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MINISTRY OF AGRICULTURE AND FISHERIES

Report on the
**ORGANIZATION OF
WOOL MARKETING**

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THE ORGANIZATION OF WOOL MARKETING.

INTRODUCTION.

The following Report is the second to be published, in the Economic Series, on the subject of wool marketing. The first* was largely confined to a descriptive survey of marketing methods. The present Report not only takes a wider view of the subject, but aims at presenting, as a basis for consideration, the outline of a constructive programme of marketing organization. With this object in view, the first part of the Report surveys and analyses the traditional methods of wool marketing and the post-War enterprises in collective marketing in this country. Detailed consideration is then given to the two forms that organized wool marketing has taken overseas. The first is central auction selling in the Southern Dominions, which is now a highly developed system depending on the co-ordination of the interests of producers, selling brokers and buyers, all of whom are organized. The second is to be found in the United States and Canada, where large-scale co-operative societies, operated on national basis, undertake the assembly, preparation for market and sale of the wool.

The type of organization most appropriate to a particular country depends largely upon the prevailing conditions of production and demand. But it is possible, from analysis and comparison of experience abroad, to detect the fundamental principles in efficient marketing and to draw valuable lessons for the industry here. The Report concludes with a suggested plan of development, which might take the line of a gradual evolution from regional organization to a national marketing scheme.

* Economic Series No. 7.

