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WORLD WOOL PROSPECTS

Summary

The downward trend in wool prices which began in the Boston wool market in October was abruptly checked when trading was resumed following the national bank holiday, reports the Bureau of Agricultural Economics. By the second week of activity quotations on most grades of territory wool had been advanced 2 to 4 cents a pound above those ruling the end of February, and, despite opposition offered to the mark up, sufficient orders were received to establish the higher quotations. By the middle of March conditions were in distinct contrast to those ruling at the close of February when the market was largely at a standstill but trading became less active toward the end of the month.

Prices at the opening of the new series of sales at London on March 14 were mostly 5 to 10 per cent below those ruling at the close of the previous series in February. The decline was expected and was in line with declines at sales in Southern Hemisphere countries the latter part of February. Except for the decline at London which adjusted prices there to the previous declines in other markets, prices abroad have been firm during March.

Consumption of combing and clothing wool by United States manufacturers reporting to the Bureau of the Census in January was equal to that reported for December and was 11 per cent above consumption in January 1932. Trading in the Boston market fell off rapidly during February, however, and the unsettled financial conditions in March greatly hindered business and manufacturing activity during that month. Wool imports thus far in 1933 have been extremely small. Only 1,300,000 pounds of combing and clothing wool were received at the ports of Boston, New York, and Philadelphia from January 1 to March 18 of this year compared with 6,141,000 pounds imported in

the corresponding period of 1932.

The decided upturn which took place in the continental wool industry in the second half of 1932 has come to a standstill. Political uncertainty and continued unfavorable economic conditions make it difficult to maintain the improved level of activity in these countries and discourage any accumulation of stocks. There has been little change in the English industry during the past month. Demand for semi-manufactures in the Bradford market is moderate but trading is very quiet. A slight improvement in employment was reported for the English woolen and worsted industry in the Ministry of Labour report of February 20 as compared with that of January 25.

Shearing of the 1933 wool clip has now begun in Northern Hemisphere countries which annually produce about 1,000,000,000 pounds of wool or roughly one-third of the world's total output of combing and clothing wools.

No estimates of the 1933 wool clips are as yet available, however. Present prospects are that in 1933 the shorn wool clip in the United States, the most important producer of combing and clothing wool in the Northern Hemisphere will at least equal that of 1932 as a result of improved weather and feed conditions and the fact that losses have been light so far. Sheep numbers as of January 1, 1933 showed a reduction of 3 per cent as compared with 1932. Increased holdings of breeding ewes in the United Kingdom point to probably increased sheep numbers and wool production in that country in 1933, whereas in France a decrease may be expected. Wool production in the United Kingdom, the second largest producer of the improved type of wool in the Northern Hemisphere, has been increasing in recent years, whereas in France wool production has declined along with sheep numbers. Russia produces a large quantity of wool but the bulk at present is of the coarse or carpet type of wool.

Apparent supplies ^{a/} of wool in the five ^{b/} Southern Hemisphere countries on February 1, 1933 were 6 per cent less than at the same date of 1932 but 3 per cent above the 5-year average 1927-1931. Up to the first of February 47 per cent of the total estimated supply available at the beginning of the season had been shipped or a larger percentage than was exported during this period for the 5-year average 1926-27 to 1930-31 by 4 per cent. In 1931-32 only 40 per cent had been shipped out during the corresponding period. In the three countries, Australia, New Zealand and the Union of South Africa, where the seasons extend from July 1 to June 30, about 50 per cent had been exported this season compared with only 44 per cent last season and a 5-year average of 47 per cent. Exports so far this season are estimated at 1,026,000,000 pounds (for the five Southern Hemisphere countries,) an increase of 21 per cent above the corresponding period of 1931-32 and 18 per cent above the 5-year average 1926-27 to 1930-31 for the same period.

Marketing Situation

United States

A reversal of the trend in the Boston wool market has taken place during the past month, reports Russell L. Burrus of the Boston office of the Bureau of Agricultural Economics. The latter half of February was marked by a progressive slackening in the trade, and prices continued their slow decline. Bank holidays in various States and restrictions in others intensified the slowness of the market and business was practically at a standstill just before the nationwide bank holiday was declared. Quotations for the week ended March 4 were largely nominal.

