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# Cooperative Marketing *of* FLEECE WOOL

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## Summary

**W**OOL from the three major wool-growing areas in the United States is designated as territory, fleece, or Texas wool. The territory wool, from the 11 western range States, comprises about 52 percent of all wool produced in the United States. The other States, with the exception of Texas, produce what is known to the trade as fleece wool. Approximately 30 percent of the wool produced in the United States comes from this area. Wool from Texas is known as Texas wool.

Fleece wool is produced under farm conditions, often as a side line, and consists of nearly all types, grades, and qualities. This gives rise to a variety of marketing problems frequently intensified by the difficulty of assembling quantities large enough to attract important buyers. Also the lack of storage facilities, inadequate financing, and the seasonal habits of buyers operate to depress prices at the time growers wish to sell their wool.

Attempts to offset these disadvantages first took the form of small local groups known as wool pools. From these local groups the next step was the regional wool pools and, in 1909, the formation of the National Wool Warehouse & Storage Co. to market wool on a still larger scale. This cooperative handled western and midwestern wool successfully until 1920, when ill-advised advances on a declining market caused financial disaster.

The period immediately following the World War marked the beginning of widespread efforts by wool growers to perfect large-scale marketing machinery. In 1918 the Ohio Wool Growers' Cooperative Association was formed—the first of the large fleece-wool cooperatives. During the years 1918 to 1929, seven other State or regional organizations were set up to handle fleece wool. In 1924 the National Wool Exchange, a grower-owned and grower-controlled organization, superseded the National Wool Warehouse & Storage Co. The Exchange was to handle both fleece and territory wools, and set up warehouse and sales offices in central markets. It made no commodity advances but fostered the development of large tributary associations on an independent financial basis.

The wool cooperatives organized during this post-war period grew slowly and reached a peak volume of some 33 million pounds of wool in 1929. They had numerous sales agencies of different types throughout the country. The establishment of the Federal Farm Board in 1929 furthered interest in marketing plans on a national scale and in 1930 wool growers set up the National Wool Marketing Corporation. This agency absorbed the activities of the National Wool Exchange

and included 30 cooperatives, which together handled in 1930 some 120 million pounds of wool—about 35 percent of the total clip. Of these 30 cooperatives 12 were fleece-wool associations.

This increased number of organizations handled a variable volume of wool through the next few years. Organized by growers during a period of declining prices and limited outlets, the associations afforded a continuous market, accumulations of salable quantities of similar wools, and sales on a merit basis with expert preparation for market. It is common, however, for growers to patronize the cooperative when it seems advantageous to do so and to use freely alternative marketing channels when opportunities are plentiful.

The methods employed were not entirely sound from the standpoint of the cooperatives. Overenthusiasm led some associations to offer excessive advances on the wool delivered to them. These advances attracted many growers who were interested only in the immediate opportunity and gave little thought to the building of a strong, permanent organization. The necessary weeding out of these noncooperative elements later reduced the volume handled and the proportion of the total clip.

During the 5 years 1934–38, the average annual volume of fleece wool handled by the cooperatives was about thirteen and one-quarter million pounds. During this period the percentage of the total clip of fleece wool marketed by cooperatives ranged from 10 to 23 percent.

Cooperative wool-marketing associations have played an important part in reducing handling costs for wool between growers and manufacturers. They have also brought the prices paid for wool in the country more nearly in line with central-market prices. Before the cooperative method of selling was inaugurated growers sold much of their wool at a flat price regardless of the various grades produced. One of the most important accomplishments of the cooperatives has been the sale of each grower's product on a merit basis. As a result of marketing through their own associations, growers have become more familiar with the many problems encountered in the preparation and sale of wool to manufacturers.

Marked progress has been made by the associations in the fleece-wool States. It has been necessary for the management, the directors, and the members themselves to face problems relating to field work, financing the clip, selling practices, and educational programs. Many of the cooperatives have had to change entirely their methods of procuring, warehousing, and financing wool since 1930 and 1931.

One general need of the fleece-wool cooperatives is for more effective educational programs. More information should be given members on actual market conditions, problems connected with cooperative marketing, the grade and quality of their wool, and better preparation

of wool for market. Many growers who have recently joined cooperative associations are for the first time selling their wool on a grade-and-merit basis and are, therefore, not yet able to estimate for themselves its approximate value.

The progress that has been made in the cooperative marketing of fleece wool and the benefits that growers have derived from it seem to justify further intensive efforts to build up the cooperatives. The usual decline of wool prices at shearing time and strengthening of prices in the fall and winter also justify an attempt on the part of growers to take advantage of that situation. From the standpoints of local efficiency and general results of cooperative wool marketing, the volume delivered to all cooperatives should be increased to a much larger percentage of the clip. A broadening of services, including more diversified sales methods, should go hand in hand with increased cooperative receipts. The increasing production of fleece wools, the changing needs of manufacturers, and the mounting use of substitutes offers the cooperative an additional opportunity: that of being a source of timely and useful information for the wool grower.

## *Cooperative Marketing of* Fleece Wool

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**W**OOL is grown by farmers and ranchmen throughout the United States. In several of the Western States wool growing is a leading industry and, in the Middle West and East, it is an important though not a leading farm enterprise.

When wool reaches trade channels, it is classified generally according to the area in which it was grown. In order of importance the three major wool-growing regions in the United States are known as the territory, fleece, and Texas wool areas (fig. 1). Wool from each of these has certain definite characteristics and calls for particular marketing and manufacturing methods.

The "territory" wool from the 11 western range States comprises about 52 percent of all the wool produced in the United States. A large part of it is produced under range conditions and is fine in grade. The other States, with the exception of Texas, produce what is known to the trade as "fleece wool." Approximately 28 percent of the wool produced in the United States comes from this area. Fleece wool is produced under farm conditions and consists of nearly all types, grades, and qualities. Within each area certain types of wool are called by the names of the particular localities from which they come; for example, Ohio wools or Willamette Valley wools (p. 29).

Wool from the State of Texas is known as Texas wool. This area, from which comes the remaining 20 percent of the annual wool clip, has the most concentrated sheep population in the world. The part of Texas known as the Edwards Plateau produces a fine wool of good quality.

Fleece wools are a distinct type on the market. They differ from territory and Texas wools as a result of the differences in climatic conditions, methods of management, and breeds of sheep. They require more handling than territory wools as the clips are small and usually contain a number of grades; whereas range, or territory clips are more nearly uniform in grade. In fact, many of the larger territory clips are sold to the manufacturer in the original bags in which they were packed and shipped.

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NOTE.—The author desires to acknowledge the helpful assistance of Lois M. Godfrey in the preparation and analysis of the data on which this study is based.



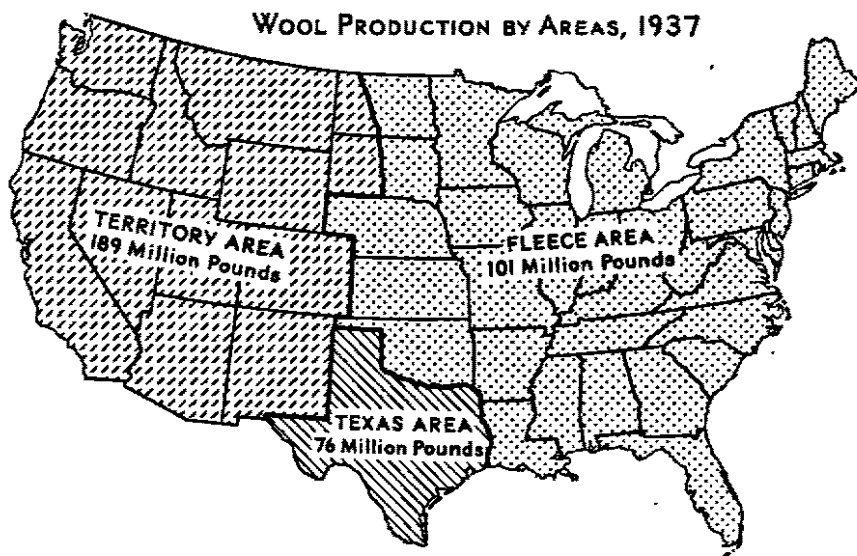


FIGURE 1.

The wool trade makes three general classifications of domestic wools according to the areas in which they are produced. (Based on reports of the U. S. Bureau of Agricultural Economics.)

Wool growing in the fleece-wool States is not a leading enterprise, but it is an important side line to general farming operations. Many farms have rough, untillable land that can be utilized for raising sheep. Sheep bring income from two sources each year—the wool crop and the lamb crop.

Because each clip varies considerably in grade and quality, the marketing of wool presents problems peculiar to the commodity. For example, the grower often does not know the grade and quality of his wool clip, as this requires the training of an expert. Also most farmers in fleece-wool areas consider their wool a side line, and many wish to sell immediately at local markets. Hence buyers who are well informed as to grades and central-market prices have a distinct advantage in bargaining with the uninformed individual producer for his clip.

This situation led growers in many sections to seek an improved method of marketing to afford them returns from their wool in line with its quality and with central-market prices. They became interested in cooperative marketing and decided to develop their own organizations to handle their wool clips.

# Development of Cooperative Wool Marketing Associations

## Early Cooperative Activity

**C**OOPERATIVE wool marketing in the fleece-wool States, according to available records, had its beginning about 1877. That year a pool was formed at Goodlettsville, Tenn., to market lambs and wool. It has marketed wool intermittently since organization and is in operation at present (1939).

Another pool known as the Putnam County Wool Pool of Greencastle, Ind., had its beginning in 1885 and operated successfully for many years. Other pools formed in widely scattered areas were the only evidences of continued interest in the cooperative method for marketing wool until 1909. That year marked the beginning of a long series of efforts to establish large-scale, grower-owned wool-marketing organizations.

## National Wool Warehouse & Storage Co.

The National Wool Warehouse & Storage Co. was organized in 1909. It was incorporated as a wool commission and storage house and issued \$400,000 worth of stock which was purchased by 600 wool growers. A warehouse with a storage capacity of 25,000,000 pounds of wool was erected in Chicago. Although the company was national in name, it handled principally wool from growers in Iowa, Kansas, Montana, South Dakota, Illinois, Wyoming, and Utah.

It was the policy of the company to make advances to growers based on the current market value of their wool. These advances usually amounted to 65 percent of the going market value. Freight and marketing charges were deducted from the advance. This method was considered safe and equitable, and the organization made excellent progress until 1920, a year of drastic price declines. A total of \$3,500,000 had been advanced by the company on wool that year and, when the wool was sold, proceeds were insufficient to liquidate the advances. The company was unable to recover these overadvances and, as a result, the National Wool Warehouse & Storage Co. ceased to conduct its warehousing and selling activities with the close of the 1924 season. This failure was a severe blow to growers' wool-marketing organizations.

## Government Auctions

For a time during the World War the Federal Government assumed control of the marketing and supplies of wool as an emergency measure. Some of the 1917 clip and the entire 1918 clip was purchased by the Government. Prices were fixed on the basis of July 1917 values, which averaged about 75 cents per pound for fleece wools in the grease. At the close of the war, the Government had in its possession 459 million pounds of wool. Beginning in December 1918, this wool was sold at a series of auctions<sup>1</sup> which were continued over a period of 3½ years. Care was taken not to offer excessive quantities of wool at one time and not to hold sales when they might jeopardize the marketing of the current clip. At times Government wools were withdrawn from sales in order to protect both growers and manufacturers.

The records show that the Government recovered approximately 90 percent of its total investment by the method of selling employed, which prevented drastic declines in prices. The successful handling of this wool served as a demonstration to growers of the advantages of large-scale marketing operations and the possibilities of marketing through their own organizations.

The Ohio Wool Growers' Association and the New York State Sheep Growers' Cooperative Association were set up in 1918. Six other associations were formed between 1918 and 1927, and five in 1930.

### The Ohio Wool Growers Cooperative Association<sup>2</sup>

The Ohio Wool Growers Cooperative Association, one of the outstanding fleece-wool cooperatives in the country, has received in the 21 years of its operation an average of nearly 3,250,000 pounds of wool a year (see table 1). Its business is confined largely to the State of Ohio, but the association has at times handled considerable quantities of wool from the surrounding States of Indiana, Michigan, West Virginia, and Pennsylvania. On the average about 8,000 growers consign wool to the association each year.

The organization offers a complete grading and marketing service. It receives wools, grades them at its own warehouse, and sells direct to mills through a sales agent, a private firm which has a sales office in Boston. Initial payments are made at the time of delivery. Wools are then pooled and final settlement is made when sales for the clip have been completed. The signing of a marketing agreement qualifies a producer as a member.

<sup>1</sup> From an unpublished report, "A Brief History of Wool Control in the United States and the Administration of It by the War Department," prepared by A. W. Elliott, in charge, Wool Branch, Boston Zone Supply Office, Boston Army Base, 1919.

<sup>2</sup> Organized in 1918 as the Ohio Wool Growers Association. In 1924 the association was reorganized as a nonstock cooperative and took the corporate name of the Ohio Wool Growers Cooperative Association.

TABLE 1.—WOOL HANDLED BY THE OHIO WOOL GROWERS COOPERATIVE ASSOCIATION, 1918-38

Year	Wool handled	Year	Wool handled
	<i>Pounds</i>		<i>Pounds</i>
1918.....	552, 694	1929.....	3, 832, 624
1919.....	1, 503, 202	1930.....	3, 325, 000
1920.....	1, 987, 000	1931.....	3, 776, 000
1921.....	6, 227, 000	1932.....	3, 325, 000
1922.....	2, 725, 000	1933.....	2, 940, 239
1923.....	3, 744, 000	1934.....	3, 763, 053
1924.....	3, 542, 000	1935.....	3, 365, 901
1925.....	4, 555, 852	1936.....	2, 562, 734
1926.....	4, 060, 465	1937.....	3, 291, 624
1927.....	3, 221, 039	1938.....	2, 527, 000
1928.....	2, 975, 000		

Data supplied by the association.

Besides offering a grading and selling service, the association is active in conducting educational projects with a view to improving production practices, quality of the wool clip, and preparation of the fleece for marketing.

### National Wool Exchange

At a conference of wool growers and bankers held in Helena, Mont., on November 12, 1924, it was decided to organize a cooperative to be known as the National Wool Exchange. The exchange was set up with headquarters in Boston and a branch in Chicago for concentration of fleece wools and small western clips. Capital was obtained by the sale of 2,000 shares of 6 percent preferred stock of \$100 par value and 3,000 shares of common stock, of no par value, offered at \$1 per share. All classes of stock had voting power.

It was agreed that the organization would be owned and controlled exclusively by wool growers and those directly charged with responsibility for the operations. It was organized without promotional activities. Those purchasing stock signed a 3-year pledge to ship their wool, with a penalty of one-half cent per pound on all wool not shipped as agreed. It was suggested that growers subscribe for stock on a basis of 12½ cents per head of sheep owned.

Seeking to avoid the fate of the National Wool Warehouse & Storage Co., the association did not make advances on wool except for the freight. It fostered the organization of State and regional cooperative associations in States from which it drew its membership, but these cooperatives were to do their own financing.

The organization had 214 stockholder-members and, in addition to handling wool for its stockholders, sold wool for other growers' coop-

eratives under contract as a sales agency. Negotiable warehouse receipts were issued on request, provided the wool was not mortgaged or otherwise encumbered. The exchange handled wool for State associations in Montana, Idaho, Wyoming, Iowa, South Dakota, Colorado, Nevada, Illinois, and New York. Various county associations also delivered their accumulations. Western headquarters were set up at Helena and warehouse facilities were established at Boston, Mass., Chicago, Ill., and Portland, Oreg.

To supply members with current information on wool marketing, the Exchange issued a weekly publication known as the National Wool Exchange Reporter.

The National Wool Exchange began operations in March 1925, and marketed wool for growers in both fleece-wool and territory States until it was superseded by the National Wool Marketing Corporation in 1930. Combination with the National Wool Marketing Corporation was the result of a feeling that competition between cooperatives was undesirable. In 1929, the last year of its operations, the association handled approximately 18,000,000 pounds of wool, with a value of about \$4,000,000. It redeemed all its preferred stock, plus a 6 percent dividend, and had a sizable surplus at the close of its 1929 business.

The operation of the National Wool Exchange is an important chapter in the history of the cooperative marketing of wool. It was strictly a sales-service organization and made no direct advances to growers. Up to this time wool growers' organizations had not been generally successful and their members had only limited experience in the cooperative method. Even though much of this experience was based on operations on declining markets, which naturally limited results, it had served to demonstrate that producers could increase their bargaining power by selling cooperatively.

### National Wool Marketing Corporation

Sharp and continued declines in wool prices and the accumulation of large stocks of wool were largely responsible for the organization of a national wool-marketing agency. With the exception of the 1927-28 season, wool prices had declined almost steadily since 1924. Fine-wool prices had fallen from \$1.68 per clean pound at Boston in 1925 to 84 cents in 1929, a decline of 50 percent. Values of other types and grades of wool had declined in proportion. Stocks of raw wool were accumulating rapidly. There was also considerable discussion of governmental assistance through a stabilization corporation,<sup>3</sup> some

<sup>3</sup> The Agricultural Marketing Act, approved June 15, 1929 (46 Stat. 11), provided that the Federal Farm Board might recognize as a stabilization corporation for a given commodity, a corporation, all of whose outstanding voting stock or membership interest in the corporation was owned only by cooperative associations handling the commodity, and which complied with certain other statutory conditions. The Federal Farm Board was authorized to make loans to any such stabilization corporation for the purpose of controlling any surplus in the commodity.

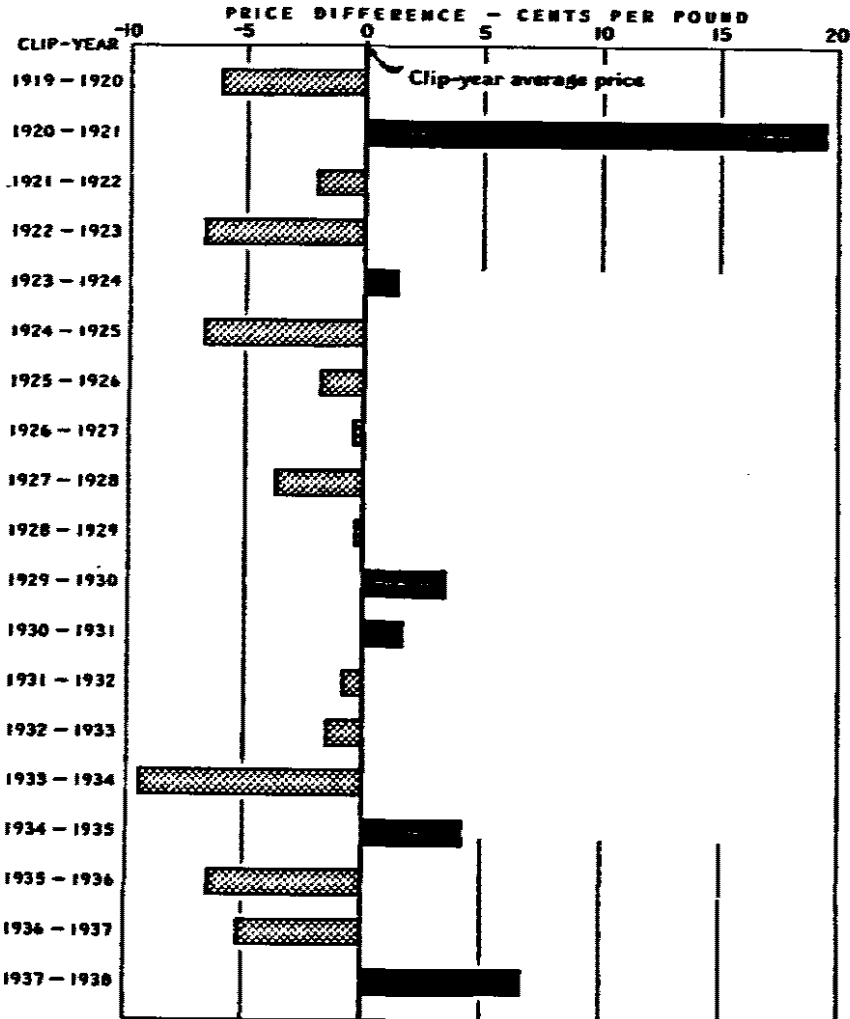


FIGURE 2.—DIFFERENCE BETWEEN AVERAGE PRICES OF WOOL FOR THE SHEARING SEASON (APRIL-JUNE) AND FOR THE ENTIRE CLIP YEAR (APRIL-MARCH): OHIO AND SIMILAR THREE-EIGHTHS BLOOD COMBING WOOL, 1919-38.

In 13 of the 19 years prices were lower at shearing time than during the rest of the year. (Data for 1919-23 from Boston Commercial Bulletin; data for 1924-38 from reports of U. S. Bureau of Agricultural Economics.)

growers preferring to seek help from this source rather than to establish their own cooperative.

On the other hand, growers felt that buyers were taking larger margins than were justified, and they were not satisfied with the nature of competition among local dealers. They also believed that when the shearing season was under way and growers were selling their wool, dealers would take advantage of the large supply to drive

prices down, and that when the wool was in their hands the dealers would then hold it for a relatively large speculative margin.

Underlying this situation is the fact that usually only a few manufacturers are interested in buying wool during the shearing season. Few mill owners know at that time what their requirements for the year will be, and they prefer to wait until the wools are graded and prepared for mill needs. This accounts to some extent for the usually weak market at shearing time and permits speculative dealers to operate freely.

A study of wool prices from 1919-20 to 1937-38 seems to substantiate the growers' opinion that wool prices are usually lowest at shearing time. In 13 of these 19 years, prices were lower at shearing time (April-June) than the average for the entire clip year (fig. 2).

Average monthly prices of Ohio Three-eighths Blood wool for a 15-year period show that the prices are usually higher during the fall and winter months, normally the season of greatest mill buying activity. At this time the wool is largely out of the hands of the growers (fig. 3).

It appears logical that growers should aim to market their wool more in accordance with manufacturers' demands than in accordance with the seasonal production of the clip. The commodity lends itself readily to such a procedure because it can be stored for a considerable time without deteriorating, and also because wool manufacturers for the most part are concentrated in a comparatively small area.

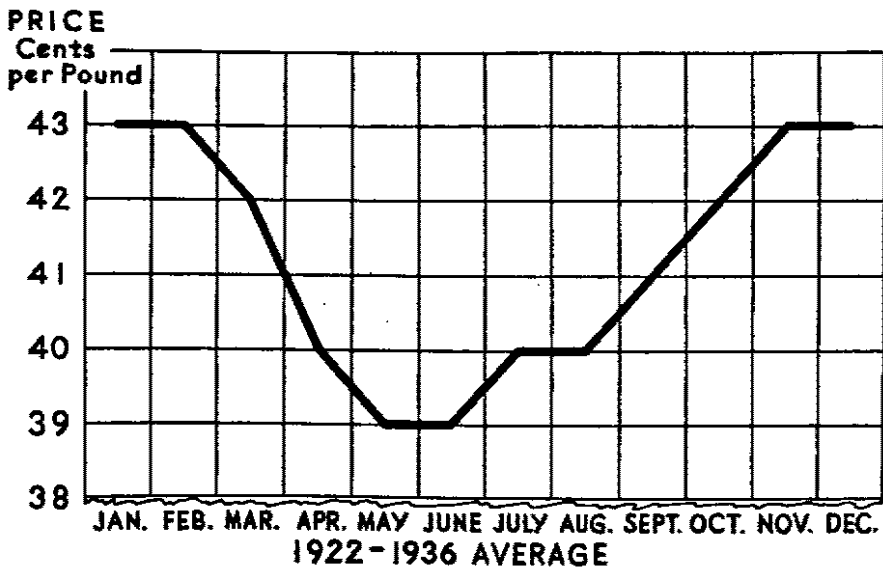


FIGURE 3.—AVERAGE MONTHLY PRICE OF OHIO AND PENNSYLVANIA THREE-EIGHTHS BLOOD WOOL, GREASE BASIS, AT BOSTON, 1922-36.