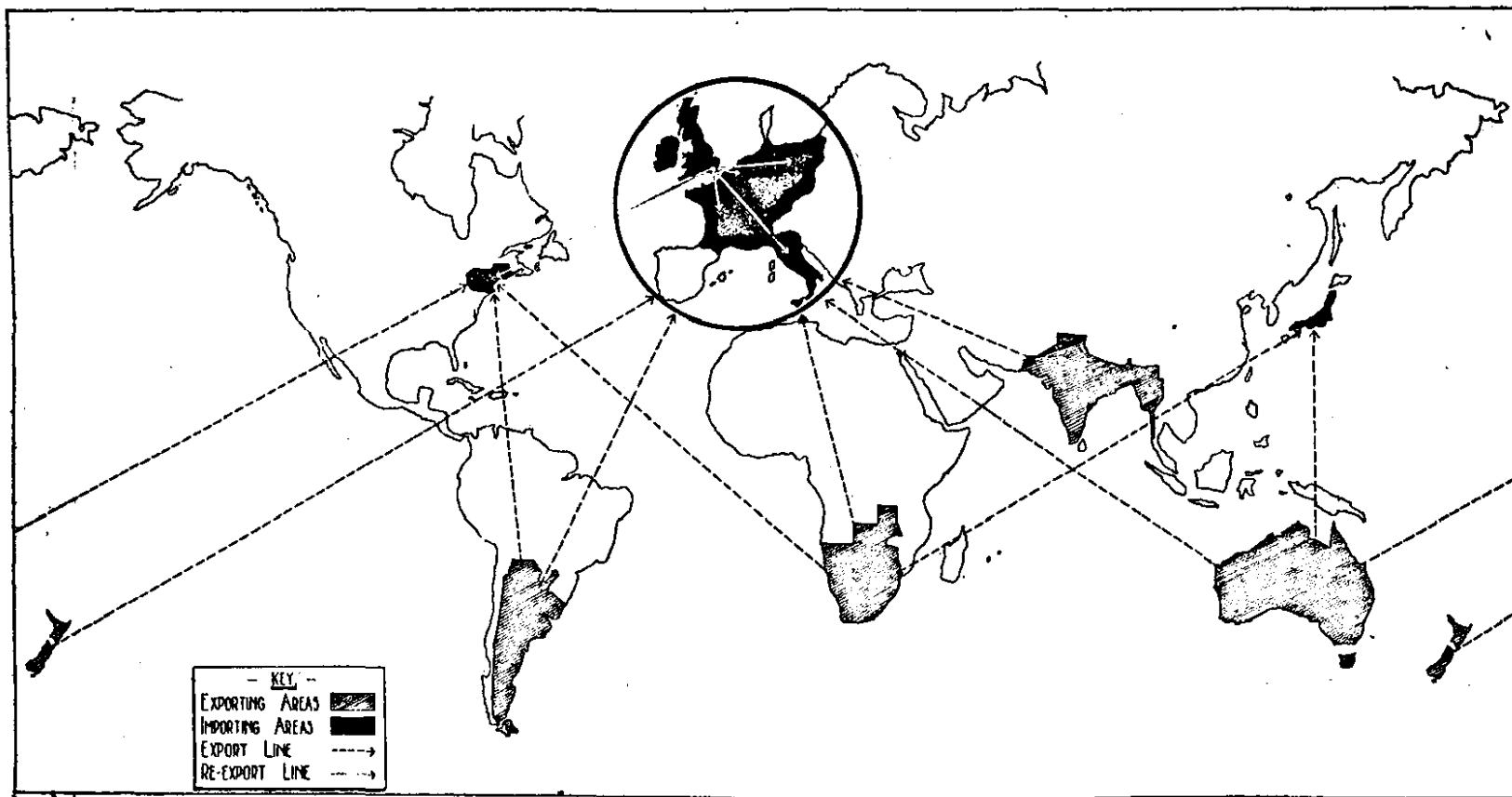


FIG. 1.—The World's Chief Wool Exporting and Importing Areas.

PART I.—GENERAL.

CHAPTER I.—SHEEP HUSBANDRY IN ENGLAND AND WALES.

(i) Sheep Population.

England and Wales hold an important position among the sheep breeding countries of the world. Sheep husbandry is the most important part of the farm economy in the mountainous or hilly areas of Wales and the north and west of England, and in certain low-lying regions such as the Romney Marsh. Wales, Northumberland, Cumberland, Westmorland and Kent carry 70 or more sheep per 100 acres of crops, grass and rough grazing; the counties of Durham, York, Salop, Devon and Lincoln are important breeding areas; and certain of the southern counties, such as Sussex, Hampshire and Dorset, though carrying fewer sheep per acre, have considerable importance from the standpoint of wool marketing owing to the high quality of the wool produced.

The sheep population of this country is at present considerably less than in the years immediately preceding the War. The decline, however, took place just after the War, and as the following figures show, there has been a steady recovery since 1922 (see also Table I).

*Sheep Population of England and Wales.**

	<i>England.</i>	<i>Wales.</i>	<i>Total.</i>
Average 1909-13	15,349,757	3,602,794	18,952,551
" 1920-2	10,337,231	3,213,504	13,550,735
" 1926-30	12,468,958	4,083,460	16,570,418
Increase or decrease (1926-30 as compared with 1909-13)	-18.8%	+13.3%	-12.6%

* There was a big increase in the sheep population of England and Wales in 1931; at 17,749,000, the number in that year actually somewhat exceeded the 1913 figure.

During the whole period covered by the above Table, there has been a marked change in the geographical distribution of sheep and some change in the objectives of sheep farming. Sheep have become concentrated to a larger extent in the mountain areas, and, since mountain sheep carry a lighter and less valuable fleece, it seems likely that the clip has, in consequence, suffered somewhat in quantity and quality. The growing importance of early lamb production has had a similar effect; since the pre-War period, and even in recent years, the number of sheep one year old and over has decreased in relation to the total sheep population. In the following Table, the production of wool in recent years is compared with that in previous years for which comparable estimates are available.

*Estimated Wool Production of England and Wales (000 lb.).**

Year.	Fleece Wool.	Skin Wool.	Total.
1908	78,200	26,333	104,533
1913	69,400	30,000	99,400
1926-30 (Average) ...	60,320	26,933	87,253
1931†	65,600	23,333	88,933

* In terms of greasy wool—i.e., wool which has been neither washed nor scoured. The basis of conversion is described in Table VI (page 133).