Anticipation of better conditions to follow the banking holiday resulted in considerable interest in wool during the week of March 11. While many houses withdrew all offers from the market for a short period, trade was gradually resumed but offerings in most cases were quoted at substantially higher prices. During the week ended March 18 additional advances were evident. Buyers offered considerable opposition to the mark-up but sufficient orders were received to establish the advances made by the leading holders of wool.

a/ Carry-over plus estimated production minus exports from beginning of season to February 1. No account taken of comparatively small quantities used for domestic consumption or quantities sold but not yet exported.

b/ Australia, New Zealand, Argentina, Uruguay and Union of South Africa.

Fine grades of western-grown wools were among the first to show the effect of the rising tendency in prices. Asking prices on good Texas wools jumped to 45 cents scoured basis, following the banking holiday. The last sale closed on similar wools in February was 41-43 cents scoured basis. Only ordinary wools were available in sizable quantities at 41-43 cents the middle of March as compared with the range of 39-40 cents per pound accepted a few weeks earlier. Graded strictly combing territory wools were marked up to 45-47 cents, scoured basis, for 64s and finer wools and to 43-45 cents for 58s, 60s. Medium quality wools lagged behind the finer grades in the rising tendency but quotations became firmer. Sales were closed at 40 cents for strictly combing territory 56s scoured basis the week ended March 18 and scattered sales were closed on the lower grades at steady to higher prices.

Prices of noils and tops have also been advanced in recent weeks. Early business in tops following the bank holiday was largely for future delivery rather than for immediate requirements as mills are inclined to curtail operations owing to the limited current interest in goods. Average staple oil combined 64s tops sold at 59-60 cents the middle of March while good 60s realized 58 cents.

Consumption of combing and clothing wool by United States manufacturers reporting to the Bureau of the Census during January was approximately 32,000,000 pounds (grease equivalent) or practically equal to that of December. The January consumption, however, was 11 per cent greater than that reported for January 1932. In view of the slowing up of trade in the Boston market during February and the unsettled financial conditions in March, reports on consumption for the first quarter of 1933, when available are expected to show a decline compared with the final quarter of 1932 when activity in the wool manufacturing industry was generally high.

Imports of combing and clothing wool into the ports of Boston, New York, and Philadelphia from January 1 to March 18 of this year were only 1,300,000 pounds compared with 6,141,000 pounds received in the corresponding period of 1932. Imports of carpet wool into these ports were 10,760,000 pounds while to March 18, 1932 imports were 17,570,000 pounds.

United Kingdom

Demand for semi-manufactures in the United Kingdom was moderate and trading in the Bradford market was quiet during the month ended March 20, reports H. E. Reed, Senior Marketing Specialist at London. Prices declined during February as a result of the decline in wool prices in primary markets. During the first half of March prices for fine tops remained firm but prices of crossbreds moved lower. Trading in yarns continues very quiet.

Prices for most wools at the opening of the second series of auctions at London on March 14 were 5 to 10 per cent lower than those prevailing at the close of the previous series early in February. Yorkshire was the chief buyer of colonial wools at the opening while continental countries were interested in South American wools. Competition improved as the sales progressed. Prices were reported to be firmer as the second week opened. French buyers showed little interest during the early part of the auctions. Germany purchased merinos and fine crossbreds during the opening week, but English buyers were the chief purchasers.

Reports on machinery activity in the United Kingdom showed a further decline the early part of February, reports Mr. Reed. After the middle of the month, however, a considerable increase in activity was reported in the woolen section of the industry. Late orders for spring trade showed an increase and mills in the Dewsbury section were put on longer hours to satisfy the demand for quick deliveries. The percentage of unemployment in the woolen and worsted industry on February 20 as reported by the Ministry of Labour was 19.7 per cent compared with 20.9 per cent on January 23. A slight improvement was reported in the worsted section, chiefly among weavers while improvement was reported in all departments of the woolen section. Exports of wool tops, yarns and woolen and worsted tissues from the United Kingdom during February were larger than those of January and were also larger than in January 1932.

