

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

WOOL-68

December 21, 1933

WORLD WOOL PROSPECTS

Summary

Trading in the Boston wool market was rather quiet during most of December, but prices remained firm at the high point established late in November. Some irregularity in prices was reported from the Southern Hemisphere centers the beginning of December. Since then, however, foreign raw wool markets have reported active buying and firm or higher prices at all sales. The relatively high prices for merino wools and the reduction in the supply of such wools available for the present season has resulted in greater interest in the lower quality crossbred wools in foreign markets. Price movements in the near future will probably depend considerably on the extent to which the present improved levels of trading and manufacturing activity are maintained in the United States and foreign countries. From the standpoint of the world price situation it is not improbable that most of the favorable influence of reduced supplies has been discounted.

Consumption of combing and clothing wool by United States manufacturers reporting in the first 10 months of 1933 was 35 percent larger than in the same months last year while carpet wool consumption increased 80 percent in the same period. Mill operations were reported to be somewhat irregular in November, but an improvement in mill activity was reported by the New York Wool Top Exchange Service early in December. In view of the high output of the summer months, activity in the domestic wool industry is considered to have been well maintained in recent months. Trading and manufacturing activity continued good during November in the United Kingdom and in the chief wool manufacturing centers of continental Europe.

The outstanding feature of the current marketing season in Southern Hemisphere countries up to November 1 was the relative heavy exports. Although production in five 1/ important Southern Hemisphere countries 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 up to November 1 2/ were only 4 percent below those of a year ago, while in comparison with the 5-year average, 1927-1931, for the corresponding period, there was an increase of 35 percent. The relatively heavy exports in the early part of the season which amounted to approximately 330,000,000 pounds are due, in part, to the improved marketing outlook as compared with that of the last three or four seasons. In addition to the fact that the carry-over of wool in Southern Hemisphere countries at the end of the 1932-33 season was lower than for the past 3 or 4 years, the world wool clip for 1933-34 3/ exclusive of Russia and China, shows a decrease of approximately 8 percent as compared with that of last season.

Apparent supplies of wool in five 4/ Southern Hemisphere countries on November 1, 1933 were approximately 16 percent lower than at the same date of 1932 and 11 percent below the November 1 average for the 5 years 1927-1931, but were not greatly different from supplies on the same date of 1927.

Marketing Situation

United States

Trading in the Boston wool market was very active the last half of November, but declined early in December. The activity in November was due in part to the relatively low prices for domestic wool compared with foreign wool prices in terms of American dollars and to increased sales in the domestic goods market. Price advances were reported on practically all grades of wool during the period of increased activity in November and since that

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

2/ Season begins July 1 in Australia, New Zealand and the Union of South Africa, and on October 1 in Argentina and Uruguay.

3/ Detailed figures were given in World Wool Prospects, November 24, 1933.

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

time prices have remained very firm. Despite the recent increase, prices of domestic wools are still considered low in relation to foreign prices in terms of United States dollars.

Finer grades of territory wool received a good call in the November buying movement. Quotations on strictly combing 64s, 70s, 80s (fine) advanced to a range of 84-86 cents a pound, scoured basis late in November and 58s, 60s (half-blood) to 81-83 cents a pound. A sharp advance was established on strictly combing 56s (3/8 blood) to a range of 80-83 cents, scoured basis. The limited available supply of 56s was considered responsible for the extent of the rise. Strictly combing territory 48s, 50s (1/4 blood) were marked up to 72-74 cents and 46s to 64-67 cents a pound scoured basis. Fine fleece wools of strictly combing type were 35-36 cents a pound, grease basis and 85-87 cents scoured basis the middle of December; 56s were 42-43 cents grease and 78-80 cents scoured while 46s were 37-38 cents and 63-65 cents grease and scoured basis respectively.