† Provisional figures.

(ii) Production Factors Affecting Marketing.

(a) **Diversity of Breed.**—The characteristic of sheep husbandry in Great Britain is its great diversity. Nearly 40 distinct breeds of sheep have been evolved to meet the differing conditions of soil and climate and the varied requirements of mountain, hill, grass and arable farming.* There are, in addition, an indefinite but very large number of crosses.

Each of these breeds carries a fleece differing in important characteristics, though in varying degrees, from that of other breeds. Broadly, the wools derived from British breeds of sheep may be divided into four categories (Figs. 2-9). The *Mountain wools* include, on the one hand, coarse wools, such as those carried by the Scotch Blackface, the Herdwick and Swaledale breeds, and, on the other hand, the wool of Welsh Mountain sheep, which carry a fleece of finer fibre but comparatively low value, owing to the quantity of kemp in the wool. The *Lustre wools* are obtained from sheep of the long-woolled breeds, such as the Lincoln and Wensleydale, which carry a long, heavy, lustrous fleece of considerable value. The *Demi-lustre wools* are derived from such breeds as the Romney Marsh and the Cheviot, which carry fleeces of long or medium staple and of good quality. The *Down wools*, such as those carried by the Southdown, Dorset Horn and Hampshire Down sheep, are of short staple length and of comparatively little weight, but of the finest quality grown in Great Britain.

The wool produced in this country thus ranges from Southdown, the finest grown on mutton sheep, to Scotch Blackface, the coarsest. Much of it is of considerable value and even that of low spinning quality frequently meets a strong speciality demand.

(b) **Diversity of Systems of Production.**†—In the mountain areas, where sheep are generally of uniform breed and are held in large flocks, the sale of draft ewes for breeding and of wethers or lambs for feeding is the objective of production. At lower

* *British Breeds of Livestock*, Ministry of Agriculture and Fisheries Misc. Publn. No. 7. H.M.S.O.

† See also *Report on the Marketing of Sheep, Mutton and Lamb* (Economic Series No. 29), pages 9 and 10.

elevations, breeding may be combined with feeding for mutton or lamb, and in order to get early maturity it is common to use a ram of another breed. The low-lying arable and grass areas, where sheep are kept for autumn and winter feeding or for early lamb production, generally rely on the breeding or mountain areas for their draft ewes, which are usually covered by a ram of another breed. Within these areas, however, systems differ; for example, in some cases the ewes may only be kept for one crop of lambs, being fattened off the same season after the lambs have been sold; in others, they may be kept for two or more crops.

Taking the country as a whole, therefore, there is a great deal of movement of sheep from one district to another and of crossing of one breed with another in the process. This has accentuated the mixture of breeds, and great diversity of breed is usually found within comparatively small areas. Indeed, it is now only in the mountains and to some extent in other breeding areas that sheep are fairly homogeneous.

The effect of these numerous crosses upon the wool clip has in many cases been serious. Such well-defined crosses as are associated in the wool trade with the terms "North" (Border-Leicester Cheviot), "Down Cheviot," "Down North," etc., produce wool of excellent quality. In modern times, however, wool has come to be regarded by most farmers in this country as a by-product of lamb and mutton production. Crossing is carried out with the sole objective of a good carcase or of early lamb without regard to the effect on the wool. This has led to the production of wool of low quality.*

In respect of the relative importance of mutton and wool to the sheep industry, the contrast between this country and New Zealand, where the sheep have been largely derived from the mutton breeds found in this country, is remarkable. In Great Britain, the return from the carcase is approximately six times as much as that from the fleece,† whereas in New Zealand the fleece and carcase produce approximately the same revenue.‡

(c) **Size of Flock.**—Side by side with the great diversity of breed and of wool quality, the marketing system must also contend with the small size of the flock unit. The total number of flocks and the numbers falling into different size-categories cannot be closely stated, but there is sufficient evidence to show that the general run of flocks is small.

