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WORLD WOOL PROSPECTS

Summary

Developments in the world wool markets in January were somewhat irregular. The domestic market was very quiet during the first half of the month, but prices remained firm. During the third week of January heavier buying was reported at Boston and prices were advanced slightly on some lines. Foreign markets reported increased activity and further sharp advances in prices at the opening of the 1934 sales after the year-end holidays. Sentiment changed, however, after the middle of the month. Opening prices at London on January 16 were generally 10 to 20 percent above the December closing quotations, but the advance was not maintained through the first week of the sales. Lower prices were also reported from Southern Hemisphere markets the second half of January.

The index of consumption of combing and clothing wool in the United States in November, adjusted for seasonal variation, was 99 percent of the 1923-1929 average. This was the first month since April in which the index fell below 100. Consumption for the first 11 months of 1933 was 32 percent larger than in the same months of 1932. Unofficial reports indicate a further decline in domestic wool manufacturing activity in December due in part to seasonal factors. Activity in the wool industries of England and continental European countries was well maintained through December. Unemployment of insured workers in the wool industry of the United Kingdom on December 18 was 9.2 percent or the same as reported in November. In December, 1932, 19.0 percent were unemployed.

Increased consumption and favorable marketing conditions in 1933 resulted in heavier shipments of foreign wool to the United States than in

the last few years. Imports of combing and clothing wool in 1933 were 44,000,000 pounds, the largest since 1930. Imports of carpet wool were 130,000,000 pounds, the largest since 1929. In 1932 only 15,000,000 pounds of combing and clothing wool and 41,000,000 pounds of carpet wool were imported. A larger proportion of the domestic clip was shipped to Boston dealers in 1933 than in recent years. Receipts of domestic wool at Boston amounted to 266,000,000 pounds compared with 213,000,000 pounds in 1932 and a previous record of 254,000,000 pounds in 1931.

Although production in five important Southern Hemisphere countries 1/ in 1933-34 is estimated to be 11 percent below that of last season and 6 percent below the 5-year average 1927-1931, exports from these countries up to December 1, 1933 were 1 percent larger than those of a year ago. Exports for this period in 1933 were approximately 570,000,000 pounds. The carry-over of wool in Southern Hemisphere countries at the end of the 1932-33 season was smaller than for the last 3 or 4 years.

Marketing Situation

United States

The Boston market was very dull through December and the first half of January. Moderate lots were sold from time to time, but the aggregate volume was relatively small according to the market review for the month ended January 15 by R. L. Burrus of the Boston office of the Bureau of Agricultural Economics. A fairly optimistic tone was maintained, however, as manufacturers continued to make inquiries for various types of domestic wools. Prices continued mostly unchanged but the tendency was very firm despite the slow trade. Advancing prices in foreign markets afforded strong support to the domestic market.

Most grades of wool had some call during the month ended January 15, but wools of 64s and finer qualities comprised the greater portion of the sales. In the third week of January the market became more active. The finer quality western grown wools were quite active and prices made moderate advances on a number of lines. Graded and original bag lines of territory 64s and finer greasy combing wools had a fairly large call and sizable quantities of 12-months Texas wools were moved at higher prices. Ohio and similar fleece wools remained fairly quiet.

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

Quotations on strictly combing territory wools, scoured basis, at Boston the third week of January were as follows: 64s and finer qualities, 86-88 cents a pound; 58s, 60s (1/2 blood) 82-85 cents a pound; 56s (3/8 blood) 80-83 cents a pound; 48s - 50s (1/4 blood) 72-74 cents a pound and 46s (low 1/4 blood) 64-67 cents a pound. Strictly combing Ohio and similar fleece wools were quoted at 35-36 cents, grease bases for 64s and finer and 42-43 cents for 56s, the third week of January.

The strong advances in prices in foreign wool markets have stimulated a renewal of an export movement of spot foreign wools. During the last week in December, export shipments from Boston totaled approximately three quarters of a million pounds. Some spot foreign wools were bought for domestic mills, but the bulk of the movement was reported to be to buyers outside of this country. Superior combing staple 64s, 70s, Australian wools sold early in January at 70-73 cents, scoured basis, in bond at Boston, while Australian markets were quoting similar wools for import to this country around 82-87 cents, scoured basis, in bond landed Boston. Sales were closed the early part of January on Montevideo 56s at 37 cents, grease basis in bond at Boston, while similar wools were quoted in South America for import to this country at about 40-42 cents, landed Boston in bond.

Woolen wools were more active in the latter part of December than they had been during the previous month. The more active demand covered quite a wide selection of scoured wools, but the principal movement was on B and A grades of scoured pulled wools, prices of which strengthened a little. In January, however, sales have fallen off somewhat but there have been quite a number of inquiries received from the mills. Noils were fairly active and firmer late in December, but sales have recently been slower with quotations fully maintained.