A long-time average shows prices lower at shearing time than later in the season. (Based on reports of the U. S. Bureau of Agricultural Economics.)

The hand-to-mouth manner of buying wool practiced by many mills and which first became noticeable upon the part of some distressed manufacturers in 1929, has forced the storing of wool back upon the dealers. Instead of carrying 6 to 12 months' supply, as formerly, mills began to purchase only a few weeks' supply. Only when manufacturers felt they were buying at very attractive prices, would they stock up heavily during the shearing season when the clip was ready for market. It was believed that in a few instances mills refused to purchase raw stock until orders for cloth were on hand. Dealers, of course, made allowance for probable storage expense when buying wool. When the growers became aware of this situation, they accepted it as another good reason for warehousing wools under the supervision of a national organization, which they would own and control.

The passage of the Agricultural Marketing Act (46 Stat. 11) in 1929 and the creation of the Federal Farm Board to carry out the purposes of the act offered wool growers an opportunity to put into effect a plan for a national marketing organization. Leaders of existing wool cooperatives met in Chicago in August 1929 and formed the National Wool Council which drew up plans for such an organization. The council then sought the aid of the Federal Farm Board. At a second meeting in Chicago in October 1929, representatives of wool growers' and wool-marketing organizations assembled and adopted a plan for a national cooperative wool and mohair selling agency. (See Appendix, p. 77.)

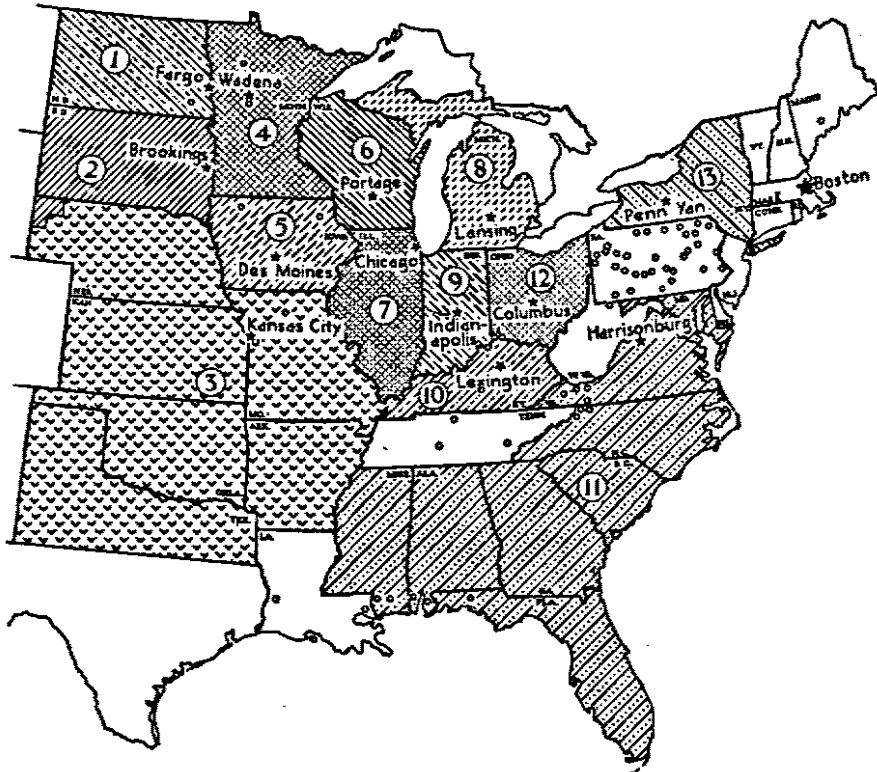
An organization committee of 15 was appointed at this meeting and on November 19, 1929, at San Angelo, Tex., this committee adopted articles of incorporation for a national wool-marketing organization. Although the provisions of the plan adopted were carried out with few exceptions, some of the methods applied were at variance with the ideas of the original planners. Cooperative wool-marketing associations were organized in all wool-growing sections of the country. These associations became stockholders in the National Wool Marketing Corporation with which they signed marketing agreements for delivery of all their receipts. (See Appendix, p. 79.) By the middle of May 1930, 17 new cooperatives had been formed. These, together with the 13 associations already operating, made a total of 30 agencies.

When the National Wool Marketing Corporation began operation in 1930, 7 associations in the fleece-wool States selected the organization as their sales agency. With the help of the new national agency, 5 more associations were organized in fleece-wool areas not then served by cooperatives (fig. 4). The receipts of these 12 cooperatives, together with those of 18 cooperatives in the 11 western range States and Texas, made up the first business handled by the National Wool Marketing Corporation (fig. 5).



Since 1930 the National has become the central sales agency for most of the large-scale wool-marketing associations in the United States. A detailed discussion of the National's operating methods and sales policies appears on pp. 17-56.

### Territory Served by Cooperative Wool-marketing Associations in the Fleece-wool Areas



**\* COOPERATIVE WOOL-MARKETING ASSNS.**

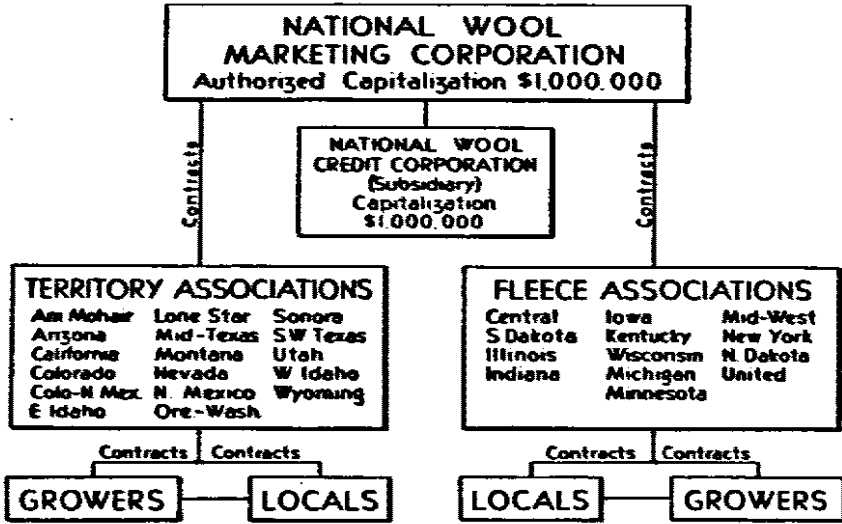
• Small Wool Pools

- |   |   |
|---|---|
| 1. North Dakota Coop. Wool-marketing Ass'n. | 7. Illinois Livestock-marketing Ass'n.        |
| 2. Coop. Wool Growers of South Dakota       | 8. Michigan Coop. Wool-marketing Ass'n.       |
| 3. Midwest Wool-marketing Ass'n.            | 9. Indiana Wool Growers' Ass'n.               |
| 4. Minnesota Coop. Wool Growers' Ass'n.     | 10. Kentucky Wool Growers Coop. Ass'n.        |
| 5. Slowe Sheep and Wool Growers' Ass'n.     | 11. United Wool Growers Ass'n.                |
| 6. Wisconsin Wool Growers' Ass'n.           | 12. Ohio Wool Growers' Ass'n.                 |
|   | 13. New York State Sheep Growers' Ass'n. Inc. |

FIGURE 4.

Approximately 25 percent of the production of the fleece-wool area is handled by cooperative organizations. (Based on data obtained from the associations.)

Organization Set-up of National Wool Marketing Corporation and Its Member Agencies



Every wool-growing section of the United States was served by these original agencies. The association at first contracted with a private firm to do the selling, but after 3 years set up its own sales department.

## Fleece-Wool Cooperatives

**G**ROWERS employ two principal types of associations in marketing their wool. The most common is the small, local pool. The other is the State or regional association.

### Local Pools

Most of the local wool pools are informal organizations. They operate principally during the shearing season and do not employ full-time managers. The growers merely designate one of their number or appoint a committee to supervise the assembling and selling. County agricultural agents have played an important part in the development of most of the wool pools in the fleece-wool States and in several of the range States. Many of the pools, particularly in the western part of the country, were formerly controlled by lending agencies.

Local pools assemble the wool produced by many farmers at a country point and offer it for sale to the highest bidder. It is sold usually in one lot with little regard for the grade or quality of individual clips. In some pools, however, preliminary grading and classifying is done; that is, the wool is separated into fine, medium, and coarse

grades and the rejects. Shrinkage of the various lots is seldom calculated although it is one of the important factors in determining wool values.

The various clips within the pool are often sold by the sealed-bid method. Under this method separate lots, or the whole pool, are offered to the highest bidder. At times buyers appear in person to inspect the pools before making their bids, but frequently they submit their bids by letter. In announcing the sale, the pool manager may specify certain rules or regulations to which the buyers must conform. Sometimes the bids are made with qualifications, as one offer for wool of the top grade and another for lower grades. Many bids stipulate a certain percentage of the weight to be discounted for rejects which may be in the wool. Since the wool in these pools is usually not prepared for mill needs, most of the buyers are dealers who may bid on the basis of the lowest grade.

The Eastern States produce wools which are principally of the two medium grades that are consistently light in shrinkage, making them particularly attractive to manufacturers. Therefore, in contrast with those of the range States, some of the eastern pools are purchased directly by manufacturers. This type of sale is particularly common in Pennsylvania, West Virginia, Tennessee, Virginia, and Kentucky.

The Pennsylvania pools have grown in number and volume until there are about 30 county pools handling together approximately 750,000 pounds of wool a year. The growers in these county organizations probably have made as much progress in their marketing operations as is possible under the pool system. They have become interested in their wool-marketing program to the point of grading the wool and finding buyers to bid on their accumulations. The State agricultural extension service keeps a record of these pool activities and offers advice whenever consulted. The growers seem to be satisfied with their system and to have little desire to carry the marketing process beyond the local pool stage to the formation of a State-marketing organization.

West Virginia pools have consolidated their operations into a State pool. Market demands and price trends at times other than the shearing season are studied by this organization and the wool is sometimes sold on contract several months in advance of shearing. The formation of a State pool was a progressive step for the members. It appears that they now have an opportunity to enlarge their marketing outlets.

The pools in Tennessee are attempting to become more effective by forming a State organization. The wool is still sold, however, in independent county pools. Prior to 1930 the county-pool system prevailed in Virginia and Kentucky. When State and regional associations were formed that year most of these pools were abandoned,

as the growers preferred to support the larger organizations. A few pools still remain, and these have had a fair degree of success. It is probable, however, that some of these have taken their cue from the State organization in determining when to sell, or that they have used the advance basis of the larger cooperative to determine what they should ask for their holdings.

Other small independent pools are to be found in practically every wool-growing State in the country. It is probable that there will always be some wool pools because it is a simple matter to form or to disband them.

Local pools have played an important part in the development of cooperative marketing of wool and have been the forerunners of State and regional associations. State, regional, and national cooperatives should recognize the appeal that local pools have for farmers and attempt to work with them wherever possible. If the larger cooperatives can assist these pools through more diversified outlets and better preparation of wool for market, much can be accomplished for the entire industry:

### State and Regional Cooperative Associations

Realizing that large volume was necessary for more efficient marketing, wool growers have brought together many local pools into State and regional organizations.

The common method of operation of these cooperative wool-marketing associations is for farmers in State-wide or larger areas to deliver their wool to a central cooperative warehouse. There each clip is appraised and graded by competent graders. The wools are then placed in salable lines of like grade and quality. Each line is sold to the manufacturer on its merit. It is usually necessary under this system to have full-time management and to arrange for sales in eastern markets. Such a cooperative usually extends its services into fields such as financing growers and instructing them in production methods and the proper preparation of wool for market. It is through this type of organization that the bulk of the cooperative wool finds its way to market.

Most of these associations confine their activities within the boundaries of a single State. Three were built around farm-bureau activities. Usually the State is divided into districts and the members of each district select a wool grower to serve on the board of directors. The regional organizations operate in more than one State and attempt to have each State served represented on the board. The board of directors of both types of organization meet periodically to transact the business of the association. They each select an executive committee to advise with the manager between sessions of the board.

The 13 State or regional fleece-wool cooperatives listed below have all been organized since 1917. Five began operations in 1930.

	<i>First clip handled (year)</i>
Cooperative Wool Growers of South Dakota, Brookings, S. Dak.....	1920
Illinois Livestock Marketing Association, Chicago, Ill.....	1930
Indiana Wool Growers' Association, Indianapolis, Ind.....	1926
Iowa Sheep and Wool Growers' Association, Des Moines, Iowa.....	1919
Kentucky Wool Growers' Cooperative Association, Lexington, Ky.....	1930
Michigan Wool Cooperative Marketing Association, Lansing, Mich.....	1920
Midwest Wool Marketing Association, Kansas City, Mo.....	1930
Minnesota Cooperative Wool Growers' Association, Wadena, Minn.....	1922
New York State Sheep Growers' Cooperative Associations, Inc., Penn Yan, N. Y.....	1918
North Dakota Cooperative Wool Marketing Association, Fargo, N. Dak.....	1920
Ohio Wool Growers' Cooperative, Columbus, Ohio.....	1918
United Wool Growers' Association, Harrisonburg, Va.....	1930
Wisconsin Wool Growers' Association, Portage, Wis.....	1930

Only one of the fleece-wool associations began operating when it had an opportunity to prepare and sell its first accumulation while prices were advancing. Nine began to operate in years of distressed markets and declining prices, and those which did not dispose of their accumulations immediately after receiving them experienced difficulty

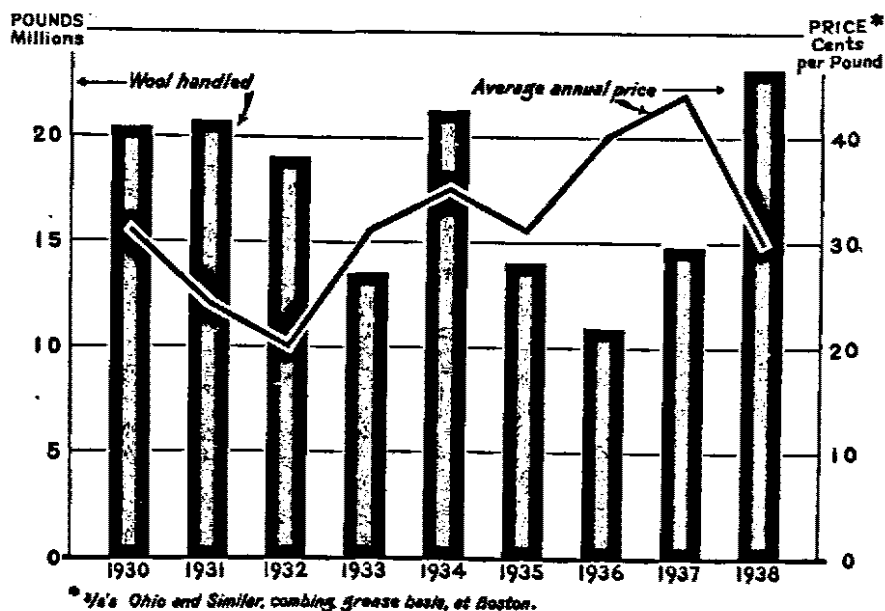


FIGURE 6.—TOTAL WOOL HANDLED BY THE 12 FLEECE-WOOL COOPERATIVES OF THE NATIONAL WOOL MARKETING CORPORATION AND AVERAGE ANNUAL PRICE, 1930-38.

There is a tendency for volume to increase in years when prices are relatively low and to decrease when markets are comparatively favorable. (Volume figures from the associations; price data from reports of the U. S. Bureau of Agricultural Economics.)

TABLE 2.—WOOL HANDLED BY FLEECE-WOOL MEMBER AGENCIES OF THE NATIONAL WOOL MARKETING CORPORATION, 1930-38

Association	1930	1931	1932	1933	1934	1935	1936	1937	1938
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>
Cooperative Wool Growers of South Dakota.....	3,800	3,460	3,200	2,100	4,200	2,323	2,742	3,798	5,170
Illinois Livestock Marketing Association.....	221	153	300	165	229	382	159	208	380
Indiana Wool Growers' Association.....	523	708	748	410	570	445	274	325	528
Iowa Sheep and Wool Growers' Association.....	1,137	2,396	1,898	840	1,344	734	522	550	1,030
Kentucky Wool Growers' Cooperative Association.....	195	295	603	605	664	500	371	449	546
Michigan Cooperative Wool Marketing Association.....	413	641	476	245	396	234	128	210	400
Midwest Wool Marketing Association.....	3,492	3,932	4,158	2,712	4,250	3,153	1,857	2,057	4,851
Minnesota Cooperative Wool Growers' Association.....	1,220	1,234	1,275	1,281	2,000	561	252	271	1,390
New York State Sheep Growers' Cooperative Associations, Inc.....	221	230	262	140	179	105	87	63	383
North Dakota Cooperative Wool Marketing Association.....	3,993	2,642	1,816	757	2,500	1,011	767	1,471	2,632
United Wool Growers' Association.....	1,240	826	332	662	712	700	901	1,069	709
Wisconsin Cooperative Wool Growers' Association.....	288	477	396	367	565	502	266	419	606
Total.....	16,743	16,894	15,464	10,484	17,609	10,650	8,326	10,995	19,227

Source of data: Records of the fleece-wool associations.

in making satisfactory returns to their members. Three were organized in years when wool prices were extremely high, but these years were followed shortly by periods of sharp price declines. In spite of these unfavorable conditions most of the organizations have been able to hold a membership that has delivered a substantial volume. Progress might have been greater had market trends been more favorable in the early years of operation, but on the other hand some of the cooperatives might not have been organized had the market been active and firm.

Experience has proved that when growers have been loyal to their organization through 2 or 3 consecutive years of good returns, they will probably stick to it through an occasional year of poor returns. On the other hand, if the first year's or even the second year's experience is one of unsatisfactory returns, there is usually a heavy loss in the membership. This tendency was borne out by the history of the fleece-wool associations.

The volume of the State and regional associations has been quite variable. There is a tendency for volume to increase in years when

prices are relatively low and to decrease when markets are comparatively favorable (fig. 6 and table 2). It is unfortunate for the associations that many growers choose to support cooperative marketing in distressed times rather than good years. This is partly because the trade does not buy freely when markets are distressed; therefore, the grower feels the need of cooperative marketing service. This service is more difficult at these times, of course, than when markets are good and the dealers are active. The handicap of irregular and insufficient volume is further illustrated by the data in table 3 which shows the wool received by each cooperative as a percentage of the production of its respective area. It is generally considered that to be a factor in the marketing of the area's production, each cooperative should receive at least 25 percent of the wool produced in its area.

TABLE 3.—PERCENTAGE OF PRODUCTION OF AREA SERVED HANDLED BY FLEECE-WOOL MEMBER AGENCIES OF NATIONAL WOOL MARKETING CORPORATION, 1930-38

Association	1930	1931	1932	1933	1934	1935	1936	1937	1938
Cooperative Wool Growers of South Dakota.....	48.8	39.1	36.5	22.8	41.7	25.2	26.8	47.7	57.1
Illinois Livestock Marketing Association.....	4.6	3.2	5.9	2.6	4.4	8.9	3.0	3.9	7.0
Indiana Wool Growers' Association.....	10.8	13.3	14.2	7.9	10.6	7.8	5.3	6.1	10.8
Iowa Sheep and Wool Growers' Association....	14.0	23.1	22.6	10.5	15.3	7.6	5.4	5.7	10.6
Kentucky Wool Growers' Cooperative Association.....	4.7	7.0	13.8	13.8	14.2	9.7	7.6	8.6	12.2
Michigan Cooperative Wool Marketing Association.....	4.9	7.4	5.5	2.9	4.7	2.8	1.5	2.4	5.0
Midwest Wool Marketing Association <sup>1</sup> .....	24.1	26.3	29.6	17.2	26.7	17.5	12.0	12.8	27.4
Minnesota Cooperative Wool Growers' Association.....	20.0	18.7	19.2	18.8	28.0	7.9	3.5	3.4	24.2
New York State Sheep Growers' Cooperative Associations, Inc.....	7.1	7.6	9.6	5.2	6.5	4.2	3.8	2.5	18.6
North Dakota Cooperative Wool Marketing Association.....	63.7	37.7	23.8	10.7	35.4	17.3	11.7	24.0	42.9
United Wool Growers' Association <sup>2</sup> .....	22.6	17.1	10.8	21.9	18.6	27.8	39.6	46.3	32.7
Wisconsin Cooperative Wool Growers' Association.....	8.9	14.9	12.6	12.3	19.1	18.5	8.8	13.5	20.5
Total.....	21.8	21.1	19.9	13.0	21.4	12.9	10.3	13.6	23.6

<sup>1</sup> Area served includes Missouri, Kansas, Nebraska, Oklahoma, and Arkansas.

<sup>2</sup> Area served: 1930, Maryland, Virginia, North Carolina, Tennessee, Alabama, and Louisiana. 1931, Maryland, Virginia, North Carolina, Tennessee, and Alabama. 1932, Maryland, Virginia, and North Carolina. 1933, 1934, Maryland, Virginia, North Carolina, Alabama, and Louisiana. 1935, 1936, 1937, 1938, Maryland and Virginia.

Source of data: Computed from production estimates of the Bureau of Agricultural Economics, U. S. Department of Agriculture, and from tonnage figures supplied by the National Wool Marketing Corporation.

## Operating Methods, Policies, and Problems

THE fleece-wool cooperatives have the usual operating problems of the small farmers' association. In contrast with the marketing of territory wools from the range States, the fleece-wool clips are smaller, the number of grades in each clip is greater, and the farm-flock grower who often considers wool growing a mere side line knows less about quality, grade, and value of his wool than the average range operator (fig. 7). Also there are more local wool buyers to purchase the clip. The buying commission offered by wool houses to local representatives, usually 2 cents per pound, is enough to attract such buyers as feed-store operators, creamery-station operators, filling-station operators, sheep shearers, retired farmers, some active farmers, and always the small town junk dealer.

In view of these facts, the benefits to be derived from cooperative marketing by growers of fleece wools probably out-number the potential benefits to growers in the range States by a considerable margin. This may account for the fact that an increasing percentage of the wool handled by the National Wool Marketing Corporation comes from the fleece-wool States (table 4). The average fleece-wool clip is too small to attract buyers of large quantities, and so it often changes hands three or four times before it reaches the manufacturer. This naturally increases the total expense of marketing and tends to reduce prices offered to producers.



FIGURE 7.—A TYPICAL FARM FLOCK.

The small farm flock is usually of mixed breeding. Frequently western ewes are shipped to the Middle West and East for farm replacements.



TABLE 4.—RECEIPTS OF FLEECE-WOOL MEMBER AGENCIES COMPARED WITH RECEIPTS OF ALL MEMBER AGENCIES OF THE NATIONAL WOOL MARKETING CORPORATION, 1930-38

Year	Total receipts of wool by fleece-wool associations	Total receipts of wool by member agencies of the National Wool Marketing Corporation	Fleece-wool receipts as a percentage of total receipts of the National
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>Percent</i>
1930.....	16, 743	116, 656	14. 4
1931.....	16, 894	105, 787	16. 0
1932.....	15, 464	65, 727	23. 5
1933.....	10, 484	41, 106	25. 5
1934.....	17, 609	62, 327	28. 3
1935.....	10, 650	30, 951	34. 4
1936.....	8, 326	20, 311	41. 0
1937.....	10, 895	27, 915	39. 0
1938.....	19, 227	42, 536	45. 2

Source of data: National Wool Marketing Corporation.

### Financial Service

The financial service is one of the most necessary services rendered by wool associations to their members. It is of two types; the pre-shearing advance and the so-called commodity advance made upon delivery of the wool. The advances offered by the cooperative seem to be given more consideration by members than any other service. In spite of the associations' efforts to build up an understanding of the more general advantages of cooperative marketing, growers still consider the rate of advance carefully and compare it with outside offers before deciding to consign wool to the association. Only one wool cooperative claims to have been successful in holding its older members on the basis of service other than advance payments.