In 1925, the number of agricultural occupiers in England and Wales recording flocks of 50 sheep or more was 75,000, but there is,

* A considerable amount of work on the improvement of wools is being done by the Animal Breeding Research Department, Edinburgh University, by the Department of Agriculture, Bangor, by the Textile Department, University of Leeds, and by the British Woollen and Worsted Industries Research Association.

† Economic Series No. 29.

‡ See page 62.

of course, also a large number of flocks of less than 50 sheep. Assuming, for the purpose of arriving at a tentative average, that a third of the flocks are under 50 sheep, the total of flock owners is 112,000, giving 150 sheep as the average size of flock. This rough estimate is borne out by the average size of clip handled by the English wool societies, which lies between 150 and 200.

From a survey made by the Ministry of Agriculture and Fisheries in 1931, more accurate data are available as to the numbers and distribution of flocks above 500. A summary of the results is shown below.

Number of Flocks of various sizes above 500 in England and Wales in 1931.

No. in Flock.	England.	Wales.	Total.
501-1,000	1,965	875	2,840
1,001-2,000	465	324	789
Over 2,000	96	42	138
Total	<u>2,526</u>	<u>1,241</u>	<u>3,767</u>

There are 10 counties in England and Wales which to-day have no flocks of above 500 head, and there are 29 counties with less than 30 such flocks. The biggest flocks are concentrated in the mountain areas. Thus, 40 per cent. of the total number of flocks above 1,000 are to be found in Wales and two-thirds of the flocks above 1,000 in England are concentrated in the four northern counties—Cumberland, Northumberland, Westmorland and Durham. Large flocks are, however, fairly numerous in certain lowland counties, notably Kent and, to a less extent, Norfolk.

The flocks of between 500 and 1,000 head are more evenly distributed. The greatest concentration is still to be found in the mountain areas of Wales, which account for 875 flocks or nearly 40 per cent. of the total number in this size-group. Of the flocks of this size in England, the four northern counties contain 40 per cent. Nearly one-third are held in the lowland area of south-east England and in the eastern counties of Cambridge, Norfolk, Suffolk and Essex. The only other areas with appreciable numbers of large flocks are in the counties of Devon, Dorset, Wiltshire, Northampton and Salop.

The main effects of production conditions in England and Wales upon the marketing situation may be summed up as follows. The quality of the wool produced varies very greatly from breed to breed; moreover, owing to the mixture of breeds and crosses that generally prevails, great diversity of wool quality is found within very small areas and within individual flocks. Finally, the marketing system has to deal with a small production unit; even in the mountain districts, the larger flocks are too few to invalidate this statement.

CHAPTER II.—THE WOOL TEXTILE INDUSTRY.

(i) General.

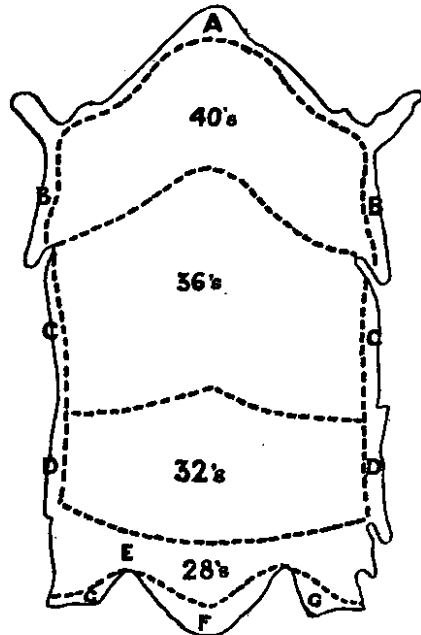
Wool is used solely as the raw material of a great and diverse manufacturing industry; its marketing problems are therefore of a special character. It is mainly used for the clothing and hosiery industries but it is also extensively used for the manufacture of floor coverings, blankets and felts. The variety of uses to which it is put and the changes which occur from time to time in the nature of demand are obvious complications.