Demand for spot foreign wools on the Boston market was very quiet in the month ended December 15. Prices held very firm. The drop in the exchange value of the dollar to November 16 and the higher wool prices in foreign markets resulted in some demand for reexports of foreign wools. This interest slowed down with the rise in the value of the dollar and the quantities actually involved were not believed to be great.

The volume of trading in woolen wools was small during the month. Prices were stable following the decline in October, but limits on most lines have been slightly lowered in recent weeks. Prices of noils have been firm to slightly higher on a very moderate turnover.

The market for wool tops improved slightly during the last half of November, but the demand for tops did not keep pace with the increased volume of sales in the raw wool market and business again declined in December. Prices remained firm. Choice oil-combed 64s tops were quoted at \$1.15-\$1.17 the middle of December. The better types of 60s were quoted at about \$1.12. An increase was reported in the volume of deliveries the first week of December, but most topmakers received only a very moderate call for deliveries.

Imports of wool continue to decline from the August high point, but are well above those of 1932. Combined imports of all wool into Boston, New York, and Philadelphia for the month of November were reported to the Boston office of the Bureau of Agricultural Economics to be about 13,000,000 pounds compared with 6,000,000 pounds in November 1932. Imports of all wools at these ports in the first 11 months of 1933 were more than three times as large as imports in the same period of 1932. About one fourth of the imports for this year have been combing and clothing wools, the remainder being carpet wools. The relatively heavy imports in the summer months of this year resulted in a considerable increase in stocks of wool in bonded customs warehouses. Stocks of combing and clothing wool have been larger in recent months than in any time since June 1930. On October 31 approximately 22,000,000 pounds of such wools were held in bonded warehouses. Stocks of carpet wool were 41,000,000 pounds on October 31, the largest in recent years.

Consumption of wool by United States manufacturers reporting in October was slightly larger than in September and was well above that of October,

1932. Consumption of combing and clothing wool was 13 percent larger than in October, 1932 while consumption of carpet wool showed an increase of more than 50 percent. Consumption of combing and clothing wool in the first 10 months of this year was 35 percent larger than in the same months last year and carpet wool consumption increased 80 percent in the same period. Mill operations were reported to be somewhat irregular during November, but the New York Wool Top Exchange Service reported an improvement in mill activity early in December. In view of the high output of the summer months, activity in the domestic wool manufacturing industry is considered to have been well maintained in recent months.

Southern Hemisphere

Except for a slight irregularity in prices the first week of December the Southern Hemisphere wool markets remained very active with rising prices at most sales prior to the close for the holiday season. Japan continued to set the pace at many of the sales in Australia, but continental and English buyers were also active. Shipments to Germany, in particular, have recently shown a heavy increase.

New Zealand wool growers are expected to profit from the recent revival of interest in crossbred wools. Heavy imports of New Zealand wools into the United Kingdom in recent months would seem to indicate that a good proportion of the old clip carry-over has been shipped to the London spot market for disposal. The market at Auckland was strong as the New Zealand 1933-34 selling season opened on November 27. Prices at the opening were considerably higher than for some years. The advance (in New Zealand currency) as compared with last year's opening was reported to be about 100 percent. Japan was the heaviest buyer at the opening sale and Bradford also took a substantial quantity. Continental and American buyers were extremely cautious. Values were slightly lower at the sale which followed at Napier on December 1, but sales since that time have moved briskly with good competition and firm prices.

Business in the Buenos Aires wool market continued quite brisk through November and all worthwhile offerings were readily disposed of at firm prices. Medium crossbred wools were in good demand and demand for coarse crossbreds showed some improvement. Prices of finer grades of wool advanced 15 to 20 percent during November and coarse grades advanced 10 to 15 percent. Germany, France, and England were the principal buyers. American buyers showed only occasional interest during the month. An official adjustment of Argentine exchange rates late in November made South American wools somewhat cheaper in foreign markets.