The State and regional associations obtain money for advances to growers from the National Wool Marketing Corporation which, in turn, borrows from the banks for cooperatives or from commercial banks. Many local associations establish their own line of credit to make the initial advances to growers. This line of credit is flexible and permits repayment and reborrowing as needs arise. When the wool is delivered and is in position to be used as collateral, the associations are able to go either to the banks for cooperatives or the National Wool Marketing Corporation and pledge the wool for 65 percent (in 1938) of the market price.

Wool is said to be in such a "collateral position" when the ware-

house receipt or bill of lading is acceptable as security for a loan. The wool may be in original bags in a bonded warehouse and warehouse receipts issued in a form acceptable to the lending agencies; or it may be taken out of the original bags, graded, and commingled into selling lines, and an acceptable warehouse receipt issued for each graded line. If wool is placed on board cars, the bill of lading is also satisfactory as collateral. A great many loans are made in this manner, the bill of lading being exchanged later for warehouse receipts.

A few associations make advances to growers only when wool is actually delivered to a central warehouse, appraised, and graded. This practice is by far the safest and most economical, but it will not bring the maximum tonnage to the association. Most growers demand an advance at the country point, where they actually part with their wool and turn it over to the association. Under the flat-rate (see p. 20) system, the country-point advances can be made with comparative safety and little confusion and expense.

### *Preshearing Advances*

Growers often request an advance on their wool clip several weeks or sometimes several months prior to shearing. These advances are made to assist growers in meeting winter and spring operating costs. This type of financing, although available to many fleece-wool associations, is mostly confined to cooperatives that border the range States and handle large clips. Only two of the fleece-wool associations consider the making of preshearing advances necessary for the successful operation of their organization. Three cooperatives make some preshearing advances but do not encourage them, and seven make no preshearing advances whatsoever, contending the advantage to the grower is offset by the trouble and cost in making them. In some years local banks have not assisted growers with additional advances and the cooperatives have been of inestimable service to their members in offering them loans of this type.

Interest at the rate of 6 percent is usually charged on preshearing advances until the clip is delivered to the association when the interest rate is reduced as the advance is then considered a commodity loan. The greatest demand for preshearing advances usually comes in January and February; that is, 2 to 4 months before the beginning of the shearing season. Occasionally such advances are made earlier, when growers are in need of operating funds or when some emergency arises. Losses on loans of this type have been negligible and for the most part have been caused by unforeseen death losses and other unpredictable occurrences. The advance is usually from 50 cents to \$1 per fleece, and most associations make the loan on the basis of 90 percent of the number of sheep in the flock.

It is difficult sometimes for an association to refuse to make these

small preshearing advances, because many country dealers advance the farmers a dollar per fleece without any interest charge. The dealer naturally expects to recover the amount of the interest from his margin of profit, but this is not always clear to the grower.

### *Commodity Advances*

The commodity advance is made when the grower delivers his clip to the association. It is made by cooperatives on all types of wool to all growers who wish it. All but a very few growers accept this advance, which is merely a loan on their wool. The loan is ordinarily around two-thirds of the estimated current market value from which amount the growers' marketing costs are deducted. A few cooperatives lend as much as 75 percent of the estimated market value.

Some associations make a partial advance to the grower when the wool is delivered to the country assembling point, and a further advance when it has been graded at the association's central warehouse. Recently, however, most of the cooperatives have decided to follow the practice of making one flat advance to all growers delivering average types of wool, without a supplementary advance. This saves the cooperative a great deal of expense because then it is not necessary to rush the appraising and grading, and more time is allowed for the cooperative to place the wools in well made up selling lines. It is also an improvement over the practice of appraising each clip at the country shipping point. Under the flat-advance system, expert wool appraisers at the country shipping points are unnecessary.

To determine what the rate of advance will be under this system, an estimated average wool price is taken for each wool-growing area, according to the grade and quality of the bulk of the wool produced. When there is considerable variation in grade in a particular area, a flat advance will be made on fine wools, another on medium wools, and possibly a third flat advance on coarse wools. To illustrate, when the average price is about 30 cents per pound, the cooperative will advance 65 percent of 30 cents or 19½ cents, less 5 cents for marketing costs, which makes the actual advance to the grower 14½ cents per pound. Thus, if medium wools are worth 32 cents and fine wools 25 cents, the advances will be 15.8 cents and 11¼ cents, respectively.

The assessment of 5 cents per pound for costs of marketing, which is about the average, covers all costs such as the National Wool Marketing Corporation's selling charge, the local cooperative's charges for administration, the grading and field work, and the freight costs. The break-down of the charges varies considerably with the different associations. (See also p. 44.)

The policy to be followed in making commodity advances is an annual problem. Advances are made during a very short period,

while the wool is merchandised over a period of many months. This makes high rates extremely dangerous. The usual procedure is to look to the National Wool Marketing Corporation to determine the rate of advance, on the basis of prices in the Boston market. A dangerous situation arises when the rate of advance must be determined at a time when the Boston market is inactive and nominal quotations must be used, or when the market is extremely active and prices are rising or declining at a rapid rate. These conditions have at times made base prices quoted to the locals by the National Wool Marketing Corporation appear to be out of line with local country prices. It may be that efforts to reflect accurate market conditions in the advance are not justified, since, regardless of market conditions at the shearing season, growers receive the entire net proceeds from the sales of their clips in the final settlements.

In a sincere effort to reflect market conditions, the National Wool Marketing Corporation has often revised its authorized advance as values changed in the Boston wool market. Each time that an association has changed its rate of advance, whether up or down, the change has increased administrative expense. If the rate of advance were increased those members who received advances at a lower rate felt that their advances should be brought up to the new level.

Until 1936, with few exceptions, it was the policy of the associations to advance as much as they could borrow from financial agencies, believing that high advances were necessary to obtain volume. It has also been the practice of several associations at times to supplement the authorized advance with an additional cent or more from their own reserves. This latter practice has almost invariably led to trouble. When supplemental advances are made the margin of safety is reduced. Also experience has shown that most supplemental advances are made on inferior wools which are difficult to sell and are usually sold last. Growers of the better clips are more likely to be satisfied with their first appraisals and do not request the supplemental advance. These additional advances require extra effort and expense on the part of the cooperative and, unless they are made to all members alike, cause dissatisfaction on the part of those who did not receive them.

### *Overadvances*

An overadvanced position is probably fraught with more danger than any other situation faced by a cooperative. Associations now realize the futility of trying to collect overadvances from their members, even though it may seem that growers are morally obligated to pay back money that does not belong to them. Each association has had some experience in making excessive advances to members and then trying to collect the overage.

The years 1930 and 1931 were seasons of heavy overadvances. Local associations then assumed little or no responsibility for advances and exercised comparatively little control over the rate, leaving its determination to the National Wool Marketing Corporation. Certain directors of the corporation and the sales agent insisted on high advances to increase volume and so carry the consignors over the currently weak market. The corporation authorized advances of 90 and 83 percent of the market value for the 2 years, respectively. Drastic price declines were then experienced which left the associations in a critical position.

In 1932 the local associations changed their policy and the average rate of advance was reduced to about 75 percent of the market value. Wool prices reached the bottom and began to rise about the middle of that year, and these two facts helped to strengthen the associations' financial position.

In 1933 the associations became even more conservative in their advances, making 75 percent the maximum in most instances. Following this tendency came a substantial rise in wool prices and the average return to members for that year was substantially higher than the comparable prices obtained through noncooperative channels.

The year 1934 proved to be a devastating one for cooperative wool marketing. Advances for the most part appeared to be conservative, but subsequent declines in prices and the sale of the wools the following year at the very lowest point in the market again placed the cooperatives in an overadvanced position.

Various degrees of safety for advances made each clip year by the National Wool Marketing Corporation are indicated by figure 8. Each season's advance is determined by using average wool values during April, May, and June as a base of 100 percent. This is the time when wools are delivered to the association and advances are made. It will be noted that, had it been possible for the National Wool Marketing Corporation to sell each year's accumulation within the clip year, every advance except those for 1930 and 1931 would have been conservative. Declining prices and quiet markets in some years, however, resulted in wools not being sold within the clip year. Raw wool prices went down to very low levels during 1930 and 1931, both years of declining consumer purchasing power. As a result, the handling of both these clips resulted in an overadvanced position. The advance bases for the other 4 years shown were safe and final results rested entirely with the selling policy.

In the last few years several local associations have expressed a desire to assume all financial responsibility for the handling of their clip, rather than to rely on the National Wool Marketing Corporation for this service. They believe that local financial responsibility would develop better local leadership and that growers and directors

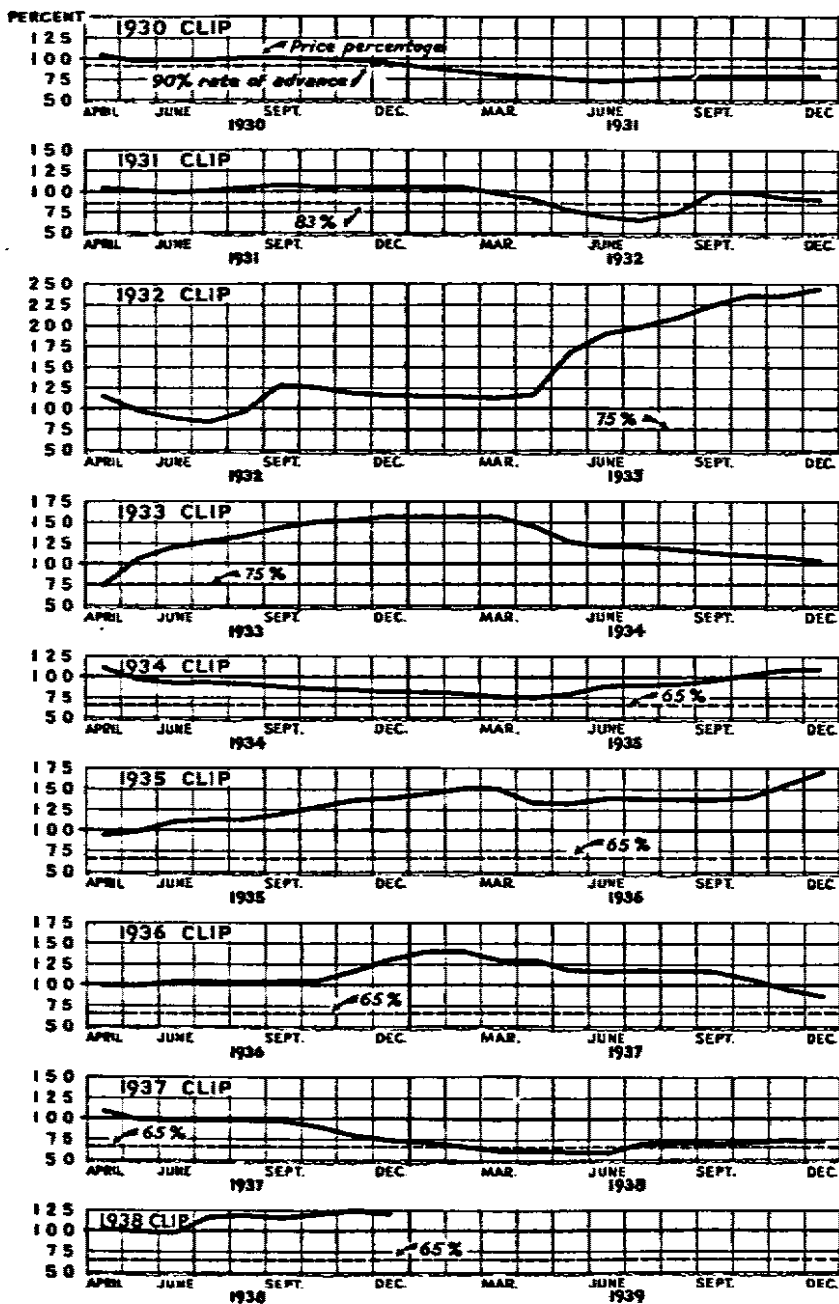


FIGURE 8.—AVERAGE MONTHLY PRICE OF OHIO WOOLS AND SIMILAR WOOLS, GREASE BASIS, SHOWN AS A PERCENTAGE OF THE AVERAGE PRICE DURING THE SHEARING SEASON, CLIP YEARS 1930-31 TO 1938-39.

When accumulations are sold within the clip year, advances of 65 percent are reasonably safe. (Price data from reports of the U. S. Bureau of Agricultural Economics.)

would then assume more responsibility. They feel that the officers and directors will take more interest in guarding the local finances, adopt sounder operating policies, and be more conservative in making advances to growers.

Some growers, on the other hand, feel that independent financing by each local association would tend to destroy the significance of the National Wool Marketing Corporation and cause some local associations to withdraw from the national organization. They point out that independent selling and competition between cooperatives might be the result of such a policy.

It is important to the growers and to the associations that the local cooperatives associate their efforts with a national wool marketing program. If, however, financing is the only bond that holds the local associations as members of the National, it is questionable whether this bond is a sound one.

The consensus seems to be, however, that complete local financial responsibility is desirable, if and when the associations are capable of undertaking it. Only a few, however, are in such a position. Conflicts between local and national management policies have occurred, naturally, as each has attempted to make a satisfactory showing in the way of lower handling costs and at the same time show earnings and increased reserves. Had the National Wool Marketing Corporation been strictly a sales agency, these controversies probably would not have arisen. It is conceded by the members, however, that the service and financing work of the National Wool Marketing Corporation has been an important factor in the development of the local associations.

The fact that the National Wool Marketing Corporation had assumed responsibility for supplying financial assistance and determining the rate of advances caused a few of the associations in the beginning to assume little responsibility in making commodity advances. This situation has changed now. Most of the associations realize that the commodity advances are their responsibility and that they are liable for collections. This has fostered development of more conservative policies on the part of the local associations.

### *Interest Charged on Advances*

As most growers take a commodity advance on their wool at the time of delivery, interest is charged for the actual time the money is borrowed by the grower. When any part of the grower's clip is sold, interest charges stop on the portion sold, even though final settlement with the grower is not made for several weeks or months. When proceeds from the portion sold are held by the National Wool Marketing Corporation until final settlement can be made, the growers receive

interest on the money so held. Thus growers sometimes receive interest credits as well as interest charges on their account sales.

Six percent was the customary rate of interest on commodity advances until 1937, when the rate was dropped to 5 percent. The rate is subject to change, naturally, for although the corporation is able to borrow from the Central Bank for Cooperatives at its prevailing rate, this rate changes from time to time according to general money market conditions.

For some years the National Wool Marketing Corporation retained earnings on interest charges and added them to the reserves. Because the corporation is not primarily a financial agency but was set up to sell wool for its member agencies, it is now considered that any interest earnings above the cost of administration of the loans should be returned to the grower. Since 1935, therefore, the national organization has returned such earnings to its member associations.

Many growers find it difficult to understand why they have to pay interest on their commodity advances. They fail to see that it is necessary for the local association, and in turn the National Wool Marketing Corporation, to pledge the wool as collateral in order to obtain funds from which to make advances to growers at time of delivery. The National Wool Marketing Corporation does not buy the wool but merely lends the grower a part of the estimated value of his clip. The money so loaned must be borrowed from financial agencies and so is subject to interest charges which must be met by the association.

It is true, of course, that some private dealers make an advance to growers prior to delivery of their wool, without interest charges. If the dealer has borrowed this money, interest must be paid on it, and, if it is not paid outright by the grower, allowance must be made by the dealer in the price paid the grower for his wool. Interest charges on all advances, whether preshearing or commodity advances, are justified, as these amounts are all really loans.

### *Deductions for Reserves*

Only 3 associations out of 13 make a specific deduction for reserves. The amount deducted varies from 25 to 50 cents per 100 pounds. Associations not making specific deductions for reserves are attempting to establish them out of earnings from operations. This may prove an uncertain source of income, however, and it seems that even if the amount set aside for this purpose through deduction is very small, such a deduction should be made. This plan is generally recognized as one of the soundest of cooperative policies in that it tends to further the member's sense of ownership and responsibility for his association.



## Grading and Classifying

When wools have reached the cooperative warehouse, the next step in handling is grading and classifying (fig. 9). Grading is necessary before fleece wools can be intelligently merchandised. This is an important step from the standpoint of both grower and cooperative salesman. Because there is great variation in grade and quality among clips and also among individual fleeces within each clip, it is only through grading that growers are able to sell their wool on its merits.

In the process of grading wool, fleeces are left intact. When two or more grades are found in one fleece, the predominating grade applies. Not until the wool is received by the manufacturer is the fleece broken up into sorts for manufacturing purposes.

All grades of wool are produced in the fleece-wool States, and each grade has a separate value on the market. Few farm flocks produce less than 3 or 4 grades and numerous flocks as many as 12 or 15 different commercial grades. In table 5 are shown the proportions of the various grades, according to the diameter of the fiber, marketed by 11 fleece-wool cooperatives. Combing and clothing grades are not shown separately in this table, because there is great variation from year to year, in the length of staple for these grades. Most of the associations grade their wools and arrange them in salable lines before turning them over to the National Wool Marketing Corporation to be sold. The graded wools, however, are not actually ship-

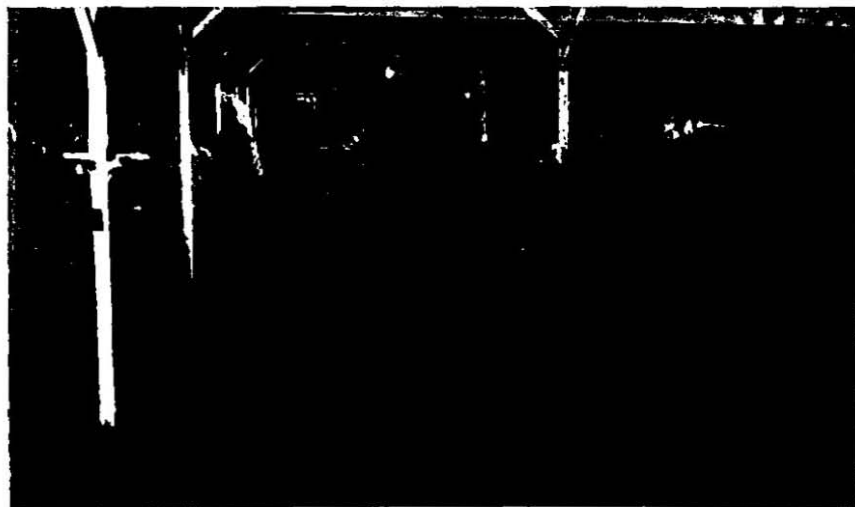


FIGURE 9.—PILES OF GRADED WOOL IN A LOCAL WAREHOUSE.

Every clip is graded and classified into lots of similar grade and quality. One clip may contain 10 or more grades of wool.

TABLE 5.—PROPORTION OF WOOL OF VARIOUS GRADES RECEIVED BY 11 FLEECE-WOOL COOPERATIVE ASSOCIATIONS, 1930-36

Association	Percentage of total receipts of association									
	Fine wool	2 <sup>1</sup> / <sub>2</sub> Blood	3 <sup>1</sup> / <sub>2</sub> Blood	4 <sup>1</sup> / <sub>2</sub> Blood	Low 3 <sup>1</sup> / <sub>2</sub>	Common and broad	Black	Re-jects	Out	Total
Michigan Cooperative Wool Marketing Association.....	21.32	12.29	16.69	25.91	4.39	1.62	8.73	12.63	1.34	100.00
Iowa Sheep and Wool Growers' Association.....	19.73	7.51	21.95	44.35	4.69	.17	.66	7.94	.64	100.00
Wisconsin Cooperative Wool Growers' Association.....	9.73	4.47	30.60	39.61	9.77	.57	.89	1.60	.46	100.00
New York State Sheep Growers' Cooperative Association, Inc.	22.33	19.13	29.71	21.13	2.41	.49	.49	4.33	.17	100.00
Indiana Wool Growers' Association.....	7.46	9.69	28.39	43.94	1.90	.51	.63	9.47	.49	100.00
Midwest Wool Marketing Association.....	22.46	19.16	21.78	22.36	2.85	.36	.93	14.39	4.08	100.00
Minnesota Cooperative Wool Growers' Association.....	7.44	8.36	24.63	36.42	1.69	.27	.51	7.37	1.39	100.00
North Dakota Cooperative Wool Marketing Association.....	16.76	14.06	21.78	30.14	1.74	.66	.22	3.15	.67	100.00
Illinois Livestock Marketing Association.....	6.78	5.47	23.74	46.22	1.52	.79	.77	9.96	.18	100.00
Cooperative Wool Growers' of South Dakota.....	24.67	12.53	21.65	30.63	1.23	.62	.49	6.39	.53	100.00
Kentucky Wool Growers' Cooperative Association.....	2.06	14.64	42.21	22.92	1.46	.39	1.49	2.63	.36	100.00
Eleven associations.....	17.46	10.06	23.64	31.12	2.34	.32	.72	6.94	1.50	100.00

Source: Records of the associations. The receipts of the cooperatives were broken down by diameter of fiber rather than length of fiber. This was done because the grades of wool produced in an area do not change radically by diameter of fiber but do change from year to year in length of staple. Feed and weather conditions may materially affect the growth of the wool and in some years the grades will show an unusually high percentage of clothing or short-staple wools. The common and broad grades, although contrary to the U. S. standards for grades of wool, were combined into one grade. It was considered impractical to separate the two as they are used for the same manufacturing purposes. Black was separated from the rejects for the purpose of determining, if possible, where educational work was being conducted to reduce the number of black fibers in fleeces. The column "Rejects" includes all other off-grades such as burrys, tags, dead wools, and so forth. The percentage of rejects will vary considerably from year to year. Wet years will see more taggy wool; on the other hand during dry seasons a greater percentage of burry wools will show up. The column headed "Out" included small quantities of wool of which it was impossible to determine the grades from the records of the associations. Although it is impossible to get the break-down of receipts by grades from the pool operations, the totals from this table might be used with a fair degree of accuracy in determining the percentage of grades of wool in the fleece-wool States.

ped to the National Wool Marketing Corporation. As soon as a line is made up, sample bags are shipped to the showroom in Boston and manufacturers buy from these samples (fig. 10). With few exceptions, the wools are stored in the local warehouses until sold.

Some fleece-wool associations send their accumulations to the National Wool Marketing Corporation's warehouse in Boston, where the grading is done. This practice is followed uniformly by the member associations that handle territory wools. Two fleece-wool associations accumulate wool at local points and have the National Wool



FIGURE 10.—SHOWROOM IN WAREHOUSE OF NATIONAL WOOL MARKETING CORPORATION.

Sample bags of graded wool and original bag lots are shown and appraised in well-lighted rooms.

Marketing Corporation sell it in the original bag by means of sealed bids. This method is employed to enable growers to obtain immediate, full returns.

In most of the warehouses graders licensed by the Federal Government are employed, and the grading conforms to United States standards. The associations handling only 200,000 or 300,000 pounds, or less, are often handicapped in having to put up wools for sale in less than carlot quantities. Associations handling 500,000 pounds, or more, are able to make their grades in sizable lots, thus attracting larger manufacturers as well as the smaller ones. Cooperatives should make every effort to handle a tonnage of not less than 500,000 pounds of wool, as this quantity offers greater possibilities in merchandising.

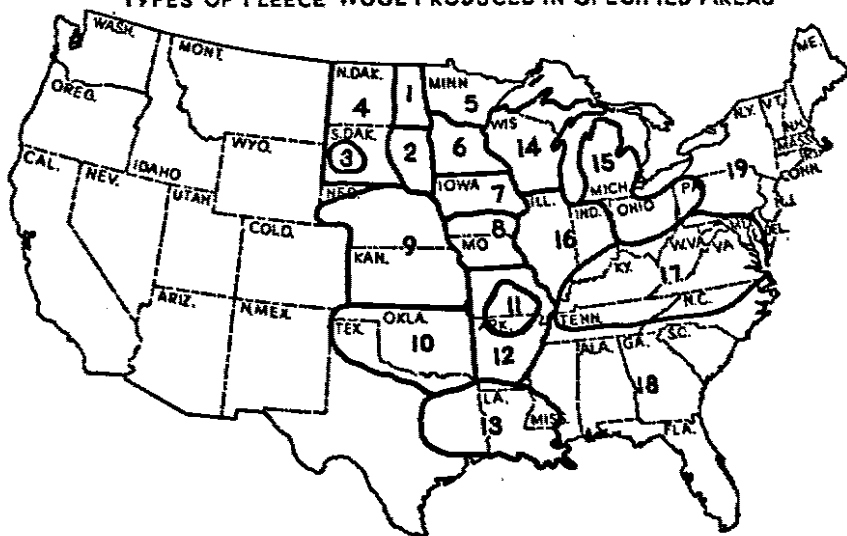
When the local cooperatives do their own grading it is necessary to have skilled wool graders. As there have been few qualified graders available in the interior, the National Wool Marketing Corporation has supplied graders at cost, from their Boston warehouses. Local graders are being trained to do this work, however, and probably within a few years it will not be necessary for the associations to look to Boston for graders. The task of finding graders is made more difficult because of the shortness of the season. As the number of local graders increases, it may be advisable for the National Wool Marketing Corporation to supervise the grading operations, in order that the grades of its member agencies be kept constant. This would assure sufficient uniformity to enable the corporation to guarantee sales to mills.