Before it reaches the consumer, wool must pass through a large number of manipulative processes, each of which is conducted on industrial lines. If the farmer is to see his marketing problem in its correct perspective, he should know something of what happens to his wool after he has sold it. Even though he need not attempt to comprehend all the complexities of the marketing chain and of the manufacturing processes to which his wool is subjected, he should be acquainted with the main features of the wool textile industry.

The wool textile industry of this country is divided into two great sections—the worsted and the woollen industries. Broadly speaking, the worsted industry uses long-fibred wool, while the woollen industry absorbs short-fibred wool, “noils” (i.e., short-stapled wool rejected in the combing process) and waste wool reconditioned for further manufacturing and known as “shoddy” or “mungo.”

Before wool can be spun into yarn, it must pass through a number of processes; these include grading, sorting, scouring and combing or carding. In the worsted industry, they are seldom undertaken by the spinner but are performed by units specializing in one or several processes. The worsted spinner thus does not usually handle raw wool; he relies on a specialist, the merchant topmaker, to supply him with tops—i.e., long-fibred wool combed by machinery. There is less specialization in the woollen industry, which, broadly speaking, is organized vertically, so that it is common to find all processes, from the handling of the raw material to the weaving and dyeing of the cloth, carried out by one firm. Although the spinner of woollen yarns may buy a part of his requirements as raw wool in the form in which it leaves the farmer, he often relies on a specialist merchant to supply him with “matchings” (that is, wool broken up from the fleece into lots of uniform length of staple and fineness) and with noils and waste.

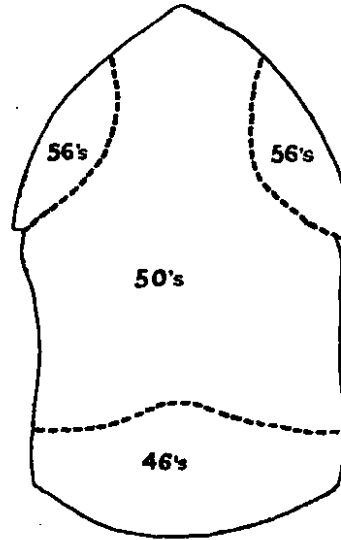
QUALITIES IN UNSKIRTED AND SKIRTED FLEECES.



LINCOLN HOG

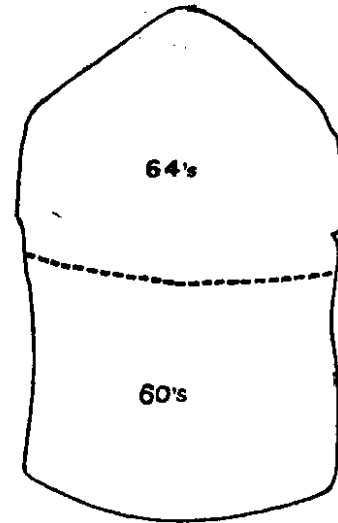
BROKES (i.e. Pieces taken from the edge of the fleece.)

- A. DOWNRIGHTS.
- B. SUPER.
- C. MIDDLE.
- D. COMMON.
- E. BRITCH.
- F. COWTAIL.
- G. ABB.



**COLONIAL CROSSBRED
(50's BULK SORT) SKIRTED.**

SKIRTINGS ARE BAGGED AND SOLD SEPARATELY.



**MERINO (60's/64's)
SKIRTED**

DIAGRAM A

(ii) Processing Functions.

(a) **Sorting.**—Each individual fleece contains within itself a number of qualities of wool. Diagram A shows the qualities to be expected in a merino fleece, a foreign crossbred and a Lincoln, and the manner in which these fleeces are customarily broken up or “sorted.” It would be possible to comb wool unsorted, but it would be extremely wasteful to do so, as the resulting yarn would be very variable in quality and would be reduced to the value of the coarsest wool contained in it. The fleece must therefore be sorted—that is, broken up into its component qualities.