The wool stocks position in England has changed somewhat since our February report. Arrivals from primary markets are larger due to increased Yorkshire purchases. With the slowing down in consumption through January and February compared with the late months of 1932 the need of renewals has fallen off and the demand for spot wool is not as keen as was the case early in the year. Supplies of finer grades, however, are not regarded as excessive.

Continental Europe

The slight downward tendency in trading activity in wool and semi-manufactures which was evident in continental European centers the end of January continued through February and into March reports L. V. Steere, Agricultural Attache at Berlin. Business in tops and washed wool was much more quiet but trading in noils remained relatively active in most countries.

Political uncertainty in Europe and the downward tendency in wool markets during February hindered the placing of new business with the mills. Mill activity appears to have declined in many districts toward the end of February. The considerable upturn in the continental wool industry during the second half of 1932 has definitely come to a standstill and there is little inducement at present, in the face of continued unfavorable economic conditions to accumulate further stocks in industry and trade hands, where there has already been some increase in recent months. Recent developments in the leading continental wool centers are summarized by Mr. Steere as follows:

Recent political uncertainty in Germany has played an important part in checking activity of buyers in all German Textile markets. Spinners were very cautious purchasers on the top market during February and trading in washed wool was also restricted. Business in noils was somewhat more active, as was the case in other countries.

A new report recently issued by the German Institute for Economic Research indicates that the increase in retail demand for textiles, evident during the second half of 1932, extended as much to the wool section as it did to the cotton sections, states Mr. Steere. The improvement in occupation in the German wool industry as a whole from May to November 1932 amounted to about 25 per cent and was particularly satisfactory for the spinning mills.

Net imports of raw wool into Germany during the last quarter of 1932 were twice as large as during the final quarter of 1931. However, this movement was checked in December, according to the Institute and it was expected that a decline would take place during the early months of the current year. The increase in mill production during the second half of 1932 not only served to lift output back to the level of current sales by retailers but also caused some increase in trade stocks. While the recent market situation does not justify a policy involving accumulation of stocks, it is believed that if the political instability is overcome Germany will be in a position to offer renewed competition for raw wool.

Business in tops was relatively quiet in France during February, but somewhat more active demand was reported in the case of noils. Washed wool encountered buying interest only in the case of medium fine types. New sales by spinners and weavers have been slack, and the end of the month witnessed some tendency toward recession in the hitherto relatively favorable occupation of the industry. The renewed general uncertainty as to world economic and political developments has contributed markedly to the more reserved attitude.

The declining tendency of wool quotations on foreign markets was a considerable handicap to trading in Italy in February. Only limited demand was reported for tops and wool, though in Italy, as elsewhere, buying interest for noils was considerably better maintained. Activity in the worsted spinning and weaving mills has been reported as continuing satisfactory, but complaints were heard from the carded wool industry.

Quiet trading during the month of February was reported from Verviers, Belgium with some types of tops for knitting purposes and noils for hat-making in relatively better demand than other types. New sales of yarn and cloth by the mills were limited, but occupation in the manufacturing branch, that is, weavers and worsted spinners, is indicated to have remained quite satisfactory. On the other hand, complaints were common in the woollen spinning section.

Southern Hemisphere

Prices in Australian markets were adversely affected by reduced and irregular competition from Japan, the higher sterling exchange and low Yorkshire buying limits during the latter half of February. By the close of the month, however, British and Japanese buyers were offering increased competition. Prices became firmer by the end of February and this improvement was continued during March.

The selling season in New Zealand is drawing to a close and offerings at recent sales have been somewhat inferior. Because of the scarcity of superior wools price comparisons are difficult. The trend during February and March, however, was similar to that in Australian selling centers.

The season for combing wools in the Union of South Africa is nearly finished and the markets were generally quiet and prices unchanged the early part of March. Wool prices increased in South African markets during January, the rise being more than sufficient to offset the depreciation in South African currency. Late in January and during the early part of February the market was weaker. This was due in part to relatively heavy

marketings caused by sudden price changes and the change in the Government policy regarding the export subsidy on wool.