### Types of Fleece Wools

Numerous types of wool are grown in the various producing areas of the fleece-wool States. Overlapping of wool types makes it impossible to outline each area clearly and definitely. It is also difficult to designate the particular types of wool produced in each section because every section produces a wide variety of grades and types of wools. This discussion will deal principally with the predominating types and grades of wools for the respective sections, according to information gathered from the cooperatives and from experienced wool men (fig. 11).

**AREA 1. Eastern North Dakota or Red River Valley.**—The best wools handled by the North Dakota Cooperative Wool Marketing Association are from this section, which is the area between the Missouri River and the Red River. The wools are not considered choice bright wools. However, most have a good length of staple. The predominating grades are Three-eighths and Quarter Blood, shrinking from 50 to 56 percent. Practically all clips are from farm flocks.

#### TYPES OF FLEECE WOOL PRODUCED IN SPECIFIED AREAS



- |   |   |
|---|---|
| 1. Eastern North Dakota or Red River Valley wools | 10. Oklahoma-North Texas wools              |
| 2. Farm Flock wools of South Dakota               | 11. Springfield wools                       |
| 3. Belle Fourche wools                            | 12. Average Missouri and Arkansas wools     |
| 4. Western Dakota wools                           | 13. Louisiana wools                         |
| 5. Northern Minnesota wools                       | 14. Wisconsin wools                         |
| 6. Southern Minnesota wools                       | 15. Ohio-Michigan wools                     |
| 7. Typical Iowa wools                             | 16. Illinois-Indiana wools                  |
| 8. Iowa-Missouri wools                            | 17. Blue Grass wools                        |
| 9. Kansas-Nebraska wools                          | 18. Southern wools                          |
|   | 19. Pennsylvania-New York-New England wools |

FIGURE 11.

Boundaries are difficult to establish, as there is much overlapping of types produced in neighboring areas. (Based on data obtained from the cooperative associations and from the U. S. Bureau of Agricultural Economics.)

AREA 2. *Farm-flock area of South Dakota.*—Clips in this area are from the smaller farm flocks. As a rule, these wools are a little brighter than the wools from area No. 1; usually the staple is of fair length, but the bulk of the wools are not considered as strictly bright, most of them being classed as semibright. The shrinkage of the Medium grades will vary considerably, with the bulk of them shrinking from 50 to 57 percent. The Cooperative Wool Growers of South Dakota is the leading marketing agency.

AREA 3. *Belle Fourche.*—Wools from this section are considered very good and often, if the season is favorable, choice. Many of the clips come from irrigated pastures. Belle Fourche is the center of the South Dakota range area from which a great many large range clips are marketed. The strictly Belle Fourche wools have established a reputation for being of high quality and frequently clips from surrounding States are brought in to be marketed there. Often the quality of these clips does not compare well with the original Belle Fourche wools. The grading clips from this area run strong to Three-eighths and Half Blood with the Three-eighths Blood shrinking around 53 to 54 percent. The good Fine wools shrink around 65 to 66 percent. Many heavier and darker clips, however, are sold at this point. A fair percentage of the Belle Fourche wools is marketed each year through the Cooperative Wool Growers of South Dakota.

AREA 4. *Western Dakota section; west of the Missouri River in both North Dakota and South Dakota.*—Wools from this section are for the most part range wools. They grade mostly Fine and are usually described as Fine French combing wools. They shrink about 68 percent and many clips somewhat more. There are, however, several combing clips with a lighter shrinkage. The Cooperative Wool Growers of South Dakota markets much of the South Dakota wool in the area, while the North Dakota Cooperative Wool Marketing Association handles a considerable tonnage of the western North Dakota wools.

AREA 5. *Northern Minnesota.*—Wools from this section are usually the better type of Minnesota wools. The staple is good, the clips light in shrinkage (from 48 to 52 percent for the Quarter Bloods), and the wools bright. The Minnesota Cooperative Wool Growers' Association is the predominant marketing agency.

AREA 6. *Southern Minnesota.*—Usually the semibright and darker Minnesota wools come from this area. They run from 2 to 6 percent heavier than those from the northern part of the State. A good part of the wool in this section grades Fine, although the greater portion is crossbred. The Minnesota Cooperative Wool Growers' Association is the leading marketing agency for these wools.

AREA 7. *Typical Iowa wool section.*—Both bright and semibright wools come from this area. All grades are produced, but the Medium grades predominate. Average Quarter Bloods shrink around 50 to 51

percent. The Iowa Sheep and Wool Growers' Association operates throughout the State.

**AREA 8. Part of Iowa and the area north of the Missouri River in Missouri.**—Some very attractive wools are produced in this area. They usually grade into the bright lines. Medium wools predominate, although there is considerable Fine wool produced. Quarter Bloods from this area probably will shrink 48 to 50 percent. The Midwest Wool Marketing Association markets a considerable part of these wools annually and the Iowa association handles a portion of wools in the southern part of that State.

**AREA 9. Kansas and Nebraska.**—Fine wools predominate in Nebraska while crossbred wools predominate in Kansas where there are more small farm flocks. There are some bright wools. However, the bulk grade into the semibright lines. Some of the Fine wools from Nebraska grade into heavier lines, shrinking 68 percent or more. The Midwest association operates in this area.

**AREA 10. Oklahoma and North Texas.**—This is known as one of the red-wool sections, and many of the clips contain an excessive amount of red soil. Some of the wools from the smaller farm flocks, however, are fairly light in shrinkage. Some clips in the Panhandle section of Texas are quite heavy—many shrinking in the neighborhood of 70 percent. Small farm flocks are the rule in Oklahoma, although since 1935 many flocks of a thousand or more have been brought into the western part of the State. Many of the wools grade Medium and are of considerably lighter shrinkage than the north Texas clips. Growers in this area also are served by the Midwest Wool Marketing Association.

**AREA 11. Springfield (Mo.) area.**—Clips from this section are considered by many handlers among the choicest wools in the country, because sheep are grown on clean mountain pastures where there is little cultivation. Three-eighths and Quarter Bloods predominate and the Quarter Bloods shrink in many instances less than 45 percent. The Midwest Wool Marketing Association operates also in this area.

**AREA 12. Missouri and Arkansas.**—The average wool grown in the northern part of this area is probably of a little better staple and better quality than that from the southern portion. Many bright clips can be found, however, in the southern part of the area and often some of the Arkansas wools will compare favorably with the Springfield area wools. Growers here are served by the Midwest Wool Marketing Association.

**AREA 13. Louisiana.**—No large volume of wool is produced in this area, except that which goes into one large pool. All grades come into this pool. The majority of the fleeces are of Medium grade and often shrink under 40 percent. A considerable portion would be classed in the coarser grades.

AREA 14. *Wisconsin and the part of Michigan north of Lake Michigan.*—Wools from this area are of average quality; the northern clips are possibly a little lighter in shrinkage and brighter than most of the southern Wisconsin wools. A good average Quarter-Blood line from Wisconsin shrinks about 48 to 50 percent. The Wisconsin Wool Growers' Association serves this area.

AREA 15. *Ohio and Michigan.*—Included in this area is a narrow strip of eastern Indiana and a small part of western Pennsylvania. Some of the choice Fine wools in the United States are produced here. This region is known for its Fine Delaine wools, shrinking from 62 to 65 percent. Also a big line of Medium wools is produced which compares favorably with wools of other sections as to brightness and length of staple. The Michigan Cooperative Wool Marketing Association and the Ohio Wool Growers' Cooperative operate in this area, while some of the Pennsylvania wools are sold through county pools.

AREA 16.—*Illinois and Indiana.*—Wools from these two States are quite similar, except that the wools from Illinois are possibly 1 to 2 percent heavier shrinking than corresponding Indiana grades. There are both bright and semibright wools in each State. Two associations operate in this area; namely, the Illinois Livestock Marketing Association and the Indiana Wool Growers' Association.

AREA 17. *The Bluegrass.*—Large quantities of choice wools of Medium grade are produced in the bluegrass sections. They usually top all other fleece wools in returns to growers. The area includes Kentucky; the southern tips of Illinois, Indiana, and Ohio; all of West Virginia, Maryland, and Virginia; and the northern parts of Tennessee and North Carolina. The limestone soils and mountainous pastures seem to favor the production of long staple, bright, light shrinking wools. Many Quarter Bloods will shrink 40 percent and Three-eighths Bloods will shrink from 42 to 45 percent. The two strongest associations operating in this area are the Kentucky Wool Growers' Cooperative Association and the United Wool Growers' Association. Illinois, Indiana, and Ohio associations handle wools from their respective States. A good portion of the Tennessee wool is marketed through county pools. West Virginia sells through a State pool, and Pennsylvania through county pools.

AREA 18. *Southern area.*—Several types and qualities of wools are produced in this area. Coarse wools predominate, but, because of their light shrinking fleeces, the growers are able to receive fairly good prices year in and year out. These wools often shrink less than 40 percent. The United Wool Growers' Association has at times been a factor in the marketing of the southern wools; at other times, the growers sell through independent local pools.

**AREA 19. *Pennsylvania, New York, and all New England.***—Pennsylvania and New York are the largest producing States in this area. The wools compare quite favorably with other fleece wools, although they are not quite so light shrinking as the wools in areas 15 or 17. The Medium wools, which predominate, shrink between 45 and 50 percent. Growers in the State of New York have the New York State Sheep Growers' Cooperative Associations, Inc., to serve them. In Pennsylvania, most of the wools are sold through small county pools.

### *Local Grading Points*

Several associations have found it necessary to establish local grading points in order to satisfy certain groups of members. Volume governs the practicability of assembling and grading at local country points; often it has proved inadvisable to attempt either outside of the cooperative's central warehouse.

Local grading offers growers an opportunity to observe warehouse operations and the preparation of wool for market. It thus has a certain educational value from the standpoint of cooperative marketing. Frequently, however, the expense and inconvenience of providing local grading facilities results in increased costs which offset partially the educational advantage of having wools graded locally. In general, cooperatives should endeavor to limit local grading points to economical units handling 100,000 to 200,000 pounds as a minimum. Where local grading points are too numerous and volume is limited, it may be difficult to obtain sizable lines of even grade, quality, and shrinkage.

Modern transportation facilities enable members of most cooperatives to visit a central warehouse at small expense. Moreover, reasonable distances are seldom considered an obstacle when members are interested in their organization. Several associations have encouraged warehouse tours during the receiving and grading season. Such occasions afford growers an understanding of warehouse operations, grading, shrinkage, and other factors that affect net returns.

### *Warehousing Wool*

When the National Wool Marketing Corporation first began operations a large part of its fleece wool was graded and warehoused in Boston. Several of the associations were not equipped to handle the wool locally.

The tendency toward grading and warehousing wool in the country instead of at Boston has grown, however, until all but two fleece-wool associations have acquired facilities to grade and warehouse all or part of their receipts at local points. This change has come about for many reasons, among which are the following:

(1) Locals felt they could grade and warehouse wool at costs lower than those prevailing in Boston.





FIGURE 12.—CENTRAL WAREHOUSE OF THE NORTH DAKOTA WOOL POOL OPERATED BY THE NORTH DAKOTA WOOL MARKETING ASSOCIATION.

This type of wool warehouse is adaptable for storage of other commodities. Thus associations may have a year-round income by renting space when there is no wool to be stored.

(2) It was believed that, by having the wool sold on sample in Boston and shipped from country points direct to manufacturers, possible back hauls would be avoided and savings in freight charges effected.

(3) The psychological effect upon members of having their wool graded and stored at home is beneficial to the association. Members have a feeling that their wool is still in their possession until it is finally sold.

(4) Local grading and warehousing afford an opportunity for members to visit their association and see their own wools handled and prepared for market. Also the grower learns more about the working of his association.

(5) Warehousing enables the local association to make fuller utilization of its labor during the quiet period, between the time when one clip has been handled and the time when the next year's clip is received.

Two associations own part of their warehouse facilities (fig. 12). In general, however, it is questionable whether investment of any considerable amount in local warehouse facilities is desirable. Wool accumulations are usually sold in 6 or 8 months, and there follows a period of several months each year when the warehouse is vacant unless arrangements can be made for its rental. It is also desirable sometimes to store the wool near consuming centers rather than at country points, as this facilitates immediate delivery to manufacturers. If, however, a cooperative can derive an income from the warehouse the year round, a centrally located building may be a means of advertisement for the association and a real asset. Several associations set up their operations in 1930 by contracting with private

dealers to grade and warehouse their accumulations. At present (1938) only one of the fleece-wool associations has such an arrangement with a private dealer.

It is essential, in all such operations, that the cooperative have complete control of warehouse policies because the association must at all times be certain that practices are in accordance with cooperative principles.

Experience has shown that, when a warehouseman handling cooperative wool also purchases and handles wool for his own account, the interest of the cooperative and that of the warehouseman are likely to be opposed one to the other. It is hardly to be expected that a warehouseman who buys and sells for his own account will prefer to sacrifice his own interests for the interests of a cooperative organization which guarantees only fixed commissions for warehousing wool. The income from these commissions is usually less per unit than the profit he makes from his sales. For this reason growers should avoid any hook-up between their cooperative and a private operator. Proprietary operations and cooperative operations are fundamentally opposite in principle; one is designed to obtain individual profits, the other to serve hundreds or even thousands of growers.

### Loss in Weight

Loss in weight of wool, between the time the grower delivers his clip to the cooperative and the time it is sold, is an ever-present problem. Wool adjusts itself to climatic conditions, taking on moisture during wet seasons and losing moisture when the weather is dry. There is a greater degree of moisture in the atmosphere throughout most of the fleece-wool area during the shearing season than in the summer and fall when the wool is in storage. Consequently, there is usually some shrinkage in weight of fleece wools before they reach the manufacturer.

This shrinkage in weight is variable from month to month and from year to year, according to climatic conditions, and it is impossible to determine in advance what the loss will be. Losses probably average from 1 to 2 percent, although in some lots they may run as high as 5 percent. On the other hand wools from high dry areas, when shipped to Boston or some other eastern port and stored, will show a gain in weight. Many clips from arid regions, when stored 10 to 12 months, have shown gains as high as 20 pounds per bag.

Losses in weight are difficult to explain to members, as they have met no such condition when selling outright to country buyers. Eastern dealers, however, make allowance for losses in weight in the price limits which they give their country agents.

Weight losses are generally charged against the whole pool except when a clip comes in with excessive moisture. Such a clip is handled

separately and the loss in weight charged to it directly. It is true, however, that when a pool or a line loses weight the wool is lighter in shrinkage and brings more money to the grower because there are more pounds of clean wool to sell. Buyers immediately recognize wool that is lighter in shrinkage and pay a higher price for it in the grease. Thus the weight lost by growers is generally offset by increased prices, although it is sometimes difficult for them to understand that this is true.

### Selling the Wool

Prior to 1930 each of the cooperative wool marketing associations sold its wools independently, with little or no coordination between agencies. In 1930 the National Wool Marketing Corporation, by bringing most of the cooperatives together, eliminated many sales agencies which were competing for business. Since 1930 the bulk of cooperative fleece wools have been sold through the National Wool Marketing Corporation and the Ohio Wool Growers Cooperative Association.

Cooperatives in several wool-growing areas have encountered severe competition from dealers, and prices offered locally have sometimes exceeded Boston quotations. Usually, however, these higher-than-Boston offers are short-lived because at such times buyers are swamped with takers and have to return to the Boston valuations for self-protection. In many instances buyers will also purchase an unusually attractive clip at a high price for the purpose of driving out their cooperative competitors. If successful, they come into the market later with lower offers.

The cooperative, in instances of this kind of activity, is directly responsible for the nonmember disposing of his wool at much better prices than would have prevailed otherwise. Unfortunately, these nonmember growers do not give due credit to the cooperative for these benefits. Nearly every cooperative has reported incidents in which dealers and growers alike held back on buying or selling until the cooperative had started activity and indicated on what basis it was taking wool.

### *Local Sales*

Outright sale of wool at shearing time has always appealed to farmers, and most of them still dispose of their wool in this manner. At shearing time growers are approached by independent buyers, buyers for wool houses, and mill representatives. Many of these prospective purchasers offer inducements such as free bags, preshearing advances without interest, and low shearing rates. They also will pick up the wool at the farm.

Direct buying operations of mills in producing areas are a source of concern to cooperatives. Farmers are often convinced that by selling direct to the manufacturer they eliminate commissions and marketing costs and thus get a higher price. This is not always true.

Unlike the larger mills in the eastern manufacturing centers, these small country manufacturers often attempt to buy their requirements during the shearing season. One interior manufacturer stated that it was the policy of his mill to purchase all its requirements before July 1, if possible, "because after that date the bulk of the wool is in strong hands and the price usually advances 5 cents per pound or more." This seasonal rise in price is illustrated by the data in figure 2. Thus some mills wishing to take advantage of convenient supplies of wool and desiring to avoid a "back-haul" charge will usually pay growers a little more than dealers will pay.

When such mill competition is keen, cooperative advances often appear to be out of line on the low side. When mills obtain supplies by this method they have to buy ungraded accumulations, usually at one price, and resell grades which they cannot use. Some mills have at times found the buying and selling of wool a lucrative field along with their manufacturing operations. In fact, certain small manufacturers stated that they made greater profits from the buying and selling of wool than from their manufacturing operations. Such operators are really more in the nature of dealers than manufacturers.

The formation of pools and the consequently larger quantities to be offered attracted a different class of buyers, many of whom represented large eastern dealers or manufacturers. At the same time the outright sale of the pool preserved the immediate-cash-return feature. Pool selling has made greater strides in many sections than the consignment system, which necessitates a delay before final settlement can be made.

The effect of pool selling, however, is often a matter of concern to cooperatives, as the sales are usually held in May or June at the low point in the market (fig. 2). A few of the better organized pools have been able to offer their accumulations later in the season. Some contracts for deliveries in January or February have been at peak prices for the year. On the whole, however, country pool selling has not worked out consistently to the advantage of the growers.

It is believed by many members of the trade and the mill buyers that country pools afford the cheapest wools that can be bought. This is partly because the grading works to the advantage of the buyer rather than of the grower. Although the top price paid may be higher than the market price for corresponding grades, the final account may show a large percentage of the wool classed as rejects and sold at a considerably lower figure. Comparison of average

prices received from pools with those received from other sources for similar wool have shown that frequently much lower prices were received by the farmers in the pool.

Pools frequently find it difficult to dispose of all of the various types and grades of wool represented in their accumulations according to their relative market values. Some pools separate Fine, Medium, and Coarse grades into sale lots; some class Fine wool as Rejects. Under ordinary grading operations, rejects are the black, burry, and taggy grades. A buyer interested only in clear Medium wools, however, may class everything else as rejects including choice Fine wools or good quality Coarse wools. Records of some pool operators show that sometimes as much as 30 percent of the wool in the pool has been thrown out to be classed as rejects and bring a lower price than the desired grades.

To meet competition of this kind and to obtain maximum prices, several associations are cooperating with manufacturers by offering to sell them wools accumulated by the cooperative in the vicinity of the mill in return for the manufacturers' promise to keep buyers out of the field. Under such an arrangement the manufacturer purchases only the grades he requires and does not need to maintain a sales force to dispose of the remaining wool.

This plan saves the manufacturer the cost of soliciting and he, in turn, may apply this difference to the price paid for wool at cooperative assembling points. It appears that a closer working relationship between the small country manufacturer and the local cooperative is advisable in all localities where mills buy direct from growers.

Most of the cooperatives have attempted to have the pools operating in their areas unite with them and a few associations have been successful in doing so. It frequently meant, however, that the cooperative had to sell the wool in these pools outright until the growers became acquainted with the advantages of a more orderly plan of selling. Even when the local cooperative merely takes charge of the selling of the wool it can render a worth while service. Through the association's connections with the National Wool Marketing Corporation and with the benefit of its advice, the local association is able to more nearly approximate the highest market price at the time of sale. This arrangement has helped to maintain stronger prices in the country and has thus brought even the pool members selling through the cooperative better returns than they would have had through independent sales.

Some cooperative managers have claimed that their accumulations could be sold to better advantage in the country than in Boston. It is doubtless true that this condition has existed at various times in some sections, especially when markets were rising rapidly. The higher prices in primary or country markets, however, are usually of short duration. It is usually true, also, that wools which for a time

bring a higher price in the country later bring a still higher price in Boston. There is a desire on the part of both the National Wool Marketing Corporation and its member associations to coordinate some country selling with Boston sales.

One local association ordinarily sells most of its wools in the spring, in the original bags, direct to mills. Undoubtedly there is a place for the early selling of limited quantities of wool, but large-scale selling at shearing time would defeat the seasonal merchandising plan of the cooperative.

*Consignment to a Central Sales Agency*

Selling through a central sales agency is by far the most popular method of handling cooperative fleece wool. Under this system the grower consigns his wool to the State or regional cooperative which, in turn, consigns it to the central sales agency. Sale of the wool and the making of final returns to growers usually require several months under this system. The advantages are that the wools are prepared in lines attractive to buyers, and are offered for sale at times when mills are most in need of supplies (fig. 13).

Boston is the center of the wool trade of the United States. About 80 percent of the clip is purchased by manufacturers within a radius of 400 miles of Boston. Thus, by maintaining offices and salesrooms in that city, the National Wool Marketing Corporation is able to offer wools to a large number of mill buyers. More than 300 mill customers purchase more or less regularly from the corporation. It

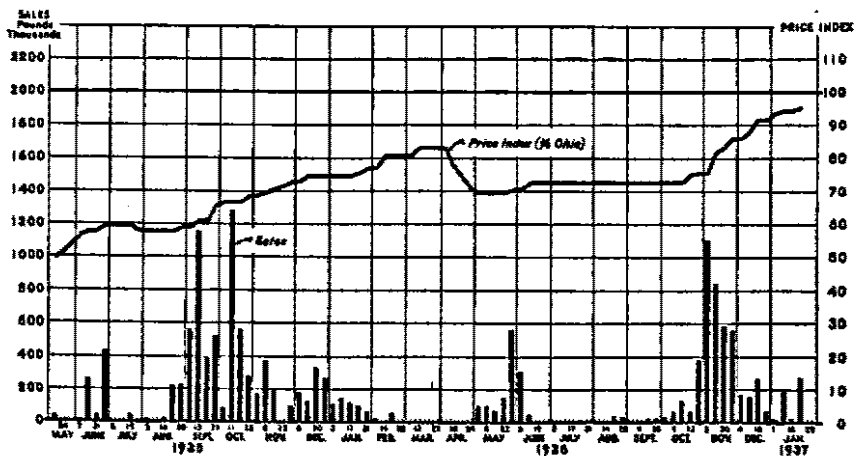


FIGURE 13.—SALES OF 1935 AND 1936 FLEECE WOOL BY THE NATIONAL WOOL MARKETING CORPORATION AND PRICE INDEX FOR OHIO THREE-EIGHTHS BLOOD (1926=100).

Sales are made by the corporation throughout the season when manufacturers are in the market. (Sales data from the National Wool Marketing Corporation; price data from reports of the U. S. Bureau of Agricultural Economics.)