The various qualities into which the sorter breaks up his fleeces are known as “matchings” and are closely related as regards fineness, length and strength of staple, colour and other characteristics. Kempy and defective pieces are, of course, kept separate.

The importance of sorting can hardly be exaggerated, for upon the skill of the sorter depends the character of the yarn which will ultimately be spun. All sorting is done by hand. To give an idea of the delicacy of touch needed for the operation, one instance may be quoted—viz., wool of 64’s* count is about 1/1,400th of an inch in diameter and wool of 60’s count is about 1/1,200th of an inch, a difference of 1/8,400th of an inch; yet, by touch alone, a skilled sorter can divide a fleece into 60’s and 64’s instantly and without hesitation.

Sorting is of more importance for crossbred wools than for merino, which is usually more even in quality throughout the fleece. As shown in Diagram A, the importance of sorting is even greater for unskirted† English fleeces. Sorting, again, is much more important for the worsted processes than for the woollen, since it has more effect upon the fineness and evenness of the resulting yarn.

(b) **Scouring.**—Raw wool—either washed or unwashed—contains dirt, grease, or vegetable fibres. Although some dirt and foreign matter are removed in sorting, wool must be cleaned of all impurities, by means of special processes, before it can be used for manufacturing processes.‡ There are a number of methods in use, the most common consisting simply of conveying the wool through a series of baths containing warm water and solvents. If wool contains a lot of “burr,”§ it is scoured by a chemical

* Wool is known by its spinning quality as 80’s, 70’s, 64’s, 60’s, 56’s, etc., etc. The term originally meant that 1 lb. of clean wool of 50’s count would spin into 50 hanks of worsted yarn, each hank being 560 yards long. The terms have now lost their exact meaning but are a measure of spinning quality.

† In the oversea Dominions, fleeces are “skirted”—i.e., the inferior portions round the edge are removed and kept separate. The skirted fleece is therefore more uniform in character than the unskirted fleece. A fuller description of the practice appears on page 54.

‡ The proportion of clean wool obtained after scouring is known as the “yield.”

§ i.e., Seeds, usually in ball form, which cling closely to the wool by their bristles.

process known as carbonizing, which destroys vegetable fibre without destroying the wool. The process is said to give wool rather a harsh handle.

(c) **Combing.**—After sorting and scouring, wool destined for the worsted industry is combed into tops—that is to say, into long slivers of wool fibres laid parallel to one another. Combing involves a series of intricate and distinct processes, all directed to a common end—the production of a top which will spin into a yarn of even character and strength. The spinner, as a rule, endeavours to produce standard yarns, for which he knows he can find a market, and which will give uniform results at later stages in manufacture—i.e., which will dye the same colour, have the same finish, the same felting quality,* etc. He therefore looks to the topmaker to supply him with tops that can be depended upon to yield the desired yarn. The topmaker must use great skill and ingenuity, for his top will not necessarily be made from one kind of wool only, but from a blend which will give him the desired characteristics. His sources of supply are by no means regular, either as to price or quality, and for one reason or another he may have to substitute different wools; since, however, tops are made only from long-stapled wools, the margin of substitution in raw materials is comparatively small. The top which he sells, though made from a blend of differing constituents, must give yarn of uniform characteristics. In addition to his standard tops, the topmaker must produce tops with special characteristics to meet the needs of the speciality spinner, and here, again, great experience in the blending of wools is necessary.

The woollen spinner is in a more fortunate position, for the carding process, which corresponds to combing but lays the fibres criss-cross instead of parallel, is much more flexible. In addition to fleece wool of short staple, noils and skin wool, it can deal with shoddy and mungo, and the way in which the raw wool, skin wool and waste are blended plays a most important part in determining the costs of production of the woollen spinner. In consequence, carding and spinning are generally carried out under one roof by the spinner himself.