United Kingdom

Reports from the Bradford market early in December indicated some slowing up of trading in wool and semi-manufactures following the successful close of the final series of London raw wool sales on December 6. The lack of interest was attributed to the extensive buying in November and to the usual "year-end" influence rather than to any adverse factors in the wool situation. Trading in tops increased toward the middle of the month following reports of higher prices at Southern Hemisphere sales. A recent feature of the top market has been the great interest in crossbred tops. The bulk

of the new business placed in tops has been in 50s to 58s qualities, but toward the end of November more attention was given to the lower grades. Prices of tops and yarn were firm during the first half of December.

The production of fabrics for spring wear and a few very late repeat orders for winter goods kept cloth manufacturers well employed into December. The bulk of the business is being obtained by woolen manufacturers of tweeds and medium quality suiting makers, but manufacturers of fine worsteds are also doing better than at any time in the last 2 years.

Demand for English wools continues good and prices show no change. Shipments for the first 11 months of this year were approximately 26,000,000 pounds larger than for the same period last year. The final series of foreign and colonial wool auctions at London for 1933 closed December 6. Opening quotations for merino wools were not fully maintained to the close of the series, but prices for crossbred wools advanced during the sales. Closing quotations showed the following advances compared with prices at the close of the previous series on October 11: greasy merinos 10 to 15 percent; scoured merinos, 20 to 25 percent; greasy crossbreds, 15 to 20 percent; slipes, 15 to 25 percent; Capes and Punta Arenas, 15 percent. Yorkshire was the chief buyer of merino wools at this series while Germany and Yorkshire led in crossbred purchases. Approximately 108,000 bales of wool were sold. The Continent took 58,000 bales and England, 50,000 bales. American buyers were not active. The carry-over of 21,000 bales was the smallest quantity reported for several years.

Continental Europe 1/

The substantial improvement noted in prices and market sentiment during October was maintained throughout November on most continental markets. The improvement in prices in primary markets was an important factor in determining conditions in European markets. Trading in tops, noils and washed wool was active throughout November and special interest was shown in materials for knitting mills. Manufacturing activity remained good. Spinners, weavers, and particularly knitting mills reported a considerable volume of new orders received during the month. Among spinning mills the worsted section continued in a more favorable position than the woolen branch. Conditions in the individual countries were reported as follows:

Trading in tops, noils as well as washed wool on the French markets continued very active throughout November, with the demand on the part of foreign buyers very gratifying. Merinos and crossbred tops were especially favored and the current production of noils was readily absorbed. Prices were generally firm. The firm prices stimulated business in yarn and fabrics during the early part of the month but later sales became slower because of the higher prices resulting from the increased cost of raw material. Nevertheless, for the month as a whole business was very good and occupation of the industry remained very satisfactory. Despite strong competition from countries with depreciated currency exports of tops from France in the first 10 months of 1933 were about 30 percent larger than in the same period of 1932. Germany, Belgium, and Czechoslovakia all took substantially larger amounts. Yarn exports increased about 20 percent for the same period, but piece goods

1/ Based largely on a report by D.F. Christy, Assistant Agricultural Attache¹ at Berlin.

exports declined about 6 percent.

The more favorable tone which became apparent on the German markets for tops, noils and washed wool in the second half of October was fully maintained in November and even further improved, with a resulting increase in trading at firm prices. Demand was especially active in the case of washed wool (Australian, Cape, and New Zealand). This is attributed to a good buying interest for material used in the knitting industry. Occupation of the industry remained favorable and the volume of new orders received for yarn and fabrics was somewhat increased as compared with the previous month.

Total employment in the German textile industry in the third quarter of 1933 was reported to be 15 to 20 percent higher than in the third quarter of 1932. German manufacturers are giving great attention to design and finish in an attempt to meet the strong competition of cheap textiles in foreign markets. The volume of business available in the home market is not sufficient to compensate for the loss of export markets. Exports of all wool and mixed tissues from Germany in the first 10 months of 1933 amounted to 11,400,000 pounds compared with 12,500,000 in the first 10 months of 1932. Exports of piece goods in 1932 were only about half as large as in 1930 and 1931.