FIGURE 14.—APPRAISING WOOL IN THE WAREHOUSE OF THE NATIONAL WOOL MARKETING CORPORATION.

By actually handling 10 percent of each lot of wool, a comparatively accurate appraisal can be made of the shrinkage, length of staple, quality, color, and general character of the entire lot.

is conceded by the trade to be the leading wool-selling house in the East because it handles every type and grade of wool from every producing section of the United States.

Mills with special requirements are usually able to supply their particular needs from the lofts of the corporation. In these lofts samples of every lot of wool from every member cooperative are laid out, first for appraisal by an appraisal committee, and then for display to buyers. Values placed on each lot of wool by the appraisers are used by the salesmen in dealing with the buyers, who inspect the samples and make their offers. Figure 11 indicates the great number of types of wool grown in the fleece-wool States. The description of the product from his wool-growing area should afford each manager a better understanding of the prices received for his association's wools in comparison with wools from other areas.

*The unit marketing plan.*—Three associations have at times placed a part or all of their wools under the "unit marketing plan" of the National Wool Marketing Corporation. This plan was formulated by the corporation in an effort to offer the grower the benefits of marketing his wool throughout the season, and at the same time enable him to retain all the merits of his individual clip.

According to this plan, each grower shares in the total proceeds of all the wool in the same proportion that the appraised value of his

clip bears to the total appraised value of all the wool in the plan, less the individual charges on his wool. The plan provides for 4 months' free storage of all wools. After that period, storage charges are assessed against the unsold wools and these are shared by all the participating growers, regardless of when an individual clip may be sold. Each grower's wool or each graded lot, after arrival in the warehouse, is given a thorough examination by experienced wool appraisers. This examination covers grade, color, style, staple, shrinkage, and all other factors which influence values. The details of this examination of each individual clip are recorded and are used in appraising the grower's clip. (Fig. 14.)

Under the unit marketing plan, the National Wool Marketing Corporation accounts to each association by grade or lot as sales are made. The wool of several different associations may be disposed of in one large sale, but there is no commingling of wools from different associations. The association accounts to the grower on the basis of the quantity and the average selling price of each grade he delivers. An original-bag clip sold under this plan is accounted for according to its shrinkage and the average price for its particular type of wool.

### OPERATION OF THE UNIT MARKETING PLAN

Illustration I

Clip	Pounds	Appraisal price per pound	Appraisal value	Per cent	Selling price per pound	Proceeds from sales	Clip's participation	Participation price per pound
A	6,600	\$0.14	\$924.00	15.5	\$0.13	\$858.00	\$950.31	\$0.144
B	7,200	.16	1,152.00	19.3	.15	1,080.00	1,183.28	.164
C	8,500	.14½	1,232.50	20.7	.15	1,275.00	1,269.12	.149
D	12,000	.12	1,440.00	24.2	.13	1,560.00	1,483.70	.124
E	9,700	.12½	1,212.50	20.3	.14	1,358.00	1,244.59	.128
.....	.....	.....	5,961.00	100.0	.....	6,131.00	6,131.00	.....

Illustration II

A	6,600	\$0.14	\$924.00	15.5	\$0.16	\$1,056.00	\$980.37	\$0.149
B	7,200	.16	1,152.00	19.3	.15	1,080.00	1,220.73	.170
C	8,500	.14½	1,232.50	20.7	.13	1,105.00	1,309.28	.154
D	12,000	.12	1,440.00	24.2	.16	1,920.00	1,530.65	.128
E	9,700	.12½	1,212.50	20.3	.12	1,164.00	1,283.97	.132
.....	.....	.....	5,961.00	100.0	.....	6,325.00	6,325.00	.....

Under this plan every grade and clip is accounted for on a merit basis.



When sufficient wool has been sold, values are established for each grade and type of wool, based upon the current market and upon sales which have been made. These values or prices in this relative scale are called yardstick values. By applying these values to the description of the wool, the participating value of each individual clip is determined (fig. 15). The total of these individual-clip values constitutes the total appraised value of all the wool in the plan.

As soon as appraised participation values have been determined, a statement of participation is prepared for each grower. This statement shows the value of his wool and the amounts of the several deductions, such as advances, freight, commission, and interest on advances. Individual interest, as shown on the statements, is the amount due to the date of the statement; thereafter interest charges are handled as a charge against the pool as a whole.

The participating value, less deductions, results in the net equity of the clip, which is the amount the grower will receive if all wools are sold for their total appraised values.

An important advantage of the unit marketing plan is that it permits partial payments to all growers whether or not their individual clips have been sold. These participating payments are made just as soon as the sales proceeds exceed the charges against the wools included in the plan. The dates of the payments depend upon the volume of wool sold. If, through sales made, money becomes available before the preparation of the statements of participation, it is sent to the growers as a partial payment on a weight basis. After the statements are issued, partial payments are based on the relative participating value, less deductions.

The fundamental principle of the unit marketing plan is to give each grower an opportunity to benefit from favorable market prices during an entire selling season. The National sells during the entire selling season, and in this period there will always be price changes. Some growers' wool will be sold last, some first; and some growers' wool will be sold at the low point of the market, some at the high point.

It is also possible with some of the smaller cooperative accumulations that the total clip of one cooperative may be sold out either at the top or at the low point in the market. If either condition were true, it would result in inequality under the ordinary way of making returns. The unit plan, however, assures all growers and all cooperatives of participation in sales made throughout the season and protects any grower or cooperative from being penalized because an individual clip or an accumulation was not sold at a favorable time. Small farm-flock clips, as well as large clips from the western ranges, can participate with equal benefit.

The unit marketing plan, first used in 1932, has operated to the advantage of the wool grower even under disturbed economic conditions. It affords an equitable method of selling the product of many growers and simplifies the rendering of account sales by local associations. In 1933 the plan was used extensively and with enthusiasm. In 1934 a still greater tonnage was handled in this way. Two of the fleece-wool associations participated. The low returns received for this clip caused criticism of the plan, but the criticism should have been directed toward an unwise sales program rather than against the unit marketing feature. Of the National Wool Marketing Corporation's 1934 holdings, 22.3 percent was sold during May 1935. It developed that this was the low point of the market for the 1934-35 season. The selling of such a large percentage in 1 month was inconsistent with the principle of the plan which is based on a more ratable distribution of sales throughout the year.

Little wool has been sold by the National through the unit marketing plan since 1934, although it is probably the most truly cooperative plan yet devised for selling wool. One reason for its lack of popularity may be that it is difficult to explain clearly to growers. As cooperative wool marketing develops, growers undoubtedly will become more familiar with cooperative principles and this difficulty may be eliminated.

### *Sales Problems*

The local associations have voiced comparatively little criticism of the sales of fleece wools by the National Wool Marketing Corporation. The sale of the 1934 clip was an exception because the bulk of that clip was sold during the spring of 1935 on a declining yet active market.

Following this experience local associations began to take more interest in the sales policies of the National. Some associations demanded that their wishes be considered in regard to the time of sale of their wool. This demand caused some wool to be held beyond the peak of the market. A few local associations even demanded that offers from manufacturers be submitted to them for approval. Such policies naturally interfered with the selling operations. The associations which ordered that a certain percentage of their wool be sold each month have received higher final net returns than the associations which have placed too many restrictions on sales and (fig. 13) endeavored to sell all accumulations at the market peak.

A study of the sales of the 1936 clip (fig. 13) shows about the same general movement of wool to manufacturers as in 1935. The wool sold during May and June was sold at the demand of growers but, because the sales were controlled by the National Wool Marketing Corporation which had access to more than the ordinary country

sales outlets, the growers were able to get the best prices obtainable on that market. The remainder of the 1936 wool handled by the corporation was marketed in an orderly manner and the bulk of it was sold on a strong and advancing market.

It is the desire of all the associations to have each clip sold and accounted for before the next clip is ready for market. However, market conditions have not always been such that this was practicable. The average date of final settlement to growers is 8 to 10 months from the time of delivery.

Accumulations of certain cooperatives may be sold more quickly than those of others because there is a demand for particular grades of wool. For instance, the fabrics that are popular in one season may demand Three-eighths or Quarter-Blood wool; the next season the popular fabrics may require Fine or Half-Blood wool. The associations having the grades of wool in demand may be able to make final returns months in advance of other associations.

### Marketing Costs

There is considerable variation in the items of cost, but total marketing costs are fairly uniform among the various associations. It is difficult to break down each association's costs into expenses for field work, local commissions, educational work, and other items, because many of the managers do not segregate these items in their operating statements. However, average marketing costs of 13 associations selling through the National Wool Marketing Corporation from 1930 to 1936, inclusive, ran approximately as follows:

	<i>Cost per 100 pounds</i>
Local association charges.....	\$1. 15
Grading and warehousing.....	1. 35
National selling charges.....	1. 50
Freight charges.....	1. 15
	<hr/>
Total marketing costs.....	5. 10

Insurance is included sometimes in one and sometimes in another of the above items. The National Wool Marketing Corporation carries a blanket policy which covers losses by fire and flood on each member's clip from the time it leaves the sheep's back until it is sold. All wool is insured against theft from the time it reaches an association warehouse.

Local association charges vary from 45 cents per 100 pounds to as high as \$2.98. This wide range is caused by various factors. One association includes only the manager's salary under local charges; all other costs are set up under warehousing charges. High costs of local operation are usually the result of small volume and high assembling charges.

The National Wool Marketing Corporation's charge for selling in

1938 was \$1.10 per 100 pounds on fleece wools. In some instances, however, the locals require other services, such as grading, storing, and rendering of account sales. In such instances the total charge may be more than \$2 per 100 pounds. For the seasons 1936-38 the corporation sold some accumulations for cooperatives at shearing time. For this service the charge is 85 cents per 100 pounds. No grading or storing is done under this plan, and the buyer takes delivery in the country. In transactions of this kind the corporation has previously obtained an order from a manufacturer.

Some associations are more fortunate than others in their warehouse arrangements. The services rendered by the warehouse company also vary considerably. The costs of grading and warehousing at the time of the study ran from \$1.15 per 100 pounds to \$1.65. Two associations owned part of their warehouse facilities. Others contracted for them, usually on a seasonal basis.

The freight-charge item is variable each year for each association. Some associations' accumulations are shipped to Boston and from there to manufacturers. Other associations hold their wool in local warehouses until it has been sold by the National Wool Marketing Corporation, when it is shipped direct to manufacturers, who may be 100 miles or 1,500 miles distant. Water routes are used whenever practicable. Several associations have been able to obtain through rates on less-than-carload shipments of wool from country points to eastern manufacturers. This represents a saving over the usual method of paying a local rate to the assembling warehouse before getting a through billing to manufacturers. It greatly facilitates handling in some sections, as growers can ship small lots direct to the assembling point without paying a penalty in freight charges. The wool then can be graded, arranged in selling lines, and moved on to manufacturers in merchantable condition.

Often it is impossible to assemble a carload lot at a local shipping point. Where the local shipping point is out of line with the warehousing point and there is a back haul, some growers are charged the less-than-carload rate. This is not common, however, as assembling warehouses usually are located at strategic points. Fleece wools have a minimum carload weight of 16,000 pounds. The minimum carload weight for territory wools is 24,000 pounds. In all cases the local associations and the National attempt to move the wool to the various manufacturers at the lowest possible cost.

A careful study of the charges made by associations indicates that it might be difficult to reduce these costs. Grading and warehousing charges may possibly be reduced slightly as volume increases, but it would seem inadvisable to reduce the commissions that go to the associations for their operating costs such as salaries for employees, field work and educational expense. Growers appreciate dividends

from cooperative associations much more than they appreciate reductions in marketing charges.

For the most part, the local associations have not demonstrated to growers that individual members have any equity in the association's earnings or savings. The philosophy of one outstanding cooperative leader, based on 25 years of cooperative marketing experience ranging from grower to association manager, is that every association should be in a position to return to its members every few years something besides net returns for wool marketed. This return may be in the form of patronage dividends, retirement of stock, or reserves refunded.

A good start in this direction was made when several of the associations distributed to members their pro rata part of a \$200,000 patronage dividend declared by the National Wool Marketing Corporation. It was felt that this extra income should be returned to growers, but in some instances the local associations were not in position to do this, because members were already overadvanced on the preceding clip or association reserves had been depleted and local directors felt it advisable to replenish these funds.

The national organization accumulated these earnings from storage and interest charges on the 1934 clip, as the bulk of this wool was not sold until the spring and summer of 1935. Costs of operations are figured on the minimum length of time the bulk of the wools are usually in storage. Because of very slow sales, warehouse activity was lessened and overhead expenses reduced; therefore, the long-time storage charges amounted to an additional profit.

### Minimum Tonnage for Efficiency

From the experiences of numerous local associations, it is estimated that 500,000 pounds of wool is the minimum for an economical operating unit. Associations handling less than this quantity are considerably handicapped for lack of income. It is not possible to put on a full-time manager, render complete marketing services and carry on the necessary educational work with the income from two to three hundred thousand pounds of wool, unless the contributors are heavily assessed or there is some unusual way to absorb the costs. Every possible effort should be made to secure at least half a million pounds of wool, not only to insure low costs but to afford sizable graded lots to attract mill buyers. If this is impossible it probably would be better to combine activities with another wool cooperative or another commodity cooperative until such time as sufficient tonnage for economical operation can be had.

### Management Problems

Managers must be men in whom the directors and members have complete confidence. One of the common faults of managers is to

fail to give full information to the directors on activities and practices of the association. Members also should be given all possible information. The extent of the manager's authority should be clearly stated and he should not be handicapped by the fact that other persons have positions of equal authority. The problem of too much managerial authority has arisen in several associations. In a few instances the directors have been virtually ignored in determining policies and the manager has come to regard the association as his own private business. Wool cooperatives in common with other associations should avoid employee domination and control.

In an effort to maintain and build up volume, managers sometimes discard cooperative principles and obtain tonnage by meeting all competition. Experience has proved that this is a costly and hazardous method of getting business and associations that have endeavored to follow their competitors' tactics have frequently sustained heavy losses. A few managers do not make a strong bid for increased volume as long as they receive sufficient tonnage to pay operating expenses. For the most part, however, managers have been active and aggressive and results have shown progress.

Like any other business executive a manager must make certain that the cooperative gives satisfactory service and results. He should not expect growers to patronize the association merely from a sense of duty or loyalty to a local cooperative enterprise. It is important for managers to maintain friendly relations with all groups of farmers irrespective of their ideas on wool marketing. Managers who have tried to be helpful to competitive pools have frequently made progress in building their own association's volume. Outside groups should be approached from the standpoint of service rendered by the cooperative. Demonstration of the advantages of State or regional organizations wins more support than does criticism of the methods employed by local pools.

Some of the smaller associations handling less than 500,000 pounds of wool are handicapped by not having a full-time manager. A well planned program of receiving and grading wool, making commodity advances, rendering account sales, and carrying on educational and field work demands the services of a manager the year around if growers' interests are to be served well. When there are slack periods, as there will be, it has been found practical to have the manager work with another cooperative program closely associated with wool. This keeps him in touch with his membership and divides the field-work cost.

With few exceptions there appears to be a lack of understanding on the part of local association managers of the National Wool Marketing Corporation's operating problems. Such lack of understanding usually brings about an unsympathetic attitude. It is imperative

that managers of local cooperatives be fully informed regarding the operations of their national sales agency and the program in which they are participating.

Successful cooperatives in wool and in other fields have found that it pays to fill vacancies in their organizations from their own ranks. It follows that opportunity for education and training necessary to responsible positions in the association should be offered promising employees.

The associations that have shown the most progress are those that have an active, interested board of directors. It may be difficult to get an active working board of directors. Unless there is one, however, one or two directors carry the load and direct the policies, and the remaining members of the board act merely as onlookers.

As a rule, directors selected by districts have proved to be the most satisfactory. They give more evidence of assuming responsibility than directors appointed by popular vote regardless of districts.

Bylaws of most wool cooperatives stipulate that directors must be wool growers. In a few instances directors might be disqualified by this provision if the question of their eligibility ever were raised. As a rule these directors have been wool growers at some time but have retired from business and have kept their membership in the association. Some of the directors chosen outside the active membership, however, are experienced and capable and have rendered valuable service to the associations.

A few associations have had directors who wished to be on the payroll. The cooperative that places its directors on a permanent salary basis invites criticism from its membership. The practice is dangerous to the welfare of the association.

Directors of some cooperatives do not patronize their own association. This is sure to react unfavorably on the membership. To correct this condition associations might amend their bylaws to require delivery of all wool grown as a prerequisite to election on the board of directors.

Some associations have had no change in the board of directors for many years. As a result some boards have apparently gone stale. A provision in the bylaws limiting the term of directors or stating that no director could succeed himself would tend to remedy this situation. While a provision of this nature would involve some risk of losing a good director temporarily, it would insure a turnover on the board of directors. Furthermore, outstanding men who might be forced off the board by such limitations could be reelected by the members after an intervening term.

Associations making the greatest progress are the ones in which the directors are active in determining policies and whose executive committee meets often to carry out the instructions of the board.

## Membership Problems

Although sheep raising has been an important part of their planned farming operations for many years, only a relatively small number of fleece-wool growers consider marketing of wool sufficiently important to try to get higher prices. Because so many farmers consider wool selling a side-line business it offers relatively wide margins of profit and a great number of junk dealers and other independent buyers have entered the wool-buying business. Clips are small in most of the fleece-wool States and growers are tempted to sell to the first buyer because the total amount of money involved is not large. They give little thought to the effect their sale may have upon that of their neighbor who may be trying to support the market structure by marketing cooperatively throughout the year rather than dumping on the market at shearing time. Associations bordering the territory States secure large clips from growers whose income from wool is great enough to interest them in marketing their clip to the best advantage. The following table illustrates the average tonnage per member for the various associations. It shows the average fleece-wool clip to be 387 pounds. The North Dakota and South Dakota averages are the highest, as many members in those States raise sheep and wool for their principal income. (See table 6.)

TABLE 6.—AVERAGE TONNAGE PER MEMBER OF FLEECE-WOOL COOPERATIVES, 1930-36

Name of association:	Average tonnage per member 1930-36 (pounds)
Cooperative Wool Growers of South Dakota:	
Fleece.....	657
Territory.....	3, 270
Illinois Livestock Marketing Association.....	274
Indiana Wool Growers' Association.....	187
Iowa Sheep and Wool Growers' Association.....	361
Kentucky Wool Growers' Cooperative Association.....	340
Michigan Cooperative Wool Marketing Association.....	491
Midwest Wool Marketing Association.....	515
Minnesota Cooperative Wool Growers' Association.....	338
The New York State Sheep Growers Cooperative Associations, Inc..	386
North Dakota Cooperative Wool Marketing Association:	
Fleece.....	587
Territory <sup>1</sup> .....	1, 686
United Wool Growers' Association, Inc.....	192
Wisconsin Cooperative Wool Growers' Association.....	321
Average fleece clip.....	387
Average clip.....	2, 478

<sup>1</sup> No territory wools received for the years 1935-36.

Source: Information obtained directly from the associations.

Another barrier to cooperative growth in several States is the fact that sheep shearers are often wool buyers. Concessions on shearing prices are granted to farmers if producers agree to sell their clip to the shearer. To meet this kind of competition, one association



has organized shearing rings wherein groups of farmers in a given locality agree to have their sheep shorn by one shearing crew. A representative of the cooperative association supervises the shearing ring in order to get better shearing rates and weighs and receives wool at the farm. The association furnishes bags and twine at cost. This extra service is offered as an incentive to farmers to adopt cooperative methods of marketing.

### *Seasonal Character of Operations*

The local handling of the wool clip is a highly seasonal operation. The busy months are April, May, and June when the sheep are shorn and wools are delivered to the cooperative. Grading operations take up the next 2 months, and from that time on the wool is kept in storage until it is sold by the National Wool Marketing Corporation. The centralized plan of selling through the National Wool Marketing Corporation for the most part relieves the local cooperatives of selling, although the local manager occasionally acts as the agent of the national association in making sales. The Ohio Wool Growers' Association has sales offices and storage facilities both in Boston, Mass., and in Columbus, Ohio.

The fact that production and grading operations are seasonal makes it difficult to maintain a year-round interest in wool marketing. Both the management and the membership of local associations sometimes cease all activity from the time the clip has been received and graded until account sales are rendered or another season rolls around. Some associations have found that annual meetings held during the fall or winter and followed by district educational meetings are an effective method of maintaining grower interest throughout the year. Group trips to the warehouse and grading demonstrations are also suggested as a means of keeping up grower interest. Some managers have taken advantage of the slack period to present educational material which keeps the wool marketing program before the growers every month in the year.

### *Membership Relations and Agreements*

The membership turn-over for the wool associations is quite large. According to estimates by managers, some cooperatives have less than 25 percent of their members shipping wool 3 consecutive years. Only one association reports as many as 90 percent of its members shipping for 3 successive years. The average annual turn-over is estimated at about 50 percent. This seems to indicate need for a better understanding between members and associations.

Agreements used by the various associations are, for the most part, very similar in requirements. The uniformity is due to the fact that

the National suggested a type of agreement in 1930, which was adopted with few exceptions by all the cooperatives. It is quite similar to agreements used by some associations several years prior to 1930. (See Appendix, p. 82.)

There appears to be a tendency on the part of managers to simplify and shorten this agreement, also to make it more lenient. They believe that the length of the agreement confuses many growers and that they are reluctant to read it through and sign it.

Although most of the associations do not have an accurate record of market agreement violations, the managers state that the number is estimated to be from about 15 percent to as high as 75 percent of the membership of some cooperatives. The Kentucky Wool Growers' Cooperative Association reports the best record in this respect. Until 1935 this association had practically no violations of marketing agreements. Delayed returns from sales of 1934 wools and ultimate dissatisfaction with them were undoubtedly the causes for many violations of marketing agreements the following year. Buyer activity in the country during periods of rising prices is responsible for many market agreement violations.

Associations have made little if any attempt to enforce marketing agreements. If a grower does not fulfill his contract to consign his wool, the cooperative usually does little about it, fearing that any attempt to recover damages would receive adverse publicity that would be detrimental to the association. In this way the association might lose tonnage. Many dyed-in-the-wool cooperators, however, believe that if agreements were enforced, growers would have more respect for their organization, and thereby build a more solid cooperative foundation.

In order to be fair to both the grower and the cooperative, the grower, when he signs an agreement to ship his wool, should be bound to ship for at least 3 and preferably 5 years before exercising his withdrawal privilege. Experience has shown that growers flock to the cooperative when markets are declining and desert it when markets are rising. Therefore, if growers are to give their cooperative a fair trial, they should ship for at least a 3- or 5-year period.

Figure 5 illustrates what growers do as markets decline and advance. A 3- or a 5-year agreement would tend to level out the volume figures from year to year and the cooperative would have a chance to demonstrate its advantages to the grower. Long-term agreements with growers help cooperatives to weather the lean volume years which follow a year of declining prices. The position of the sales agency for the cooperative is also strengthened as it can anticipate the volume and type of wools it will have to sell before manufacturers come into the market. Manufacturers quickly learn where there is a consistent source of supply for their particular needs. Cooperatives

that can anticipate their volume and the types of wools they will handle can readily attain a regular clientele among manufacturers.

Probably the cause of the majority of broken marketing agreements lies in the fact that representatives of the cooperatives, in their eagerness to build volume, have not explained thoroughly to growers the various provisions in the agreements or the necessity of signed marketing agreements. It is evident that a great many of the members treat marketing agreements very lightly.

### *Handling Nonmember Wool*

Some growers desire to handle their wool through a cooperative but refuse to become members. Several associations do not attempt to handle nonmember business but a few do take a certain amount of it.

Nonmember business is handled in various ways. Two associations make direct sales for nonmember pools. Another association buys various quantities outright from growers who will not consign their wool. Usually this quantity is very small. Three associations handle nonmember consignments by making a higher charge to nonmembers than to members. The charge ranges from \$1 per grower to one-fourth or one-half cent per pound. This charge is applied uniformly to all nonmembers. Growers are informed of the charge before it is levied and are encouraged to join the association. One association does not take nonmember wool, but allows the warehouseman who handles the cooperative wools to buy it. Another cooperative handles nonmember wools on the same cost basis, but the growers have no vote in association affairs. Five associations handle no nonmember wools under any condition. This policy seems preferable.