Low offers by buyers seem to be the chief difficulty in effecting sales in South American centers. Exports from Argentina for the first 4 months of the present season were above average and owners are now unwilling to sell at present low offers.

Supply Situation

United States

During the month of February sheep suffered from cold and storms, but losses were not heavy except among old ewes, according to the Western Livestock and Range Report for March 1. Further losses among old ewes were expected if severe weather developed later in the spring. Breeding ewes generally were in better condition than a year ago in northern and intermountain areas. In Texas, where sheep had wintered exceptionally well, there was a considerable shrink in February with some loss of old ewes and a few early lambs. With good feed, rapid gains should be made. In California sheep and lambs are in poor condition with losses above normal. The average condition of sheep and lambs in the 17 Western Range States was 83 per cent of normal on March 1 compared with 79 per cent on the same date of 1932 and the 10-year average of 91 per cent.

Range and other feeds are ample except in central, southeastern, south-central Wyoming, eastern Colorado, Western Kansas, western Oklahoma, northeastern New Mexico, and parts of the Texas Panhandle. As this area is very dry, moisture is needed to start spring feed. The average condition of ranges in the 17 range States on March 1 was 77 per cent of normal, compared with 75 per cent last year and a 10-year average of 84 per cent.

The early lamb crop of 1933 in the principal early lambing States as a whole is about 8 per cent smaller than the early lamb crop of 1932 according to reports received by the Department of Agriculture. In the far western early lambing States, except California and western Oregon weather and feed conditions in January and February this year were more favorable than last year when they were poor. In the eastern and middle western areas feed conditions have been very good, but weather in February this year was not as favorable as in February 1932 and losses of young lambs were larger this year.

Wool production in 1932 in the United States, according to revised estimates of the Division of Crop and Livestock Estimates, amounted to 344,354,000 pounds of shorn wool and 67,100,000 pounds of pulled. There was a decrease of 7 per cent in the quantity of wool shorn as compared with 1931 and 2 per cent compared with 1930. Pulled wool production was larger than in either of the 2 preceding years. The number of sheep shorn in 1932, according to the revised estimates was 44,431,000 or 83 per cent of the total number on hand on January 1 of the same year.

The percentage of sheep shorn to the total number on hand as of January 1 was considerably less in 1932 than in 1931 and also less than for the 7-year average 1925-1931. The average yield of wool per fleece in 1932 according to revised estimates was 7.75 pounds compared with 8.04 pounds in 1931, 7.91 pounds in 1930 and the 7-year average 1925-1931 of 7.81 pounds.

United Kingdom

Last year wool production in the United Kingdom reached approximately 128,000,000 pounds, according to preliminary unofficial estimates. There has been a steady increase since 1930. Including Irish Free State the total production in 1932 was 142,000,000 pounds, an increase of 3 per cent above 1931. As lambing prospects are good with a reported increase in the number kept for breeding it appears that the 1933 wool clip may also be a large one.

Sheep numbers in mid-summer 1932 in the United Kingdom reached 27,000,000 and were higher than in the 2 preceding years and also the 5-year averages 1926-1930 and 1921-1925. There was a slight decrease in Irish Free State in 1932, but the total including Irish Free State was approximately 30,600,000 compared with 29,900,000 in 1931.

Australia

Toward the end of the summer months, that is, the beginning of February, conditions had become very unfavorable over most of Queensland and parts of New South Wales on account of lack of sufficient rain. In other parts of Australia conditions were good with feed fairly plentiful.

Receipts of wool at selling centers for the first 8 months of the season, that is, through February, amounted to 808,000,000 pounds and were 5 per cent greater than for the same period of 1931-32. Disposals during the same period amounted to 617,000,000 pounds and were also 5 per cent greater than in 1931-32. Stocks on hand at the end of February totaled 191,000,000 pounds or 4 per cent above the same date of 1932. The total movement so far in 1932-33 has exceeded that for the same period of the 2 preceding years and the average for the 5 years 1926-27 to 1930-31.