Wool tops have received very little call. Not only was new business extremely slack, but deliveries against old contracts fell off considerably during December. Recently, however, there has been some increase in specifications for delivery but the volume is still considered very unsatisfactory compared with the volume of orders topmakers are carrying on their books. Nominal quotations on new contracts for tops have not been changed in the past month.

The Farm Credit Administration has announced that on recommendation of the Wool and Mohair Advisory Committee the marketing of the 1934 clip pledged as collateral on Federal loans will be handled on a marketing plan similar to that which proved successful in 1933. Borrowers will consign their wool to approved consignees who agree to market this wool and mohair at the same rate at which they market other wool and mohair handled by them. The price of wool will be determined largely by fundamental factors of supply and demand. The plan, states the Farm Credit Administration, is not an effort to control prices but one to try to prevent unnecessary fluctuations. The Wool and Mohair Advisory Committee of the Farm Credit Administration reported that as of January 2, 1934 eligible consignees had taken 287,000,000 pounds of wool under the 1933 plan, of which, at that time 213,000,000 pounds were sold.

Receipts of domestic wool at Boston in 1933 set a new record for the years since 1900. Approximately 266,000,000 pounds of domestic wool were received at Boston in 1933 compared with 213,000,000 in 1932 and the previous

record of 254,000,000 in 1931. The favorable marketing conditions in 1933 resulted in the movement to dealers of a larger proportion of the clip than in recent years.

Increased consumption and higher prices in the United States wool industry in 1933 resulted in a marked increase in wool imports. Total imports of combing and clothing wool in 1933 amounted to 44,000,000 pounds, the largest since 1930 when imports of such wool were 69,000,000 pounds. Imports of carpet wool were 130,000,000 pounds in 1933 the largest since 1929 when 175,000,000 pounds were imported. Only 15,000,000 pounds of combing and clothing wool and 41,000,000 pounds of carpet wool were imported in 1932. Stocks of foreign wool in bonded customs warehouses in the United States are considerably larger than they have been in recent years. Such stocks on November 30 were classified as follows: Combing wool, 21,402,000 pounds; clothing wool, 1,168,000 pounds; carpet wool, 37,842,000 pounds; and tops of wool, mohair, etc., 72,000 pounds. On November 30, 1932, there were 11,000,000 pounds of combing and clothing wool and 32,000,000 pounds of carpet wool in the United States bonded customs warehouses.

Consumption of combing and clothing wool by United States manufacturers again declined in November. The index of consumption of such wool for November adjusted for seasonal variation was 99 (1923-1929=100). This was the first month since April in which the index fell below 100. Consumption reported in November was 10 percent below the October consumption but was 6 percent larger than in November, 1933. Consumption of combing and clothing wool in the first 11 months of 1933 was approximately 32 percent larger than in the same months of 1932 and was 2 percent above the average for the 11 months period in the years 1923-1929. Unofficial reports indicate a further slowing up in the wool manufacturing industry in December due in part to seasonal factors.

United Kingdom

Increased activity in the primary markets and sharp advances in prices compelled Bradford topmakers to raise quotations during the first half of January. Sales of tops were substantial and included an increased turnover of medium and low crossbreds at the higher prices. English wool prices advanced early in January, particularly on Down wools and large exports of scoured wools were reported. Business in noils was also favorable during this period. A decline in business in merino tops was reported during the third week of the month, but crossbred consumption remained favorable and the market for by-products was very active.

The first series of London auctions for 1934 opened January 16 with prices generally 10 to 20 percent higher than at the close of the previous series on December 6. Sentiment changed considerably, however, during the first week of the sales. Weaker markets were reported in Southern Hemisphere selling centers and the opening rates at London were not maintained though prices still showed a substantial advance over December quotations. Germany and Bradford were the chief buyers during the early part of the sales. France made some purchases of merinos and fine crossbreds. About 120,000 bales of wool are available for the present series at London, classified as follows: Australian wool, 64,900 bales; New Zealand, 50,200 bales; South African, 900 bales; and Punta Arenas, 4,000 bales.

The position in the wool manufacturing industry continues favorable in all sections so far as reports are available. The percentage of insured workers in the woolen and worsted industry registered as unemployed on December 18 was 9.2 percent according to the British Ministry of Labour. This compares with 9.2 percent in November and 19.0 percent in December 1932. The extent of the improvement in the woolen and worsted industry of the United Kingdom is indicated by the December figures as compared with average percentages for the past few years. Average unemployment for the year 1930 was 24 percent, and this was further increased to an average of 28.2 percent in 1931. For the entire year 1932 average unemployment in the industry had declined to 20.6 percent and in 1933 to 14.1 percent. The steady improvement in the woolen and worsted industry is attributed to the restriction of foreign competition in the English market through duties on imports of yarns and tissues and to increased consumption of wool manufactures in the United Kingdom and foreign countries.