There are, however, independent pools and accumulations that the cooperatives should make an effort to control in order to safeguard market structure. With a continued sympathetic attitude on the part of the cooperatives, it is believed that the majority of these stray pools and accumulations can eventually be brought in.

### *Overlapping Territory*

Nearly every association receives some wool from territory claimed by another cooperative. This situation is not serious, however, as there are only isolated instances in which one association actively solicits wool in another's territory. With few exceptions, wool that one association loses to a neighboring cooperative is offset by wool coming to it from other areas. As far as practical, however, territory should be divided between cooperatives and there should be no competition for volume among them. A few cooperatives operate in some areas at a noticeable disadvantage. For the best interests

of growers, cooperatives should confine their operations to those areas that they can serve most efficiently. Figure 4 shows, in a general way, the territory served by cooperatives, including the independent cooperatives, and indicates where small pools operate.

### Field Service and Educational Work

The maintenance of a satisfactory field force to contact growers and accumulate wool is a constant problem for practically every association. It is difficult to secure the type of fieldmen needed for the short assembling season at a reasonable cost, and there usually is a turn-over of this type of personnel. The old-line trade holds its local representatives by paying them an average of 2 cents per pound for wool accumulated in the fleece-wool areas and attractive commissions for the larger ranch or range clips. The cooperative's interests, however, are with the grower and in its attempts to keep assembling costs at a minimum, it sometimes has difficulty in employing fieldmen of the right type.

Field work may be classified generally as of four types:

(1) That done by local assemblers. Seven of the associations operate through local assemblers who are paid on the basis of one-half cent to three-fourths cent per pound for all members' wool which they receive, weigh, and ship. Some of the assemblers are hired outright on this basis although many are merely designated as local assemblers to make commodity advances to growers. Besides local assemblers, who number from 30 to 250 per association, there usually are fieldmen-at-large who are employed either for the season or on an annual basis. The principal job of these fieldmen is to coordinate the work of the local assemblers and to contact growers. Often the directors act as fieldmen during the busiest part of the season and are usually paid on a per diem basis.

(2) Field work done by county growers' organizations. Three associations depend upon local county growers' organizations to do the assembling. Where this is done the local county organization makes its own assembling charge, which is levied by the local group independent of the marketing association. In such cases the association manager or a representative of the marketing association merely takes charge of the wools after they have been assembled and delivered to the county organization. The marketing association then makes the commodity advances either in a lump sum to the local pool manager or direct to each grower as the county organization may request.

(3) Assistance of county agents. One association depends on county agents to assist as local assemblers, the manager attempting to handle the bulk of the field work by correspondence.

(4) Through correspondence. The manager of another association attempts to handle practically the whole field program by mail, relying upon instructions in letters to get membership work and assembling done. The association attempts to handle each clip direct from the grower to the cooperative, occasionally dealing with a small pool.

Of the four methods of handling field work, the first has resulted in the largest tonnage as well as the greatest cost per pound. In some areas growers have reduced procurement costs by pooling their wools without employing assembling agents.

Growers soon see the advantage of assembling wools themselves in order to save costs to the association and to themselves. The second method probably is the most satisfactory when the county organizations are developed into responsible units. This type of organization also promotes general interest in better production and marketing programs.

The third method would hardly seem justifiable over a period of years, although most county agents regard marketing as one of their major projects. County agents, however, should supplement the work of the cooperative rather than take the responsibility for local assembly and organization. They cannot be expected to continue to support a program without active help and demonstrations of appreciation from the State or regional association.

The fourth method is unsound because it is impossible for a manager to handle adequately all field details and manage the affairs of the association at the same time.

### *Field Service of National Wool Marketing Corporation*

For 2½ years, 1930, 1931, and part of 1932, the National Wool Marketing Corporation had a field service that was helpful to local associations. A representative of the national organization visited the local associations, advised with officers and directors on their problems, attended grower meetings, and reported back to the national. This type of service tended to build a sympathetic understanding between the national and its member associations because it gave each a better understanding of the problems of the other. For administrative reasons, this service was discontinued for about 4 years.

Late in 1936 the National Wool Marketing Corporation again gave consideration to the importance of local contacts and employed a man to devote part of his time to working with fleece-wool associations on organization and educational problems. The revival of this work has brought about very favorable results. Suggestions have been made to associations for improving organization set-ups and educa-

tional and service work for growers. Plans for improvement in local operations have been submitted to local managers. In addition, market news information and statistical services were furnished for managers, growers, and others interested in the development of cooperative wool marketing.

During the period in which field service was discontinued there were several instances of misunderstanding between the National Wool Marketing Corporation and some of its member agencies. It is probable that costly errors might have been prevented and a better relationship established had closer contact between the two groups been maintained continuously.

Although the 12 fleece-wool associations are stockholder-members of the National Wool Marketing Corporation and might be termed integral parts, they appear to be definitely evolving into separate units with individual characteristics. Problems are different in different States, and the national organization should work with each association according to its own particular problems. The result of stronger local associations probably will be that the National will eventually become strictly a sales agency and that assistance other than sales service to locals will become largely of a research and educational nature.

### *Annual Meetings*

Only 3 associations have been able to interest the growers sufficiently in their marketing program to hold instructive, well attended annual meetings. An average of 160 growers attended the annual meeting of each of these associations.

It is significant that these 3 associations are also the most successful organizations among the fleece-wool cooperatives. As many as 600 growers have attended the annual meetings of the Cooperative Wool Growers of South Dakota. This organization has an average active membership of about 4,000, probably 70 percent of whom are farm-flock growers. The attendance at annual meetings, however, is largely drawn from the producers in the range area. Much of the success of this association is due to its ability to hold well-attended annual meetings and interest the growers in various phases of the industry. Growers also like to have their cooperative take the lead in bringing about improvements in their industry.

### *Informational and News Service*

In addition to the service of handling wool, nearly all the associations carry on some informational work. Meetings of growers are sponsored at which the advantages of the cooperative method of marketing are

presented. Grading demonstrations have been conducted at country points and in warehouses. A few of the associations have effectively demonstrated to growers the benefits of long-time participation in cooperative marketing. As a whole, however, little progress has been made by the cooperatives in the development of educational programs leading to production of a better clip and more skillful preparation of wool for market.

Prior to 1937, the National Wool Marketing Corporation assumed very little responsibility for the dissemination of publicity and educational material. In 1937 a department was set up, the duty of which is to prepare and distribute information. This department has issued material in the form of handbooks, operating plans for local associations, and timely news releases. Assistance is offered each local association in its individual educational and publicity programs.

Great progress has been made by this department and greater progress is assured if the local associations continue to request this type of service.

### *Cooperative Relations with Other Organizations*

The support of general farm organizations has contributed greatly to the success of a number of the wool cooperatives. Contacts which State college extension departments have with farmers place them in a splendid position to give valuable assistance to cooperative wool marketing. The States that have made the greatest progress in cooperative wool marketing are those that have had the continued support of the extension groups through periods of falling as well as of rising markets.

Wool cooperatives overlook an opportunity for development when they do not work closely with other sound farmer-cooperative associations. Several wool associations are now working closely with cooperative livestock marketing groups to the mutual benefit of both commodity groups.

Production credit associations operate in nearly every area served by wool cooperatives. Production problems and marketing problems are so closely related that for the best interests of the growers which these groups serve, a close cooperative relationship is desirable.

## Achievements of the Fleece-Wool Cooperatives

FROM contacts with, and studies of, the fleece-wool marketing associations, one is convinced of the worth-while services which these organizations have rendered the growers. Although it is difficult to measure the exact contribution of any farmers' association to improvement in the marketing of a commodity, the following are some recent developments in wool marketing in which the fleece-wool cooperatives have had a significant part.

*Reduced handling costs between grower and manufacturer.*—The spread between the growers' price of fleece wools and the Boston market price has narrowed considerably since 1930. Figure 16 shows this spread from 1925 to 1936. While several factors were no doubt responsible for this narrowing, it is true that beginning in 1930, when the National Wool Marketing Corporation became a factor in the wool market, the handling costs were reduced and there was subsequently less difference between the growers' price and the central

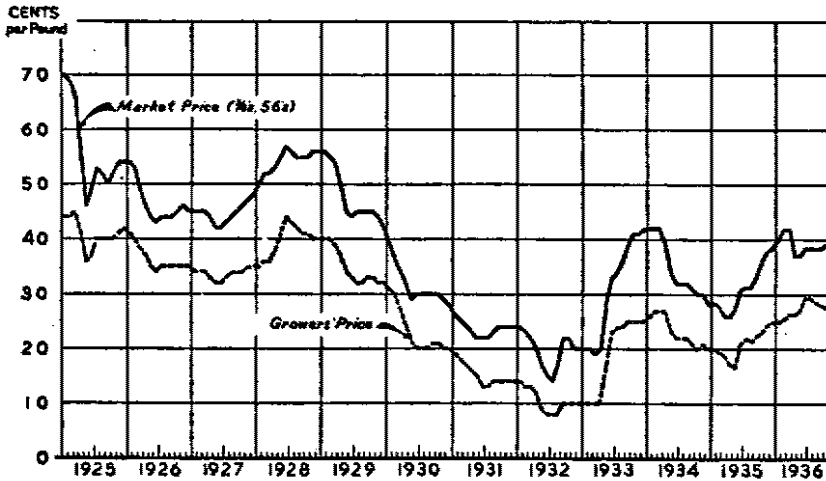


FIGURE 16.—BOSTON MARKET PRICE AND GROWERS' PRICE OF FLEECE WOOL (OHIO AND SIMILAR, GREASE BASIS), JANUARY 1925 TO OCTOBER 1936.

The spread between the growers' price and the Boston price averaged 12.8 cents per pound for the years 1925 to 1929, inclusive. Between 1930 and 1932, the first years of intensive cooperative activity, it averaged 8.8 cents per pound. After 1932, because of decreased cooperative tonnage, the margin widened somewhat. (Data from reports of U. S. Bureau of Agricultural Economics.)



market price. The efforts of the cooperatives to make the greatest possible returns for their members undoubtedly played an important part in this change.

*Improved market.*—Before cooperative volume was an important factor in the wool market, the prices paid by wool buyers in the country were often out of line with central market prices. During periods of declining market prices buyers were often conspicuously absent in the wool-growing sections, but with the coming of the cooperatives this condition has changed. When the cooperative announces an advance basis, the dealers are encouraged to buy and a market is often established when none had existed before. Once the stimulus has been given, prices have frequently continued to advance throughout the shearing season. The cooperatives having a large portion of the stocks are able to judge the tenor of the market and disclose it in their advance basis. Thus the dealers are led to offer a price in line with the central market.

Many wool growers believe that the quantity of fleece wool, along with territory holdings, controlled by the National Wool Marketing Corporation and the orderly method employed in selling this accumulation have had a wholesome and stabilizing effect upon the market. The corporation has been instrumental in preventing unreasonable market declines and likewise has been given credit for bringing about price advances when they were justified. If a larger proportion of the clip were under its control, it is believed it would have a greater stabilizing effect on the market.

Comparison of prices at shearing time with average annual prices of fleece wools indicates that the consistent consignor should benefit through his loyalty to the cooperative method (fig. 2). The normal selling procedure of the National Wool Marketing Corporation is shown in figure 13 and the trend of monthly prices in figure 3.

*Sales on a merit basis.*—Before the cooperative method of selling wool was inaugurated, the principal method employed by growers was the direct sale of their entire clip to a dealer or country buyer at a flat price, regardless of the various grades and qualities of wool represented. One of the most important accomplishments of the cooperatives has been the sale of each grower's wool on a merit basis. A grower who produces a good quality clip is not penalized by having his wool sold with a poor quality clip (fig. 17). On the other hand, the poorer quality clips, while bringing less money than good quality wools, are sold to better advantage when aligned in sizable lots of like grade and quality (p. 26).

*Information to growers.*—By marketing cooperatively growers have become acquainted with the many problems encountered in the preparation of wool for sale to manufacturers. This has demon-

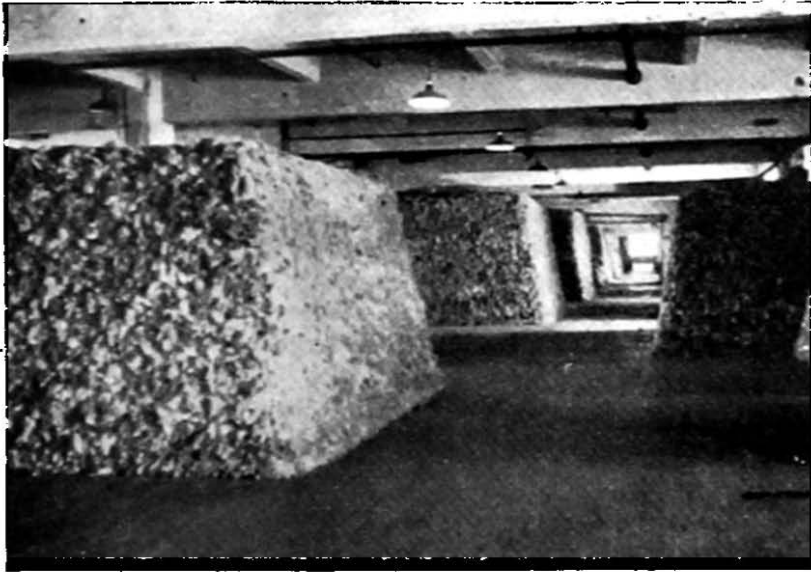


FIGURE 17.—PILES OF GRADED WOOL AWAITING BUYER INSPECTION.

Wool piled in this manner is attractive and can be readily inspected by buyers.

strated to growers the qualities and characteristics of the wools which bring the best returns. Knowledge of grade, quality, shrinkage, and mill purchasing price has resulted in improvement in production practices and better preparation of wool for market. Such complete information is not available to the growers marketing through small private dealers who lack technically trained field agents.

It is the policy of the National Wool Marketing Corporation to classify and market each clip on its merits and give the local cooperative and the grower all the information possible regarding its handling and sale.

## Possibilities for Further Service to Growers

**C**OOPERATIVE wool marketing associations need a comprehensive program of service and education for their members. It is the responsibility of the officials of these organizations to anticipate members' needs and to be prepared to promote growers' interests in every way. The associations must not only be in a position to serve growers but must keep their members conscious of a need for this service. The following are some suggestions for further strengthening the program of these organizations.

*Financing.*—The most essential feature of a good cooperative structure is a sound financial program. Establishment of the Federal intermediate credit bank system in 1923 offered growers a reliable source of credit at reasonable interest rates and gave them an opportunity to market their wool cooperatively. Prior to this time many private lending agencies had, more or less, dictated the marketing policies of many growers. The Federal Farm Board established in 1929 and the Farm Credit Administration which replaced it in 1933 gave further assistance, through the Banks for Cooperatives, to the growers in the formation and operation of their associations by granting long-term marketing and facility loans. Through cooperation, farmers are offered an opportunity to build successful agricultural credit and marketing systems which should go a long way toward stabilizing the wool-growing industry.

In an effort to make immediate returns to growers as large as possible, many local associations have neglected the establishment of reserves. This is generally recognized as unsound. If the plan is properly understood, growers do not object to setting up reserves out of earnings or by specific retains for each unit of commodity handled. After sufficient capital has been accumulated to meet the needs of the association, the earliest amounts retained may be returned to the patrons. Nothing is so effective in building up growers' confidence as visible monetary returns that reflect the financial condition of the association.

Some of the member associations have felt that, as long as the National Wool Marketing Corporation was building up reserves, it was not necessary for the locals to do so. Unfortunately, this leaves the member associations financially dependent upon the national organization even in minor emergencies. This condition is not conducive to the building of local responsibility. A local association that has no reserves cannot long command the respect or hold the confidence of growers.

*Improvement of sales policies.*—Experience has proved that cooperatives are in a better position with their membership if each clip is sold and accounted for before the new clip is ready for the market. Every effort should be made to follow this procedure. This often calls for disposing of some wool each month of the year rather than trying to guess the peak of the market and sell all holdings at that time. All sales of wool belonging to any member agency of the National Wool Marketing Corporation should clear through that organization. This policy is vital for the continued success and security not only of the corporation but of the local cooperatives. It should be adhered to strictly.

One of the practices in the wool trade which is also followed by the cooperatives is to allow 1 percent discount to manufacturers who pay cash in 10 days or net bill if paid in 30 days. This practice, which many local cooperatives would like to discontinue, probably speeds up accounting to growers in many instances. To some growers, however, the discount seems unjust. The cooperatives should take the lead in trying to remedy this situation.

Grower control through the medium of cooperatives should be able to eliminate much market manipulation which causes unstable conditions throughout the industry.

Wool growers in this country might well work toward the time when the combined tonnage of all their cooperatives will be sufficient to exercise a greater stabilizing influence. Such an influence would be beneficial to all branches of the industry.

*Training of local managers.*—With few exceptions, the local managers need a fuller understanding of their national cooperative marketing program and its operation. These managers should be encouraged to go to Boston periodically and acquaint themselves with every detail of marketing procedure, so that they may understand its problems and give reliable information to members. It must be realized by both the local associations and the National that each has different problems and viewpoints. A local manager has to satisfy many hundreds or even thousands of members, while the manager of the National Wool Marketing Corporation must work with manufacturers and have the selling viewpoint.

*Wool auctions.*—Although the National Wool Marketing Corporation has not used the auction method of selling wools, there has been considerable interest in this system on the part of some of its directors and a desire to give it a trial. Auction selling has been employed successfully in selling wool in Australia for many years. It has also been used at some points in the United States with varying degrees of success.

Auction sales of wool in the United States have been those of comparatively small accumulations comprising wools from limited areas.

The sales of the last few years in Utah, Colorado, and Wyoming have attracted the attention of growers in fleece-wool areas as well as territory areas. The most publicized wool auctions in this country were those held by the Federal Government after the World War. (See p. 4.)

Opinion has been divided on the advisability of adopting the auction plan of marketing for wool in this country. This division of opinion is not only in the wool trade but among cooperative leaders. However, it is noticeable that grower interest in auctions is increasing. Much opposition to the system has been voiced by the established interests who hesitate to adopt new practices. On the other hand, some cooperatives handling other commodities have found advantages in auction selling. It is believed by many growers that auctions would fit in with cooperative wool marketing. Cooperative leaders should be alert to new developments in marketing such as the auctions and adjust their operations to take advantage of them. Only through their own organizations will growers learn the true merits or shortcomings of the auction system.

*Warehouse tours.*—A few of the associations have sponsored tours of growers or county agents to the local warehouse. There is no better way to demonstrate the worth of cooperative wool marketing to an individual than to let him actually see his wools weighed, graded, and appraised. Growers then come to understand the reasons for methods employed by cooperatives and to appreciate the results obtained through these methods.

*Grade reports.*—A good deal of constructive educational work could be done in clarifying and explaining grade reports and accounts of sales. Probably less than half the members can interpret them correctly.

A member's grade report and account sale should tell him a great deal more than what his wool brings and what his various marketing costs are. By noting the particular grades of wool in his clip and the burry, seedy, black, and taggy wool. It will show the values of his clip and increase his returns.

The grade report will also point out to him the results of good preparation, as well as the kind and percentage of rejects such as burry, seedy, black, and taggy wool. It will show the values of the "offs" as compared with the values of top grades. The report will point out the differences between bright wools and the darker and heavier wools and give the member an idea as to their comparative values and shrinkages.

Figure 18 shows one of various types of grade reports that may be used. This report contains also the account of sale.

In order to enhance the educational value of the grading and account sales report, it is suggested that forms used be as simple as possible,

GRADING SHEET

(See corresponding order to this)

Acct. No. \_\_\_\_\_

OWNER: \_\_\_\_\_

Lot No. \_\_\_\_\_

Date Graded \_\_\_\_\_

No. Bags Rec'd \_\_\_\_\_

Net Graded Weight \_\_\_\_\_

GRADES	Weight By Grade	Advances Per Lb.	Amount Advanced	FINAL SETTLEMENT		GRADER'S REPORT
				Price	Amount	
Fine Combing						Grade—
Fine French Combing						
Fine Clothing						Single
1/2 Combing						
3/4 Clothing						Condition
3/8 Combing						
3/4 Clothing						Color
1/4 Combing						
Low Quarter						Other Remarks
Bred						
Medium Chaffy, Seedy or Barry						Date of Advance
Medium Grey or Black						
Low Grey or Black						Date of Final Settlement
Dead						
Damaged						TOTALS
Cotted						
Heavy or Ducks						
Mohair						
Tags						
Felts						
Inbound Freight				Total Advances Deducted from Final Acct. Sales		
Sacks—No.		Charge				
Twine No. Tubes		Charge				
Advances at Receiving Point		Amount				
Subscription to						
Total Deductions						
Check for Net Advance No.				Check for Final Payment No.		

FIGURE 18.—A TYPICAL FLEECE-WOOL GRADE REPORT.

By studying a grade report a grower may learn a great deal about the type, grade, quality, and comparative values of fleeces in his flock.

especially to designate the grades and the charges. The National Wool Marketing Corporation can be of assistance in this respect by suggesting a uniform grade sheet to be used by all cooperatives. The terms used to designate grades can then be standardized and growers will become familiar with them. For instance, some cooperatives use the word "staple" and others use "combing" when denoting the longer fiber wools of each grade. Hardly any two cooperatives' grade sheets

are alike in the terminology used for rejects, which are the off grades of wool such as black, burry, taggy, wool from dead sheep, etc. (Note Appendix—Glossary of Wool Terms, p. 75.)

Some associations use too many grades. One association at one time set up a grade sheet showing 52 grades. This merely caused bewilderment and dissatisfaction among the members. The report shown in figure 18 is a fair sample of a more practical grade sheet. The additional information shown is not excessive.

*Local educational programs.*—A definite educational program carried on each year is probably the most important single aid to the growth of any cooperative association. Growers need to be shown both the immediate and the long-time benefits of cooperation.

Lack of educational work has been partly responsible for the discouraging membership turn-over experienced by some associations. Growers want to know the practical side of cooperative marketing. Unfortunately, however, too much of the educational effort is sometimes directed toward explaining the mechanism of a cooperative organization rather than its services or possibilities. Thorough discussion of the importance to the growers of a coordinated sales program should be a vital part of any cooperative educational scheme.

Many members do not appreciate what their cooperative wool marketing associations have accomplished for them. Too often the cooperative is considered merely as another sales agency.

Cooperatives cannot rely upon other agencies to do educational work for them. The lead must be taken by the local cooperative and every use made of the available assistance of other organizations. The National Wool Marketing Corporation is one source of educational assistance. It is hoped that the organization department of that agency, established late in 1936, will continue to supply material and to undertake research for the local associations and their members.

Another logical source of information on wool is the Bureau of Agricultural Economics of the United States Department of Agriculture. Data can be supplied by that office on the grade, quality, and shrinkage of wool produced and better methods of preparing wool for market. This service is available to all associations and should be requested by local managers.

A constructive piece of work can be done by the cooperatives working with the Bureau of Agricultural Economics toward clarifying and simplifying wool standards for the benefit of producers (fig. 19). The use of the spinning-count terms such as 64's, 70's, and 80's for denoting Fine wool is confusing. The terms are used primarily by manufacturers and handlers who have a knowledge of wool-spinning qualities and yield. In denoting Fine wool, for instance, the term 64's means that a pound of wool will spin 64 hanks of yarn, each



FIGURE 19.—CERTIFIED SAMPLES OF WOOL DISTRIBUTED BY THE U. S. DEPARTMENT OF AGRICULTURE FOR USE IN GRADING.

The grade may be determined either by spinning count or by blood system. In either case the terminology is rather difficult for growers to apply.



hank 560 yards long. The application of such information from a grower's standpoint is rather difficult.