The Italian markets were again quieter than other industrial wool centers on the Continent, although trading in both tops and noils, as well as washed wool, was of considerable volume during November. Here also, increasing prices in the primary markets at first had a stimulating effect upon new business, but later brought about some hesitancy. This latter attitude is probably due largely to the fact, also observed in France, that the industry has difficulty in selling their products at the increased prices necessitated by the rise in raw materials.

November showed a considerable improvement over the month of October in the Belgian market. Trading in tops, particularly tops of medium quality, and in noils was very active, being stimulated by the increasing prices overseas and at London. Occupation of the industry improved, particularly in the case of worsted spinners, hat-makers and felt-makers. Weaving mills, on the other hand, still have difficulty in obtaining new orders at remunerative prices, and occupation of woolen spinners is not yet in line with that of other branches of the industry.

Supply Situation

United States

The condition of sheep in the Western Range States did not deteriorate during November. The weather during the month was favorable with range sheep in fair to good condition, excepting some thin sheep in dry areas, states the Western Livestock and Range Report of the Division of Crop and Livestock Estimates. The condition on December 1 as expressed in percent of normal (100 percent = normal) was 82, or the same as on November 1 and the lowest in the 12 years that records have been kept, being one point lower than on the same date of 1931. The 10-year average condition on December 1 was 91 percent. For the first 6 months of the new wool growing season, July 1 to December 31, the average condition in 1933 was 83 compared with 90 last year and 84 in 1931.

If the winter is severe much supplemental feeding will be necessary on many western ranges. Winter ranges used by sheep are poor in eastern Oregon, southern Idaho, Utah, Nevada, western Colorado, southern Wyoming, northeastern New Mexico, and the Edwards Plateau of Texas. The condition of ranges on December 1 was 73 percent of normal, the same as on December 1, 1931, which was the lowest in the 12-year period for which reports are available.

Federally inspected slaughter of sheep and lambs for the 11 months of 1933 amounted to 15,963,000 head, a reduction of 4 percent as compared with the same period of 1932. Sheep and lamb slaughter in both 1931 and 1932 was greater than in other years, exceeding 18,000,000 head annually.

Canada

Wool production in Canada in 1933 is now provisionally estimated at 19,364,000 pounds, a reduction of 6 percent as compared with the official estimate for 1932. This estimate is based on the official estimate of sheep and lambs as of June, 1933 and an average weight of wool produced per sheep and lamb as reported for 1932.

Sheep numbers as of June 1, 1933, were estimated at 3,386,000, a decrease of 7 percent as compared with 1932. In 1929 sheep numbers in Canada reached 3,728,000 and since that date have fluctuated in the neighborhood of 3,600,000.

Australia

Spring rains have been good this year and the latest information available mentions plentiful rain over the pastoral areas of the different states.

Exports from July 1 to October 31, the latest date for which figures are available amounted to approximately 253,000,000 pounds, an increase of 4 percent above the same period a year earlier and 33 percent above the preceding 5-year average for the 4-month period.

Sheep numbers at the beginning of 1933 are now officially estimated at 112,012,000, an increase of 1 percent above 1932. For the 8 years 1926 to 1933 sheep numbers have exceeded 100,000,000, the average for the 8-year period being 106,000,000. Conditions were very dry at the time of the principal lambing season in 1933 (autumn and winter, March-June), and losses were reported as fairly heavy. At the same time there was an increase of approximately 48 percent in export slaughter during the first 7 months of the calendar year. During the calendar year 1931 export slaughter comprised a little over one third of total slaughter which amounted to 17,177,000 sheep and lambs.

New Zealand

Conditions are improving in the Canterbury district of South Island which had been suffering from dry weather and scarcity of feed. Mild weather and warm rain have stimulated the growth of grass and the newly born lambs are making good progress.