Retained imports of foreign and colonial wool in the United Kingdom in 1933 were about 602,000,000 pounds or the same as in 1932. The quantity retained in the last 2 years has been very large compared with the normal retention since the war, and was also larger than before the war, according to the Weekly Wool Chart, Bradford. Consumption in 1933, however, was estimated to have been greater than the amount retained. The consumption in 1933 was unofficially estimated at 680,000,000 pounds compared with 590,000,000 in 1932, and 530,000,000 in 1931. Stocks of wool are therefore believed to have declined in 1933 while in the 3 previous years there was an increase. The quantity of British wool retained in 1933 was much smaller than in recent years.

Continental Europe 1/

A decidedly optimistic tone prevailed in the continental wool industry at the beginning of the new year. The world statistical position is considered more favorable than it has been for some time, but continental opinion was especially influenced by the end of the year reduction in stocks of tops and wool on the Continent. Furthermore, the prices for wool, tops and noils, as well as yarn and manufactures showed a further improvement during December 1933 and the new year opened with a price level greatly above that for either of the past 2 years. For example, prices of tops in France are 50 percent, and in Germany 30 to 50 percent above a year ago. Noils are 25 to 40 percent higher in France and 50 percent higher in Germany, while yarns are 20 percent higher in France and over 30 percent higher in Germany than was the case last year. Spinner weaver margins in Germany rose nearly 40 percent during 1933.

Active trading in wool, tops, and noils on continental markets was stimulated during December by the renewed firmness in primary, as well as in futures markets. Occupation of the mills continued good, although sales of yarn and manufactures were somewhat hampered by the reluctance of buyers to pay the higher prices demanded. Latest developments in the various countries were summarized by Mr. Christy as follows:

Active trading in tops, noils, and washed wool was reported from France during December. Demand for foreign account (Germany, Czechoslovakia)

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

played an important part in the business, particularly in the washed wool section. Occupation of the industry was maintained largely on old orders, as sales of yarn and fabrics during December were quiet. A pick-up in new business, however, occurred during the second half of the month.

The Italian market also showed considerable activity during December, and tops as well as noils experienced a lively demand. Overseas and Bradford price increases greatly stimulated the business, and the holiday calmness toward the end of the month was less pronounced than usual. Occupation of the industry continues above either of the last 2 years and, in the case of worsted spinners and topmakers, even above 3 years ago.

Belgian reports for December continued favorable, with trading in tops and noils stimulated by good demand on the part of Germany and Czechoslovakia. Top types for knitting and noils for hatmakers were especially favored as a result of increased domestic sales by knitting mills and hatmakers. Occupation of the wool industry was somewhat improved during the month, especially with topmakers and worsted spinners, but woolen spinners and weavers still complain of an unsatisfactory rate of activity, as a result of the low level of unfilled orders.

Favorable conditions continued in the German wool market, and trading in tops and noils was satisfactory. Buying interest for washed wool increased during the second part of the month, in contrast to the quiet business experienced during the first half. Because of the favorable world statistical situation for wool, the industry is optimistic as to market developments in the new year. A recent report of the German Institute for Economic Research described the German wool situation at the end of the year 1933 as rather favorable. However, there has been a heavy accumulation of stocks of raw material and manufactures, because ultimate consumption failed to keep pace with the increased production during the summer and fall. Occupation and production in the German wool industry, during the summer months, were at times 40 percent above last year, enabling the trade to refill the greatly reduced stocks of wool manufactures. Since August a slight decline in business has occurred, but the basic improvement in the German wool situation continued.

Imports of wool by continental countries so far as figures are available for the second half of 1933 were much larger than in the second half of 1932. The increase in imports into Germany from July-November 1933 as compared with the same months of 1932 was about 12,000,000 pounds. Imports into France from July to October exceeded those of 1932 by 37,000,000 pounds. From January to October 1933 imports into France were almost 150,000,000 pounds greater than in the first 10 months of 1932.

Stocks of wool tops in commission combing establishments of four continental European countries were reduced during December, but at the end of the year stocks were larger than on December 31, 1932. The increase was entirely in stocks of crossbred tops. Stocks of merino tops reported by the commission combing establishments of France, Germany, Belgium, and Italy on December 31, 1933 totaled 26,000,000 pounds compared with 27,000,000 pounds on November 30 and 29,000,000 pounds on December 31, 1932. Stocks of crossbred tops were 39,000,000 pounds on December 31, 1933 compared with 40,000,000 pounds on November 30 and 26,000,000 pounds on December 31, 1932.