(iii) Commercial Functions.

From the standpoint of producer-organization, the business structure underlying the processing of wool as just described is extremely important. It has already been seen that the requirements of the spinner are somewhat exacting. Some one must stand between diversity of production and diversity of demand, and relate them to each other. These functions are performed by the specialist wool-merchant topmakers, who assemble individual clips and distribute wool in the quantities, qualities and forms required by the consumer.

* The quality possessed by some wool, which results in the interlocking of the fibres and the formation of a firm cloth.

Merchant topmakers may buy from any source and combine the buying and selling of fleece and semi-processed wool with the actual processing up to the spinning stage. They do not always undertake scouring and combing on their own account: they may arrange for these operations to be done for them on commission.

The merchant topmaker occupies a pivotal position. He forms the bottleneck through which the greater part of the wool reaches the spinner. Owing to the comparatively small size of the average wool textile manufacturing unit, and the wide range of fabrics and demand, he has to adapt his supplies to the particular requirements of a large number of buyers. It is not too much to say that quality adaptation of wool is a matter of getting the best fit between variable conditions in the markets, for the raw and semi-manufactured materials. It is clear, therefore, that apart from possessing an intimate knowledge of his customers' requirements, he must be able to select from a large reservoir of supplies.

The merchant topmaker is also responsible for other commercial services. He has to finance the movement of wool from the point of purchase, whether at home or abroad, which, together with processing and the distribution of the wool to users, takes considerable time. Furthermore, there is scope for considerable price fluctuation between the time of purchase from the producer and that of sale to the spinner: as the holder of wool during this period, the merchant topmaker performs the very important function of risk-bearing.

The emphasis laid on the importance of the merchant topmaker should not convey the impression that all wool going into manufacture in this country passes through his hands. A considerable portion of the supplies going into the woollen industry is bought direct from producers by manufacturers. On the other hand, the services performed by merchant topmakers in adapting the bulk of a diverse raw product to the specific requirements of a variable demand, and in providing the knowledge, stock and capital which this involves, are important in linking up the wool grower with the ultimate market for his product.

CHAPTER III.—PRODUCTION, CONSUMPTION AND PRICES.

Trade in wool is international (see Figure 1). The great producing areas are situated, in the main, in the Southern Hemisphere, while consuming centres are almost entirely in the Northern Hemisphere. The movement of wool, therefore, is from South to North, and, with certain exceptions, the great textile manufacturing countries produce only a small proportion of their own raw material.

(i) World Production.

(a) **Types.**—The total world production of wool in 1929 was estimated by the Empire Marketing Board to be 3,737 million lb.* Between 2,250 and 2,500 million lb. entered into "international" trade—i.e., was not consumed in the country of production. From the point of view both of production and of manufacture, this wool can be divided into three broad categories—viz., merino, crossbred and carpet wool.

The British Empire produces rather less than one-half of the total world supplies of wool, including roughly two-thirds of all merino wool produced. It has been estimated that the Empire produces roughly two-thirds of the wool that enters into international trade.

Merino wool is derived exclusively from sheep of the merino breeds, and is of the finest spinning qualities. To the textile industries, it is of outstanding importance. Australia, South Africa and the United States between them produce not less than four-fifths of the world's supplies.

Crossbred wool is derived for the most part from breeds of sheep of the English mutton type or from a cross between a mutton sheep and a merino. Both in quality and quantity, it is less important than merino as a source of supply to the wool textile industries, but for some purposes it is indispensable. The producing areas are more widely diffused than in the case of merino; New Zealand, parts of Australia, the United States, various South American countries and Great Britain all rank as important producers.

Carpet wools consist of strong, coarse wools, such as Scotch Blackface, but in the main are derived from native breeds in India, China and other Eastern countries, and from Russia.

(b) **Trend.**—Statistics of world sheep population show that a decline in numbers was in progress at the close of last century.