The blood terms which are used also need a great deal of explanation before growers can understand them. For instance, in figure 21, the next coarser grade of wool to Fine wool is designated by the United States Department of Agriculture as 58's, 60's, or Halfblood. The 58's and 60's are the spinning counts. The Halfblood term is an arbitrary term given to the grade just coarser than Fine and has nothing to do with the breed of sheep, as a great many growers believe. Growers attempting to learn wool grades and regulate their breeding operations thereby find little help in such terms.

A better knowledge of the standard grades would render the Wool Market News Service of the Bureau more useful to the grower, since he would then be able to interpret the grades and classifications used into terms of his own clip. This is illustrated by the sample report shown on pages 66-67. The report was greatly improved and clarified in 1937 when spinning-count terms were dropped and wools from various sections were reported on a grease basis as well as a clean basis. To make the improvement more effective, however, a great deal of follow-up educational work should be done by the cooperatives.

Growers also should be able to make comparisons of grades and prices of their wools with wools of other parts of the country and with wools of other countries. (See Appendix, Comparative Grades of Wool, p. 84.)

### SAMPLE WOOL MARKET REPORT OF THE BOSTON OFFICE OF THE UNITED STATES BUREAU OF AGRICULTURAL ECONOMICS

Domestic Wool and Mohair Quotations, Week Ending Friday, May 13, 1938

#### GRADED TERRITORY WOOLS<sup>1</sup>

	Scoured basis prices	Grease equivalents based upon arbitrary shrinkage percentages <sup>2</sup>					
		Shrink and grease equivalent		Shrink and grease equivalent		Shrink and grease equivalent	
Fine combing (staple).....	\$0. 68-\$0. 70	(63%)	\$0. 25-\$0. 26	(65%)	\$0. 24-\$0. 25	(68%)	\$0. 22
Fine French combing.....	. 64- . 66	(64%)	. 23- . 24	(66%)	. 22	(69%)	. 20
Fine clothing.....	. 60- . 62	(65%)	. 21- . 22	(68%)	. 19- . 20	(71%)	\$0. 17- . 18
¼ Blood combing (staple)....	. 64- . 67	(58%)	. 27- . 28	(60%)	. 26- . 27	(64%)	. 23- . 24
¼ Blood French combing.....	. 60- . 62	(59%)	. 25	(61%)	. 23- . 24	(65%)	. 21- . 22
¼ Blood clothing.....	. 57- . 59	(60%)	. 23- . 24	(62%)	. 22	(66%)	. 19- . 20
½ Blood combing.....	. 55- . 57	(53%)	. 26- . 27	(55%)	. 25- . 26	(58%)	. 23- . 24
½ Blood clothing.....	. 52- . 54	(54%)	. 24- . 25	(56%)	. 23- . 24	(59%)	. 21- . 22
¾ Blood combing.....	. 50- . 52	(50%)	. 25- . 26	(52%)	. 24- . 25	(56%)	. 22
Low ¾ Blood.....	. 50- . 52	(45%)	. 28- . 29	(47%)	. 27- . 28	(50%)	. 25- . 26
Common and braid.....	. 48- . 50	(44%)	. 27- . 28	(46%)	. 26- . 27	(49%)	. 24- . 26

<sup>1</sup> Wools grown under range conditions in the range areas of Washington, Oregon, the Intermountain States, including Arizona and New Mexico, and in the range areas of the Dakotas, Nebraska, Kansas, and Oklahoma. Territory wools cover a wide range in shrinkage and in color.

<sup>2</sup> In order to present scoured basis prices in terms of greasy wools, scoured basis market prices have been converted to grease basis equivalents. Conversions have been made for various shrinkages representative of light, average, and heavy shrinking wools of the different length groups quoted.

GRADED SEMI-BRIGHT FLEECE WOOLS<sup>1</sup>

	Scoured basis prices	Gross equivalents based upon arbitrary shrinkage percentages <sup>2</sup>		
		Shrink and gross equivalent	Shrink and gross equivalent	Shrink and gross equivalent
Fine combing (single).....	\$2.45-28.71	45% \$2.25-28.25	50% \$2.24-28.25	60% \$2.22-28.25
Fine clothing.....	.42-.64	45% .39-.59	50% .39-.59	60% .39-.59
½ Blood combing.....	.62-.84	45% .58-.81	50% .58-.81	60% .58-.81
¾ Blood combing.....	.82-1.04	45% .77-.99	50% .77-.99	60% .77-.99
¾ Blood combing.....	.85-.99	45% .80-.95	50% .80-.95	60% .80-.95
Low ¾ Blood.....	.44-.56	45% .41-.53	50% .41-.53	60% .41-.53

<sup>1</sup> Wools that are somewhat dark in color and of moderately heavy shrinkage. Nearly all of the wools grown in the farm-bred areas of the Dakotas, Nebraska, Kansas, and Oklahoma are of this type. Semi-bright wools are also grown in parts of Minnesota, Wisconsin, Iowa, and Missouri.

<sup>2</sup> In order to present scoured basis prices in terms of gross wools, scoured basis market prices have been converted to gross basis equivalents. Conversions have been made for various shrinkages representative of light, average, and heavy shrinking wools of the different length groups quoted.

GRADED BRIGHT FLEECE WOOLS<sup>1</sup>

	Scoured basis prices	Approximate shrinkage	Gross basis prices
Fine combing (Delaine).....	\$2.45-28.71	35-40	\$2.27-28.29
Fine clothing.....	.42-.64	42-45	.39-.59
½ Blood combing.....	.62-.84	54-57	.57-.80
¾ Blood combing.....	.82-1.04	65-68	.76-.97
¾ Blood combing.....	.85-.99	62-65	.80-.95
Low ¾ Blood.....	.44-.56	41-43	.40-.52
Common and broad.....	.41-.43	41-43	.38-.35

<sup>1</sup> Wools that are bright in color and of relatively light shrinkage. Nearly all of the wools grown in the States east of the Mississippi River are of this type. Bright wools are also grown in parts of Minnesota, Iowa, and Missouri. Wools from Kentucky, Virginia, and Tennessee usually bring prices 1 to 3 cents per pound, gross basis, above bright fleeces because of their lighter shrinkage.

SCOURED PULLED WOOLS

Choice AA.....	\$2.25-28.25	Choice white B.....	\$2.17-28.09
AA.....	.60-.70	B super.....	.52-.55
Fine A.....	.64-.68	C super.....	.52-.54
A super.....	.60-.62		

Released Boston, May 13, 1938.

RUSSELL L. BURRIS,  
*Local Representative.*

State agricultural extension workers are important sources of assistance in educational projects. There are many opportunities for the extension groups and the wool associations to cooperate in serving wool growers. Suggested subjects having a direct bearing on cooperative wool marketing could be studied by the local associations with the assistance of the extension groups.

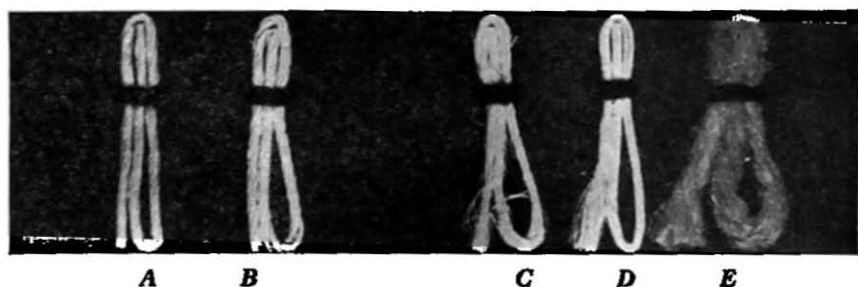


FIGURE 20.—TWINES USED FOR TYING FLEECES.

(Courtesy of the U. S. Bureau of Agricultural Economics.)

*A* and *B* are paper twines approved for tying fleeces. *C*, *D*, and *E* are loose-fibered twines objectionable for tying fleeces. The selection of twine for tying wool fleeces is important. Only twines which are not injurious to the product should be used. Twines best meeting the requirements are those made of paper, such as (*A*) Single-ply and (*B*) 4-ply. Paper twines are firm and strong. If for any reason a piece or particle is left in the wool, it is removed in the scouring or subsequent manufacturing processes and does no injury to the finished material. Wool manufacturers strongly urge the use of paper twine for tying wool fleeces. Loose-fibered twines should never be used in tying wool fleeces. Sisal or Binder Twine (*C*) and Rough Jute Twines, (*D*), (*E*), are particularly objectionable. When such twines are removed from the fleece loose fibers frequently become detached, adhere to the wool and, escaping detection, go through the manufacturing processes with the wool. As such fibers do not take the dye to the same degree as the wool fibers, they show up as defects or blemishes in the finished product. The correction of these imperfections is a costly process.

The study and comparison of local marketing practices and their respective costs could be applied to show the value of cooperative wool marketing in every important wool-growing area. For example, data similar to those in figure 16 could be developed.

The time when local and eastern manufacturers purchase their requirements as compared with the time the growers, their pools, and the cooperatives sell would reveal one of the factors vitally affecting the wool market. The results of cooperative marketing of wool over a period of years might also be studied.

Demonstrations of shearing, wool tying and bagging, and tagging of fleeces show how growers can improve some of their practices. Several extension groups in cooperation with the local wool associations are now doing such work. The grading demonstrations teach the grower to distinguish the various grades and qualities of wool represented in his clip and show the benefits of selling by grade and quality.

Methods of preparing wool for market should also be demonstrated. The illustrations in figures 20, 21, and 22 show some good and bad tying practices. They are taken from a motion picture which can be had for local exhibition.<sup>4</sup>

A study of operative policies and administrative set-ups of local marketing associations should show growers their responsibility to the association and its worth to them.

<sup>4</sup> Cooperative Wool—From Fleece to Fabric, by James M. Coon. Farm Credit Administration, 1938.



**FIGURE 21.—A WOOL BAG PROPERLY PACKED WITH THE SEAM ON THE OUTSIDE.**

The seam can be opened easily and the bag opened without cutting the bag. Cutting often causes bits of jute to become commingled with the wool.

Since income received from wool is one-fourth to one-third the total income from a farm flock of sheep, the educational work should include production problems. Growers would like to know the type and grade of wool produced by each breed of sheep. This knowledge would



**FIGURE 22.—A FLEECE TIED WITH BINDER TWINE.**

The fibers break and become intermingled with the wool. These sisal fibers can be removed only by carbonizing, and if left in the wool may find their way into the finished cloth. Such cloth becomes a reject since the sisal does not take the wool dye and shows up as a defect in the finished fabric.

materially help any grower to understand his grade report. The grades of wool normally received from the most common of the breeds are shown in table 7. No United States standards have been developed for the length of staple for the various grades of wool or for the length of wool for the various breeds.

TABLE 7.—THE COMMON BREEDS OF SHEEP AND THEIR WOOL PRODUCTION

Breed	Grades of wool produced		Desired minimum length of staple	Average weight of fleece <sup>1</sup>
	Predominant grade	Other grades		
<b>Fine wool:</b>				
American and Delaine Merino.....	Fine.....		<i>Inches</i> 2½	<i>Pounds</i> 11.8
Rambouillet.....	do.....	½ Blood.....	2½	11.4
<b>Medium wool:</b>				
Cheviot.....	¼ Blood.....	¾ Blood.....	3-4	
Corriedale.....	¾ Blood.....	½ Blood-¼ Blood.....	3-4	10.2
Dorset.....	¼ Blood.....	¾ Blood.....	3-4	6.0
Hampshire.....	do.....	do.....	3-4	7.8
Oxford.....	do.....	¾ Blood-Low ¼.....	4-5	8.9
Shropshire.....	¾ Blood.....	¼ Blood.....	3-4	7.9
Southdown.....	do.....	½ Blood.....	3	6.0
Suffolk.....	¼ Blood.....	¾ Blood.....	3-4	5.8
<b>Coarse wool:</b>				
Cotswold.....	Braid.....	Low ¼ Blood-Common.	5-6	11.6
Lincoln.....	do.....	do.....	5-6	13.4
Romney.....	Low ¼ Blood.	¼ Blood-Common-Braid.	5	12.1

<sup>1</sup> A wide variation is found in weight of fleeces within each breed because of differences in feed and climatic conditions under which they are produced.

Source: Collected by the author from marketing observations and Bureau of Animal Industry reports

## Some Conditions Affecting Cooperative Activity

THE progress being made by the fleece-wool cooperatives is encouraging. Interest in this method of marketing fleece wools is becoming more widespread. It is quite probable there will be changes in the cooperative methods of handling and selling wool, but grower control of marketing is becoming more and more attractive to wool producers.

Wool cooperatives are not faced with surpluses inasmuch as domestic consumption each year normally exceeds production. The average annual consumption of wool in this country for the 14 years 1925 to 1938 was 531 million pounds (fig. 23). Production during the same period averaged only 425 million pounds.

With the continuance of conservation programs, it is expected that sheep and wool production may increase some in the farm-flock States. On the other hand the present policy of withdrawing grazing land in the Western States from the public-domain and national-forest areas and making it into restricted reserves of various kinds probably will cause sheep and wool production to decline in the range area.

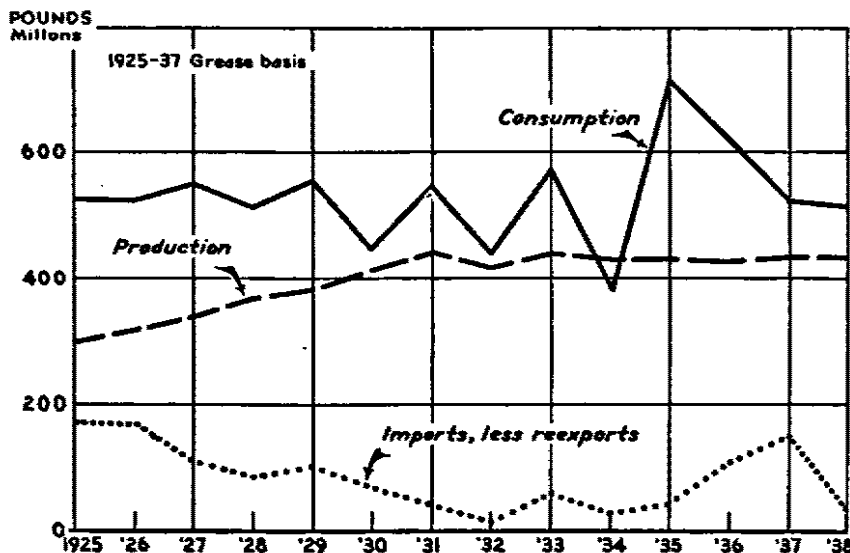


FIGURE 23.—PRODUCTION, CONSUMPTION, AND IMPORTS OF COMBING AND CLOTHING WOOL IN THE UNITED STATES.

It is necessary to import nearly 100 million pounds of apparel wool each year to take care of the needs of our manufacturers. (Consumption and import data from the U. S. Bureau of the Census; production data from reports of the U. S. Bureau of Agricultural Economics.)

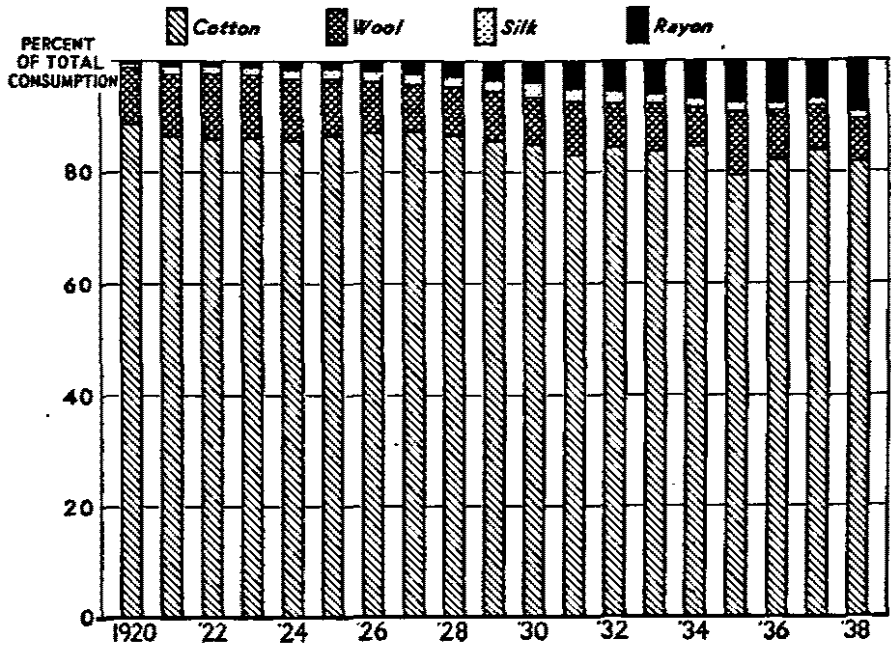


FIGURE 24.—DOMESTIC TEXTILE FIBER CONSUMPTION, 1920-38.

Although no synthetic fiber has yet reached the importance of a substitute for wool, growers should be ever watchful of the increased consumption of synthetic fibers. (Data from Rayon Organon of the Textile Economics Bureau, Inc.)

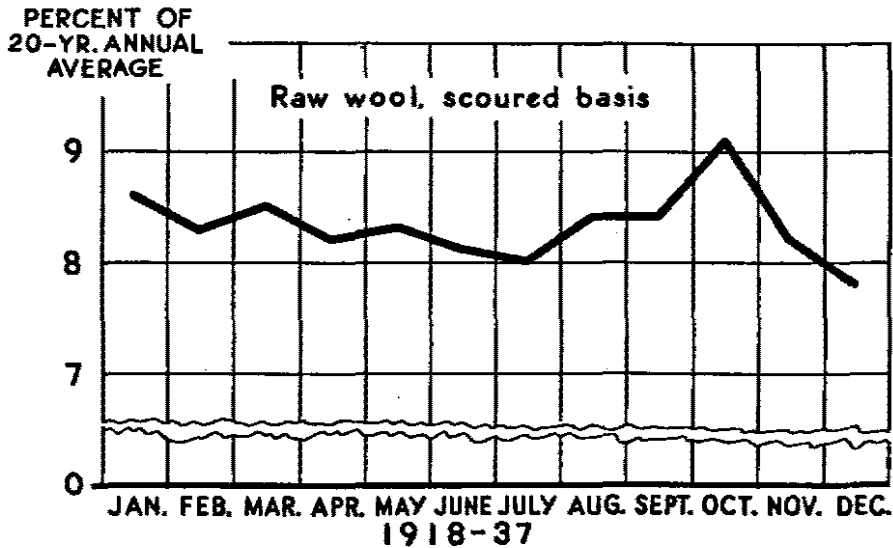


FIGURE 25.—AVERAGE MONTHLY CONSUMPTION OF RAW WOOL, SCOURED BASIS, SHOWN AS A PERCENTAGE OF ANNUAL AVERAGE CONSUMPTION, 1918-37.

Wool is consumed by manufacturers at a very even monthly rate. October shows a somewhat greater average consumption than the other months, but the difference is not great enough to be significant. (Compiled from data published by the U. S. Bureau of the Census.)

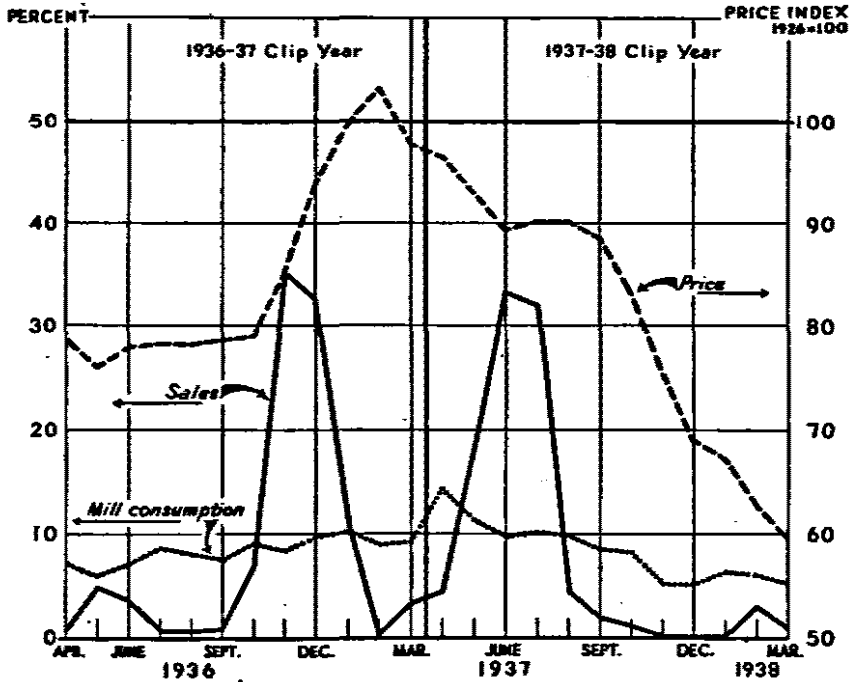


FIGURE 26.—MONTHLY SALES OF A LARGE ACCUMULATION OF 1936 AND 1937 WOOL AND MONTHLY MILL CONSUMPTION, APRIL 1936-MARCH 1938, SHOWN AS PERCENTAGES OF CLIP-YEAR TOTALS, AND AVERAGE MONTHLY PRICE INDEX OF WOOL FOR THE SAME PERIOD.

Although mill consumption is fairly steady throughout the season, both prices and sales fluctuate widely. (Price data from reports of the U. S. Bureau of Agricultural Economics; sales information from reports of the National Wool Marketing Corporation; and mill consumption from publications of the U. S. Bureau of the Census.)

Manufacturers have greatly improved wool and worsted materials since 1930 and have succeeded in stimulating demand along certain special lines. In spite of the constant introduction of new fabrics of other types, the outlook seems favorable for a steady consumption of large quantities of wool. As a precautionary measure, however, growers and their associations should take cognizance of the development and popularity of synthetic fabrics and plan their operations accordingly (fig. 24). Satisfactory substitutes for wool are continually being sought and wool growers and their cooperatives should watch these developments closely.

The even rate at which wool is consumed by mills indicates that manufacturers need a steady supply throughout the year (fig. 25). Sales by cooperatives and purchases by manufacturers show, on the other hand, little coordination with mill activity.

For a number of years growers through their organizations have attempted to strengthen the competitive position of wool by urging legislation which would require the labeling of fabrics as to the exact



fiber content. Growers believe that this would stimulate the consumption of wool.

The selling of wool by the cooperatives and the purchase of wool by the manufacturers has not yet been coordinated to the satisfaction of the wool growers (fig. 26). Future marketing developments, it is hoped, will bring these two groups together with a mutual understanding of each other's problems and operating conditions.

These and many other industry problems can be worked out by growers only through organization. Much has already been done by the cooperatives in disseminating information to growers and undoubtedly more services will be asked of the organizations as they develop and as changes take place in marketing methods.

# Appendix

## Glossary of Wool Terms

- Apparel wools:** Wools that are manufactured into cloth for clothing purposes.
- Blacks:** Fleeces containing black or grey fibers.
- Bright wools:** Wools that are light colored and light in shrinkage. All the fleece wools are sometimes referred to as bright wools when comparing them with the range wools.
- Bucks:** Ram fleeces which contain an excessive amount of grease.
- Burry wools:** Wools that contain burs from the sand bur, clover bur, cocklebur, etc.
- Carpet wools:** Wools of the coarser grades which are used for carpet purposes. Most carpet wools used in this country are imported.
- Character of wool:** Sums up appearance, quality, and shrinkage of wool. Sometimes used as synonymous with quality.
- Clean wool:** Wool which has the excess grease, as well as all vegetable and mineral matter removed.
- Clip:** Refers to the wool shorn from one flock of sheep; also to total wool shorn in one season.
- Clothing wools:** The short-fiber wools of all grades, used principally in the manufacture of woollens and felts.
- Coarse wools:** Refers to the lower grades—low quarter, common, and braid wools. Sometimes referred to as lustre wools.
- Combing wools:** The longer-fiber wools of any grade which can be combed into wool top which is used in the manufacture of worsted materials.
- Common and braid:** The sixth and seventh grades listed in the United States standard grades for wool. However, in the trade the two grades are classed as one. The lowest or coarsest grade in the standards. Known as carpet wools.
- Cross-bred wools:** Wools from sheep that have been cross-bred, for instance, the wools from the cross between a coarse-wooled ram and a fine-wooled ewe. Medium wools are often referred to as cross-bred wools. Also all other grades of wool other than fine are often referred to as cross-bred wools.
- Cutting up trade:** An important branch of the industry which takes the cloth from the manufacturer and makes it into garments.
- Fine wool:** Refers to the first two grades listed in the United States standard grades for wool. Fine and Half-Blood wools are termed Fine wools.
- Fleece wools:** A term given to wools that are produced in the fleece-wool States, which are all the States east of the 11 western range States and Texas.
- Grade:** Refers to the diameter and length of wool fibers.
- Graded lines:** Wools that have been classified into selling lots by grade, quality, and shrinkage.
- Graded wools:** Wools that have been separated into lines of like grade and quality.
- Half-Blood wools:** Refers to the second grade listed in the United States standards. Wools that are greater in diameter of fiber than Fine wools and less in diameter of fiber than Three-eighths Blood wools.
- Hand-to-mouth buying:** When mills are low on stocks and buy wools for immediate delivery.
- Heavy wools:** Wools which usually are dark in appearance and carry an excessive amount of animal, mineral, and vegetable matter.