Australia

The Australian market opened at Sydney on January 2. Competition was excellent and in the first week of sales prices advanced 10 percent above the December levels. A further rise of 5 percent was reported during the second week of January, but a weaker tone developed toward the middle of the month and prices declined. Continental buyers were particularly active during the first half of January. France was expected to operate more freely due to restricted purchases during the first half of the season. Japan continues to purchase freely in Australia despite rumors regarding the transference of Japan's buying to South Africa and South America. The use of wool is continually expanding in Japan and there is opportunity for other countries to profit from this increase without diverting present trade from the Australian market.

A comparison of wool prices in Australia in the first half of the present season and the three preceding seasons gives some idea of the change in the position of the Australian wool grower. The average price paid for wool in Australia (in Australian currency) during the 1932-33 season which ended June 30, 1933 was 8.72 pence per pound compared with 8.46 pence in 1931-32 and 8.36 pence in 1930-31. These figures are said to be below the cost of production. For the first half of the 1933-34 season, i.e., July-December 1933 the average price rose to 14.6 pence a pound and the average for the month of December was 16.5 pence.

The fact that prices in Australia were maintained at a fairly constant level despite rapid declines in world wool prices was due to the continued depreciation of Australian currency. The exchange rate of the Australian pound in United States dollars was approximately \$4.15 in the 1930-31 season, \$3.08 in 1931-32 and \$2.81 in 1932-33. However, the rate for December 1933 had increased to \$4.08 because of the depreciation of the United States dollar in terms of gold.

New Zealand

The market was very strong at the sales at Napier and Wellington following the December holidays. Prices at the close of the Wellington sale on January 11 had advanced 15 percent above final quotations at Napier on January 6. Japan bought heavily and France and Germany were also very active. Bradford purchases were restricted because of the high prices set by other bidders. Offerings at the New Zealand sales for January are limited to 175,000 bales. It is reported that fair quantities of wool are being sold privately in New Zealand.

Prices (in New Zealand currency) at the New Zealand sales in the present season are fully 100 percent higher than those of last season. Prices on merinos and fine crossbreds are 100 percent above prices of similar wools during the three preceding seasons. The first sale at Wellington in December was reported by Consul Hitch to be the best sale held at that center for at least 4 years, and was in remarkable contrast to the opening sale of the 1932-33 season. The official quotations for average quality wool with comparisons for previous seasons are given in the following table. Prices are converted to United States currency at the monthly average rate of exchange.

New Zealand: Price per pound of average quality wool at Wellington
December 1934 with comparisons

Quality	New Zealand currency				United States currency				
	1931		1932		1931		1932		1933
	Jan.	Dec.	Dec.	Dec.	Jan.	Dec.	Dec.	Dec.	
	Pence	Pence	Pence	Pence	Cents	Cents	Cents	Cents	
60s, 64s, 70s:	7.0	8.5	8.0	17.2	13.1	10.9	10.0	29.3	
56-58s	6.4	8.8	7.9	16.8	12.0	11.3	9.9	28.6	
50-56s	6.4	7.8	7.4	15.0	12.0	10.0	9.2	25.5	
48-50s	5.8	5.8	5.0	11.6	10.9	7.4	6.2	19.8	
46-48s	5.2	5.6	4.0	9.9	9.7	7.2	5.0	16.9	
44-46s	5.0	5.1	3.6	8.8	9.4	6.5	4.5	15.0	
40-44s	4.8	4.5	3.1	7.4	9.0	5.8	3.9	12.6	
36-40s	4.0	4.5	3.0	6.8	7.5	5.8	3.7	11.6	

South America

The marked activity in fine wools noted in the Argentine market in November was continued in December and operations spread to coarse wools, according to a report from Assistant Trade Commissioner, Jule B. Smith at Buenos Aires. Both fine and coarse wools advanced as much as 30 percent during the month. Buyers for Japanese firms purchased large lots of fine and medium crossbred wools from the province of Entre Rios and Corrientes and have recently started to purchase Patagonia wools. Receipts of wool at the Central Produce Market near Buenos Aires from July 1 to December 20, 1933 totaled 54,400,000 pounds and were slightly larger than in the same period of the previous year. Stocks on hand on December 21, 1933 totaled 7,900,000 pounds compared with stocks of 11,344,000 pounds on the same date of 1932.

Trade papers state that the Buenos Aires market is expected to be cleared of wool by the end of January, and Uruguay has a very small balance unsold. They report that to the beginning of 1934 about 70 to 75 percent of the River Plate clips had been sold. The proportion of the clip already shipped, however, is much smaller. England and continental European countries were the chief purchasers during December.