While lambing percentages in New Zealand are not up to those of last year when they were above normal the figures now seem likely to be better than expected earlier. Despite the fact that total sheep numbers as of April 30, 1933 showed a decrease of over 900,000, the number of breeding ewes showed an increase of 147,000, or 1 percent.

By the end of October, i.e., before the opening of the new auction season, stocks of grease wool in New Zealand had been reduced about 40 percent through private sales, states the New Zealand Farmer Stock and Station Journal. At the end of the 1932-33 season, i.e., June 30, 1933, stocks of grease wool were officially estimated to have amounted to 55,581,000 pounds and constituted three fourths of the total quantity on hand.

Union of South Africa

The South African drought was reported as still very severe over the larger part of the Transvaal, Orange Free State, and the northern and western Cape despite rain during October which improved conditions in some sections, according to the South African Monthly Trade Summary of September/October, 1933. There was a serious shortage of both feed and water for stock. A cable to the Wool Record and Textile World under date of November 15 from Port Elizabeth stated that splendid rain had fallen in the drought stricken areas which would prevent further losses, but that the estimated shortage in the clip was unchanged.

The movement of the South African wool clip this season is proceeding at an accelerated pace as compared with the same period of the five seasons, 1927-28 to 1931-32. Although receipts are considerably smaller than they were last season as a result of the reduced wool clip and small carry-over from the preceding season, exports have been relatively heavy as a result of the improved marketing conditions. There has also been some change in the destination of exports so far this season as compared with last, increased quantities going to the United Kingdom, Japan, and the United States, with smaller quantities being shipped to continental countries.

During the first 4 months of the wool season, i.e., July 1 to October 31, receipts at Union ports by rail showed a reduction of 19 percent as compared with the same period last year. The quantity received so far this year amounted to only 69,000,000 pounds grease wool, or a little over one fourth of the clip. About the same proportion of the clip had reached selling centers last year during the same period, but in 1931 only about one sixth of the large clip had reached ports during that period.

Stocks of unsold wool at ports on November 1 this year amounted to approximately 13,000,000 pounds of grease and scoured wool combined, compared with 23,000,000 pounds at the same date a year ago and the large quantity of 53,000,000 pounds on hand at the same date of 1931 when marketing conditions were very unfavorable.

Exports for the first 4 months of the current season, while smaller than for the same period last season, have been relatively large as compared with the 5-year average for the corresponding period of the years, 1927 to 1931. During the 4 months, July 1 to October 31, this year, exports reached 41,440,000 pounds grease equivalent, a decrease of 27 percent compared with last year but an increase of 50 percent above the 5-year average, 1927-28 to

1931-32, when production was considerably larger.

Of the 36,516,000 pounds of grease wool exported during the 4 months ended October 31, shipments to the different countries were as follows in thousands of pounds, with percentage of last year given in parentheses: France, 9,595 (49 percent); United Kingdom, 9,591 (158 percent); Germany, 9,593 (70 percent); Belgium, 3,194 (71 percent); Italy, 1,754 (43 percent). Japan took 956,000 pounds, an increase of 198 percent above the same period a year ago, whereas the United States took 445,000 pounds compared with a practically negligible quantity a year earlier. The percentage of grease wool exported to total exports so far this year was 96 percent, which was the same percentage as last year.

Apparent supplies of wool on hands in South Africa as of November 1, 1933 are estimated to be 21 percent smaller than at the same date last year and 23 percent less than the average on that date during the 5-year period, 1928-1932.

Argentina

Receipts of wool at Central Produce Market, near Buenos Aires, for the first month and a half of the new wool season, i.e., up to November 16, amounted to 28,000,000 pounds, a decrease of 7 percent as compared with the same period last year.

Exports for the same period amounted to only 14,000,000 pounds, and were 48 percent less than during the corresponding period last year when exports were heavier than usual.

Stocks at Central Produce Market on November 16 amounted to only 7,000,000 pounds compared with 10,400,000 at the same time last year.