**Low Quarter Blood:** The fifth grade listed in the United States standard grades for wool and a grade coarser than Quarter Blood and finer than common and braid.

**Medium wools:** Refers to the Three-eighths and Quarter Blood wools.

**Noils:** The byproduct from the wool comb. The short wool fibers that are combed out in the process of combing wool.

**Off grades:** The rejects and other grades of wool which are not wanted when a sale is made, usually burrys, blacks, tags, bucks, etc., are referred to as offs.

**Old line:** Referred to as the system of handling wool other than through cooperatives.

**Order buying:** Wool houses receive orders from mills for a certain type of wool for a stipulated price. The houses go into the country and attempt to fill the order for the mill.

**Original-bag wools:** Wools that are of even grade that can be sold to the manufacturers in the bag in which they were packed at the ranch. These wools usually run 85 percent one grade, usually Fine wools.

**Pool:** Refers to an accumulation of several different clips of wool or an accumulation of one grade of wool from several clips.

**Quality:** Refers to the strength of fiber and the color of wool.

**Quarter Blood wool:** The fourth grade listed in the United States standard grades for wool. A grade coarser than Three-eighths Blood and finer than Low Quarter Blood.

**Raw wool:** Wool in the grease. Unscoured wool.

**Rejects:** Wools of inferior quality, as black, burry, tags, etc., which cannot be sold at the same price as other grades.

**Scoured wool:** Wool which has been cleaned through the process of scouring. That is, the objectionable animal, vegetable, and mineral matter has been removed.

**Seedy wools:** Wools that contain an excessive amount of vegetable matter.

**Semibright wools:** Wools which are dark colored and are slightly heavier than the bright wools but not excessively heavy.

**Shrinkage:** Refers to the loss of weight from the removal of excess grease, moisture, and other vegetable, animal, and mineral matter that is in the wool.

**Spot wools:** Wools that are located in nearby warehouses that can be delivered immediately to manufacturers.

**Sorting wool:** This is done by the manufacturer when each fleece is broken up according to the various grades of wool that are in it.

**Staple wool:** Long-fiber wool.

**Tags:** Excessively dirty wools from the britch part of the fleece and dung locks.

**Territory wools:** Commonly referred to as wools coming from the 11 western range States.

**Texas wools:** The fine wools coming out of the State of Texas, the bulk of them from the Edwards Plateau.

**Three-eighths Blood wools:** The third grade according to diameter of fiber listed in the United States standard grades for wool. Coarser than Half Blood and finer than Quarter Blood wool.

**Types:** Refers to wools from specified sections that have different characteristics, such as color, quality, and shrinkage.

**Wool top:** The product of the comb which is the first step in manufacturing.

**Wool trade:** Those who operate in the wool market, either buying or selling wool, are referred to as operating in the wool trade.

**Wool types:** Wools from areas that are consistent in certain grades, qualities, shrinkages, and colors are referred to as typical from those areas, or as wool types.

## Plan for a National Cooperative Sales Agency

Plan for the Organization of a National Cooperative Wool and Mohair Selling Agency, as Adopted by Representatives of Wool and Mohair Organizations at a Meeting in Chicago, October 4 and 5, 1929

1. As an outgrowth of the work of the National Wool Marketing Council, the wool and mohair marketing associations, with the cooperation and assistance of the Federal Farm Board, propose to set up a national cooperative marketing agency. It will be the purpose of this agency:

(a) To merchandise wool and mohair delivered to it by its members and to obtain unity of action among cooperative wool marketing associations in the assembling, grading, processing, and warehousing of wool and mohair and financing the production and marketing thereof;

(b) To make plans for the orderly marketing of wool and mohair and to assist in carrying out such plans;

(c) To encourage the development of regional cooperative associations and the consolidation of local associations, whenever such consolidation is in the interests of economy and efficiency; and to assist in educating producers in the advantages of cooperative marketing;

(d) To stimulate the demand for wool and mohair, wool and mohair products and byproducts, and to cooperate with mills and trade associations for this purpose; and

(e) To provide a contact agency with the Federal Farm Board through which the Board may assist, whenever necessary, in financing the processing and marketing of wool and mohair.

2. The Federated Cooperative Wool and Mohair Growers will be organized under State laws. Amount of authorized capital stock will be decided by the organization committee.

3. Any cooperative organization whose business is marketing of wool and mohair for its producers is eligible to become a member of the national agency, if such organization is a producer cooperative association, or federation of such associations, within the meaning of the Capper-Volstead Act: *Provided*, That for the purpose of eliminating competition between cooperative associations, and encouraging the development of units sufficiently large to make possible economical assembling, grading, and processing of members' wool and mohair, the board of directors shall encourage the federation and consolidation of small cooperatives operating within the same region.

4. The authorized capital stock of the central agency shall be divided into shares of the par value of \$50 each. Each cooperative association admitted to membership shall subscribe to the capital stock of the central agency in proportion to the volume of wool and mohair handled by it during the previous year, or under contract to it for the current marketing season, in the event that no wool and mohair was handled or sold by the association during the previous year. Each member association shall subscribe for one share for each 100,000 pounds of wool and mohair or fraction thereof handled or marketed as herein provided. Stock subscription may be paid in cash, or 25 percent may be paid in cash and the remainder in three annual installments of 25 percent each, with interest at 6 percent per annum on unpaid balances.

5. The bylaws of the central agency shall restrict ownership of voting stock to cooperatives admitted to membership in the central agency, except in the event that the ownership of one share may be necessary to enable an individual to qualify as a director of the central agency. Provision shall be made for the

retransfer to the central agency of all voting stock held by a cooperative association who ceases to be a member, or by an individual who ceases to be a director of the central agency, such stock to be acquired at its book value.

6. The board of directors may at any time, and shall at least once every 3 years, reapportion the stockholdings of its members, and require associations whose business has increased to subscribe for additional stock on the basis of one share for each 100,000 pounds of wool and mohair handled during the previous year. The shareholdings of any association whose volume of business has declined shall be reduced proportionately. Provision will be made for the central association to purchase stock which the member agency must surrender as a result of its decreased business.

7. Meetings of the members of the central agency shall be held annually at such place as directors may determine. At such meetings, each member shall be entitled to one vote for each share of stock issued to it and paid for in full. Proxy voting shall not be permitted, except that the representative or representatives of any association may be empowered by other associations in the same region to vote their stock and act for them in all business transacted at such meeting.

8. Directors of the central agency shall be elected as follows: The total number of directors shall be not less than nine nor more than fifteen and shall be apportioned to the wool- and mohair-producing regions, such regions to be determined by the board of directors on the basis of the quantity of wool and mohair handled by member associations within each region during the season immediately preceding the date of the annual meeting and there must be one director elected to represent mohair. Upon notice from the central agency the associations in each region shall meet together for the purpose of nominating directors to represent the region on the board of the central agency. The nominations of the regional associations shall be ratified at the annual meeting, and of the persons so nominated five shall be elected directors of the central agency for a period of 1 year, five directors for a period of 2 years, and five directors for a period of 3 years, and each year thereafter five directors shall be elected for a period of 3 years. At a meeting of the directors first selected the respective terms of the directors shall be decided by lot and this provision will be provided for in the bylaws.

9. The board of directors shall meet twice each year or oftener upon call of the president or a majority of the board.

10. At its first meeting the board of directors shall elect an executive committee consisting of five from among their own number, which shall include the president and vice president of the central agency; they shall also elect a president, vice president, secretary, and treasurer, and shall employ a general manager.

11. Each association upon becoming a member of the central agency shall sign a contract in a form approved by the board of directors which, among other provisions shall provide for:

(a) That the association will sell to the central agency all wool delivered to it by its members at such time and in such manner as executive committee of the central agency deems advisable.

(b) That the association will deliver the wool and mohair to the central agency at such times and places as that agency may direct and the said agency will pay all expenses incidental to the assembling, handling, grading, processing, and the warehousing of said wool and mohair and that a charge shall be made to the association for said service.

(c) That the central agency will advance to the association a specified percentage of the market value of wool and mohair. The central agency will have the authority to pledge as collateral or borrow on wool and mohair for its account.

(d) The contract between the association and the central agency shall be a continuous contract but may be canceled by either party on 6 months' notice.

Notice of such cancelation shall be given between the 15th and the 31st day of May of any given year and shall be effective November 15 to November 30 the same year.

(e) It is hereby declared as a policy of the central selling agency that existing selling agencies and warehouses which may now conform to, or may be brought to conform to the provisions of the National Farm Marketing Act of 1929 shall be utilized and to that end the central selling agency may enter into agreement with cooperative agencies for the storing and selling of wools upon terms and conditions in accord with such marketing act and specifically authorizing the central selling agency to determine the minimum price at which such wools or mohair so stored should be offered for sale.

12. Any earnings of the central agency, over and above operating expenses, shall be used for the payment of interest on capital stock, not exceeding 8 percent per annum and payable only when earned during the preceding season. Further earnings shall be applied to the creation of reserves until such reserves are of sufficient amount, in the opinion of the board of directors, to provide adequate working capital and to meet such deferred and emergency expenditures as may reasonably be anticipated. Further earnings shall be returned to member associations as patronage dividends in proportion to the quantity of the wool and mohair handled by the central agency for each of its members: *Provided*, That, until amount subscribed to the capital stock of the central agency by any member association is paid, patronage dividends due it in any year shall be paid in the form of credits to its stock account, or credited to the payment of notes given for capital stock.

13. The central agency shall make charges for its services which shall be based on the estimated actual cost of its services, including such reserves and other special funds as it may be expedient to establish. Deductions may be made by the central agency from returns received for wool and mohair to create an advertising fund, to conduct research in the uses of wool and mohair and wool and mohair byproducts, and for any other purpose which shall be for the benefit of wool and mohair producers and shall tend to expand the demand for wool and mohair and stabilize marketing conditions.

The board of directors of the central agency shall have the power to make from time to time such deductions as are above authorized.

## Agreement Between Member Association and National Wool Marketing Corporation

THIS AGREEMENT, made and entered into by and between the National Wool Marketing Corporation, hereinafter called the Corporation, and the ..... Association, hereinafter called the Association—WITNESSETH:

In consideration of the mutual covenants herein contained and of the admission of the Association to membership in the Corporation, it is agreed by and between the parties hereto as follows:

1. The Association appoints and employs the Corporation to act as agent for it in the sale and marketing of all wool and mohair delivered to said Association by its members; and the Corporation accepts said appointment and agrees to act as such agent; both agreeing that the Corporation may employ such persons and corporations as may be deemed advisable for doing the things provided for in this contract.

2. The Association agrees to deliver to the Corporation, at such place or places as it may direct, all said wool and mohair.

3. The Corporation agrees to sell in its own name said wool and mohair at such time or times as it may determine for the best prices obtainable under market conditions and agrees to pay to the Association the amount received therefor, after deducting not to exceed seven-eighths of a cent per pound to cover selling costs, and after making equitable deductions to cover administration and service charges and the expenses incurred by it in grading, processing, warehousing, insuring, and handling the consignment or consignments (and the taxes and freight thereon) of the Association, and the sums furnished for advances, all as determined by the board of directors of the Corporation; and also a deduction of not to exceed one-eighth of a cent per pound for reserves.

4. The Corporation is authorized to borrow without limitation on said wool and/or mohair and to pledge the same or any evidence thereof; and the Corporation will make advances to the Association of such sum or sums as may be necessary for the Association to make advance payments to its members at the time said members deliver to said Association or its order the wools and mohair so produced by them, or for such preshearing advances as such Association may make to its members, the amount of all such advances to be determined by the Corporation.

5. The Corporation may authorize the Association to sell all or any part of the wool and/or mohair received by it from its members at such time or times and at such price or prices as the Corporation may determine, but payment therefor shall be made to the Corporation by the buyers thereof. In connection with any such sales the Corporation may use any of the existing facilities of the Association, and agrees to pay to the Association all expenses incurred by it incidental to the assembling, handling, grading, processing, warehousing, and selling of wool and/or mohair so authorized by said Corporation.

6. (a) The Corporation undertakes and agrees to organize, control, and maintain adequate facilities and personnel for carrying out this contract. These obligations are incurred solely for the benefit and at the request of the Association, and, in consideration therefor, the Association hereby assigns and sets over to the Corporation a right of property and an interest in the wool and/or mohair referred to herein. Sums herein authorized to be retained from the proceeds of the wool sold are for the satisfaction in full of such property or interest of the Corporation.

(b) Inasmuch as the remedy at law would be inadequate and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Corporation, should the Association fail to deliver all of the wool and/or mohair covered hereby, the Association agrees to pay to the Corporation for all wool and/or mohair delivered, consigned, withheld, or marketed by or for it, other than in accordance with the terms hereof, the sum of 1 cent per pound of grease wool and/or mohair as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the contracting parties to each and all of the said contracts, but the cancelation of this contract or the failure of the Association to comply therewith shall not affect other similar contracts.

(c) The Association agrees that in the event of a breach or threatened breach by it of any provision regarding the delivery of wool and/or mohair the Corporation shall be entitled to an injunction to prevent the breach, or further breach, hereof and to a degree for the specific performance hereof, the parties agreeing that this is a contract for the handling of personal property under special circumstances and conditions, and that the Corporation can not go into the open markets and secure wool and/or mohair to replace any which the Association may fail to deliver.

(d) If the Corporation brings any action whatsoever by reason of a breach or threatened breach hereof, the Association agrees to pay to the Corporation all

costs of court, costs for bonds and otherwise, expenses of travel and all expenses arising out of or caused by the litigation, and reasonable attorney fees expended or incurred by it in such proceedings and all such costs and expenses shall be included in the judgment and shall be entitled to the benefit of any lien securing any payment thereunder.

7. It is agreed that the Corporation may establish and maintain an adequate transportation service; a publicity department; a research and standardization department, and act as a contact agency between the Association and/or its members and Government departments.

8. The Corporation agrees to license and authorize the Association to use all copyrights and trade-marks belonging to the Corporation on all the Association's literature, letterheads and other forms used in the transaction of its business.

9. The Corporation agrees to do any and all things necessary and proper to stimulate the demand for wool and mohair, wool and mohair products and by-products and to cooperate with mills, trade associations and other agencies for this purpose.

10. The Association agrees to pay over to its members all advances made by the Corporation against their wool and mohair, and all other payments (less authorized deductions) received by it from the Corporation for its members.

11. The Association agrees to permit accountants or other persons designated by the Corporation to audit and inspect its books and records at such times as the Corporation may deem advisable.

12. The Association agrees to maintain an organization and field service department for the purpose of securing and increasing its membership and the rendering of service to its members.

13. The Association on request agrees to furnish the Corporation a complete list of its members, together with their addresses and to revise said list from time to time so that the Corporation may at all times have a complete list of the membership of said association.

14. The Association agrees to make out and submit to the Corporation such statistical reports as the Corporation may require upon forms to be supplied by the Corporation and to furnish to the Corporation an annual financial statement.

15. The Association further agrees to perform any and all services that may be required of it by the Corporation in connection with the collection, handling, processing, or sale of the wool and mohair sold to the Association by its members.

16. The Association agrees to conform to and abide by the bylaws of the Corporation which are now in effect or which may hereafter be adopted by the Corporation.

17. It is agreed that this contract between the Association and the Corporation shall be a continuous contract, subject to legal limitations, if any there be, but may be cancelled by either party by notice in writing to the other between the 15th and 31st days of July of any given year, and such cancelation shall become effective on the 31st day of January following.

IN WITNESS WHEREOF, the parties hereto have executed this contract this \_\_\_\_\_ day of \_\_\_\_\_ 193\_\_.

NATIONAL WOOL MARKETING CORPORATION.

By \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## Grower's Agreement

Marketing agreement of the ----- Cooperative  
Association of -----

THIS AGREEMENT between the ----- Cooperative Wool Marketing Association, hereinafter called the Association and the undersigned, hereinafter called the Grower—WITNESSETH:

IN CONSIDERATION of the mutual obligations herein and of the admission of the Grower to membership in the Association, it is agreed between the parties hereto as follows:

(1) The Association buys and the Grower sells to the Association all wool and/or mohair produced by or for him or acquired by him as landlord or lessor and the Grower agrees to deliver all such wool and/or mohair at such place or places as the Association may direct. This contract is intended by the parties to pass an absolute title to all such wool and/or mohair as soon as the same has a potential existence but shall be at the risk of Grower until delivery. The term "wool and/or mohair" as used herein includes the pelts of sheep and goats.

(2) The Association agrees that after receiving an order bill of lading and/or warehouse receipt covering the delivery of wool and/or mohair from any grower or growers, that it will make an advance payment to such grower or growers on the wool and/or mohair so delivered; the Association further agrees to make such pre-shearing advances to Growers as may be deemed advisable following the execution by Grower of such forms as the Association may specify.

(3) The Association agrees to sell such wool and/or mohair delivered by its members to or through the National Wool Marketing Corporation, of which said Association is a stockholder; and to pay over ratably the net amount received therefrom as payment in full to the Grower, after making deductions to cover advances, interest upon advances, the cost of transportation, handling, grading (in case it be found necessary or deemed advisable to grade), packing, storing, insuring, selling, and marketing such wool or mohair; and for organization, operating and maintenance expenses and reserves.

(4) All wool and/or mohair shall be delivered at the earliest reasonable time after shearing, to such points as the Association may direct.

(5) Any loss that the Association may suffer on account of inferior or damaged condition at delivery shall be charged against the Grower, individually.

(6) The Grower further agrees that the Association and/or the National Wool Marketing Corporation shall have the power to borrow money for any purpose of the Association, or National Wool Marketing Corporation on the wool and/or mohair delivered to the Association, and in its absolute discretion the Association and/or National Wool Marketing Corporation may grade, pool, or commingle such wool and/or mohair or any part thereof, with other wools and/or mohair of like grade and character; and shall exercise all other rights of ownership without limitation; and may sell or pledge for its own account, or as security for its own debts or otherwise, all or any such wool and/or mohair, or bills of lading, warehouse receipts, sale accounts, or other documents covering said wool and/or mohair, or received on account thereof.

(7) Inasmuch as the remedy at law would be inadequate and inasmuch as it is impracticable and extremely difficult to determine the actual damage resulting to the Association should the Grower fail to deliver the wool and/or mohair hereby sold, regardless of the cause of such failure, the Grower hereby agrees to pay to the Association for all wool and/or mohair delivered or disposed of, by or for him, other than in accordance with the terms hereof, the sum of 1 cent per pound of

grease wool and/or mohair as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the contracting parties to each and all of the said contracts, but the cancelation of this contract or the failure of Grower to comply therewith shall not affect other similar contracts.

(8) The Grower hereby acknowledges receipt of a copy of the bylaws of the Association and agrees to abide by and conform to such bylaws and/or any amendments hereafter made thereto.

(9) If there is any mortgage on the sheep or wool, goats or mohair of Grower at the time of the signing hereof, Grower shall obtain and forward to the Association on a form provided therefor, the consent of the mortgagee to the sale and delivery to the Association of said wool and/or mohair; and Grower authorizes the payment to mortgagee of the proceeds thereof as specified in said form. The Association authorizes the Grower at any time during the life of this contract to mortgage said wool and/or mohair, subject to the prior right of the Association thereto, under this contract. In case a mortgage is executed Grower and mortgagee shall execute a form provided therefor by the Association, directing the Association to pay the proceeds derived from the sale of said wool and/or mohair as therein specified.

(10) It is agreed that this contract between the Association and the Grower shall be a continuous contract, subject to any limitation imposed by law, but may be canceled by either party by notice in writing to the other between the 15th and 31st days of July of any given year, and such cancelation shall become effective on the 31st day of January following.

(11) The foregoing agreement constitutes the entire contract between the Association and the Grower and there are no oral or other conditions save the conditions above written.

IN WITNESS WHEREOF, the parties hereto have executed this contract this \_\_\_\_\_ day of \_\_\_\_\_ 19...

COOPERATIVE WOOL MARKETING ASSOCIATION.

By \_\_\_\_\_

(Grower)

Grower has a flock of \_\_\_\_\_ sheep and a flock of \_\_\_\_\_ goats.

### Consent of Mortgagee

[If there is a mortgage the mortgagee, or mortgagees, must sign this consent]

The undersigned, having a mortgage (or mortgages) given by \_\_\_\_\_ and herein known as Grower, on the sheep and/or wool, goats and/or mohair, described in the foregoing contract, ratifies and consents thereto and releases said mortgage (or mortgages) or any renewals thereof so as to permit said contract to be fully carried out in consideration that the \_\_\_\_\_ Association pay all sums payable under said contract to \_\_\_\_\_ for the account and credit of Grower until otherwise authorized and instructed in a writing signed by the Grower and the undersigned; which the Association hereby agrees to do.

This consent and release shall be binding upon the undersigned and his (or their) heirs, successors, and assigns.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 193...

(Mortgagee)

(Address)

## Comparative Grades of Wool

United States									Foreign				
Domestic fleeces	Territory		Pulled wools—Eastern						Counts Universal	Cape Australia and New Zealand	South America	Spinning counts worsted system	Spinning runs woolen system
	Territory wools	Oregon wools	April to May	May to August	August to November		December to March						
			Clothing	Combing	Clothing	Combing	Clothing	Combing					
Delaine	Fine	Eastern F. & F.; medium					AAA AA	AA	70's 64's	Merino	Merino	60's	9½
Half Blood	Half Blood	Valley No. 1	A Lambs	LB	LA		A	A	60's 58's	Comeback	Prima	60's	5
¾ Blood	¾ Blood		B Lambs	B Super	LB		A Super	B	56's		1's	36's	4
Quarter Blood	Quarter Blood	Valley No. 2		B Stain	B Comb	B	M	50's 48's	Half bred	2's	30's	3	
Low ¼ Blood	Low ¼ Blood	Valley No. 3	C Lambs	C								L	O
Common braid	Common and braid										44's 40's 36's		
										5's	16's	1	
										6's		¾	

To illustrate in the above table on the comparative grades of wool Three-eighths Blood fleece wool compares in grade with three-eighths Blood territory wool; No. 1 Valley Oregon wool; B lambs clothing pulled wool; B superclothing pulled wool; LB clothing pulled wool; LB clothing pulled wool, December to March; B combing pulled wool; spinning count 56's; Australia and New Zealand half bred; South America 1's; foreign spinning count, worsted systems 36/40's; and spinning runs, woolen system 3½.

Compiled by Clement Wood, Boston Sales Manager, Pacific Wool Growers.

## Comparative Grades of Wool

# Other Publications Available

In addition to this bulletin, the following publications on farmers' cooperative organizations are published by the Farm Credit Administration:

**Cooperative Purchasing of Farm Supplies**

Bulletin No. 1, *Joseph G. Knapp and John H. Lister*

**Accounting Principles for Cooperative Cotton Gin Associations**

Bulletin No. 2, *Otis T. Weaver*

**Cooperative Marketing of Agricultural Products**

Bulletin No. 3, *Ward W. Fetrow*

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