Exports for the first 7 months of the season 1932-33 reached 552,000,000 pounds and were larger than for the same period of the two preceding seasons and the 5-year average 1926-27 to 1930-31. Increased quantities went to France, Holland, Belgium, Germany, Austria and Japan. All other countries including the United Kingdom and the United States took less than in the same period of 1931-32.

New Zealand

Seasonal conditions in New Zealand are generally much better than they were last year at this time. It is too early however, to make an estimate of the clip to be shorn the last few months of 1933. Prospects for the wintering of sheep appear better than they were last year at this time. Lambing which took place the last few months of 1932 was better than expected and was probably about the same as in 1931. The estimate was 1 per cent lower than the preliminary estimate for 1931 but 1 per cent above the final returns of the number of lambs tailed that year. The 1933 estimate of total sheep numbers will not be available until June or July.

Exports of wool from New Zealand for the first 7 months of the 1932-33 season, that is, through January were unusually large. The quantity shipped out reached approximately 96,000,000 pounds and was larger than the quantity exported in the corresponding period of the two preceding seasons or the average amount shipped during the same period of the season 1926-27 to 1930-31.

Despite the decrease in total sheep numbers during the past 2 years from 30,841,000 in April 1930 to 28,692,000 in April 1932, there has been a substantial increase in the number of flocks. In 1929 the total number of flocks was 28,712, in 1930 30,022, in 1931, 30,789, and in 1932, 30,449. About 4,000 new flocks, each averaging 150 sheep have come into existence between 1929 and 1932, despite the low prices ruling for mutton, lamb and wool, states the New Zealand Stock and Station Journal. There are no less than 3,073 new flocks in the class under 200 sheep and these flocks alone have increased 55 per cent in 3 years. This is believed to be a permanent movement toward smaller flocks, indicating a very definite change in the ownership of flocks in New Zealand.

There has been, at the same time, a steady increase in milk cows over these years. It has been found profitable from a dairy viewpoint to close graze the paddocks with sheep after the cows have been removed, and before grass is allowed to grow again. As this innovation has been introduced when returns from sheep are at the lowest point it might be expected to be a permanent practice when improved returns are received from this new side line, states the article. The present low prices of stock have aided this practice.

The number of small flocks comprising under 500 sheep each has increased by 30 per cent or 3,646 flocks over the period under review, that is, 1929 to 1932. The number of comparatively small flocks under 1,000 sheep has increased 22 per cent while the flocks of over 1,000 sheep each have decreased by 3 per cent. There was a steady increase in the total number of flocks up to 1931, the peak year, but in 1932, the totals receded by 340 flocks. In spite of this decrease the small flocks under 500 sheep show a gain of 125 for 1932. The Auckland sheep district show the largest gain in small flocks and this is followed by Otago. The increase in small flocks has taken place in the principal dairying districts. It is believed that total sheep numbers would have decreased very much more than they have since 1930 had this new practice not been introduced.

Argentina and Uruguay

Argentine wool shipments for the period October 1 to February 23 amounted to 155,000,000 pounds, an increase of one-third above shipments for the comparable period last year. In 1930-31 exports for the first 5 months of the season to the end of February amounted to only 149,000,000 pounds and for the 5-year average 1926-27 to 1930-31 exports for the same period of the season amounted to approximately 145,000,000 pounds.

In Uruguay, shipments from October through February 23 were approximately double the quantity exported during the corresponding period of 1931-32 when shipments were unusually small. The United Kingdom and Germany were the heaviest buyers of Uruguayan wool. Purchases by the United States has been very small.

Union of South Africa

The movement of the Union wool clip continues heavy. Receipts for the season so far, that is, July 1 to February 24, amounted to 263,000,000 pounds and are approximately 20 per cent above receipts during the same period of the 1931-32 season. Exports for the same period reached 253,000,000 pounds and are 50 per cent above those for the first 8 months of 1931-32 and also above that period of 1930-31 and the 5-year average 1926-27 to 1930-31. Stocks of unsold wool are low, being estimated on March 1 at only 10,000,000 pounds. Last year at the same time stocks were unusually large being estimated at 71,000,000 pounds.