of 43,912,000 in 1930. The number of woolled sheep has increased each year since 1923, when the number reported was only 25,824,000 head. In addition to woolled sheep there are about 5,000,000 sheep classified as "other sheep".

Slaughtering of sheep and lambs at abattoirs ^{a/} amounted to approximately 3,500,000 head for the year ended June 30, 1932, compared with about 3,100,000 in 1930-31 and 2,700,000 in 1929-30. The average annual slaughter on farms is estimated at about 3,000,000. It is probable, however, that more than the usual number have been slaughtered on farms this year. Deaths of sheep and goats from various causes averaged 4,700,000 for the eight years, 1923 to 1930, with sheep averaging from 58 to 76 per cent of the total. The largest number which died from drought, disease, etc., in recent years, was in 1922-23 when 6,945,000 sheep and goats perished. In 1927-28 about 5,400,000 perished and in 1929-30 about 4,600,000. The average annual lamb crop of the Union is estimated at about 12,000,000. As weather and pasture conditions have been relatively

^{a/} Estimate based on slaughter at five abattoirs, which represent 40 per cent of total slaughter of sheep and lambs killed at abattoirs.

favorable during the past year, losses by drought, disease, etc., were probably below average, whereas, the lamb crop was at least average or better than average.

Argentina

Pastoral conditions appear favorable for Argentina as a whole. Pasturage is reported as abundant. The 1932-33 clip for which no reliable estimate is as yet available is reported to be of good quality. Last season's clip was estimated at 533,000,000 pounds.

Prospects for the spring lambing season (July - September) were reported as excellent. There has been no estimate of sheep numbers since the 1930 census when the number was placed at 44,413,000 head. In the future, official estimates are to be made each year beginning with July 1, 1933.

Exports of the 1931-32 clip up to the end of July amounted to 271,000,000 pounds, a decrease of 15 per cent compared with the same period of the preceding year. Exports, however, were greater than in 1929-30. Apparent available supplies for disposal during the last two months of the season are estimated to be considerably larger than at the same time last year but are not as large as in 1929 or in 1930.

Uruguay

Sheep flocks which have been considerably reduced since 1930 are reported as suffering somewhat from the wet weather and too rank pasturage. Ranches in the North are reported as heavily grassed but in the South they are somewhat burnt by drought and frost. Rain has been plentiful in the North, whereas, the weather in the South has been dry according to latest reports.

Receipts of the 1931-32 clip had reached only 99,000,000 pounds by the end of July. Exports from September 1, 1931 to July 30, 1932 are estimated at 80,000,000 pounds compared with 145,000,000 pounds during the same period of 1930-31 and 143,000,000 pounds in 1929-30. Stocks on hand at the end of June were reported at 22,000,000 pounds compared with about 2,000,000 at the same date of 1931. It seems probable, however, that the total available supply was considerably larger.