The following are estimates of the world's annual wool production in 1909-13, 1924 and 1929:—

<i>Estimating Body.</i>	1909-13.	1924.	1929.
		Million lb.	
U.S. Department of Commerce ...	3,231	2,806	—
League of Nations	3,224	2,856	3,632
U.S. Department of Agriculture	3,011	2,911	3,209*
American National Association of Wool Manufacturers ...	2,906	2,720	3,682
Empire Marketing Board ...	—	3,107	3,737

* Excluding China and Russia.

* See Table II. All estimates of wool production should be accepted with considerable reserve. In the first place, they are usually based on inadequate statistical information. In the second place, they are estimated on a "greasy" basis and therefore cannot represent the true position, since clean-scoured "yield" varies greatly in different parts of the world.

Although these various estimates are not strictly comparable, the broad conclusion may be drawn that production fell somewhat between the immediate pre-War and post-War periods but has risen considerably since 1924 and now appears to be above the pre-War level. Statistics relating to the principal wool-growing countries show that the biggest actual and relative increase has been in the production of high-quality wools.

While these estimates must be taken with reserve, the statistics available indicate both a quantitative increase and a qualitative improvement in world resources. There is still great scope for further increase in world output, given the demand from the consuming industries. Russia has immense potentialities as a sheep-raising country, as have Canada and certain Asiatic and South American countries. Moreover, sheep population is not the only consideration: weight of fleece is also capable of improvement. Thus, whereas in the season 1891-2, Australia, with a sheep population of 106 millions, produced 460 million lb. of wool, in the season 1929, wool production amounted to nearly 940 million lb. from almost exactly the same number of sheep.

(ii) **World Consumption.**

The bulk of the world's wool is consumed in the textile industries of Europe; the two important non-European consuming centres—the United States and Japan—only take about 10 per cent. of the wool entering into international trade (see Table III, page 130). The quantities retained for consumption in the most important manufacturing countries are shown below:—

Average Net Annual Consumption of Chief Wool-using Countries, 1926-30. (Estimated Greasy Equivalent).
000 lb.

Country.	Domestic Production.	Exports of Domestic Wool.	Imports.	Re-exports.	Total Retained.
United Kingdom	121,100	48,000	918,200	398,400	592,900
U.S.A. ...	371,500	300	253,253	6,913	617,540
France ...	46,500	*	537,310	54,244	529,566
Russia ...	336,000	—	96,846	1,610	431,236
Germany ...	34,200	*	401,574	37,079	398,695
Italy ...	31,600	*	119,200	9,357	141,443
Japan ...	—	—	101,461	—	101,461
Belgium ...	800	*	151,132	58,015	93,917
Poland ...	9,440	—	40,776	1,131	49,085
Czechoslovakia	3,290	—	44,762	3,130	44,922

* Exports of Domestic Wools (if any) are included with re-exports.

The first significant fact which emerges from the Table is the comparatively small proportion of total supplies obtained from domestic production in all important consuming countries except the United States and Russia. Consuming industries could nowhere continue to function without the great producing areas of the Southern Hemisphere.

A second feature of the international wool trade is the outstanding position of Great Britain as an entrepôt market; with the exception of Belgium and France, no other country re-exports any considerable part of her imports. Great Britain's wool imports far exceed those of any other country and over $\frac{2}{3}$ ths of the total are re-exported. Table III, page 130, which shows exports from the principal producing countries, indicates that in Australia, New Zealand, South Africa and India, Great Britain is the largest single buyer, and that she plays an important and increasing part in the export trade of Argentina and Uruguay.

Japan occupies a position of growing importance in world markets. That country now buys about ten times the quantity she bought before the War, and her emergence as a factor of great importance in Australian markets is one of the most significant features of post-War trade.

Except for Great Britain, the United States and Germany, no statistics are available to show the various quality categories into which imported or home-produced wool falls.

Germany has imported nearly twice as much merino as crossbred wool during the past few years, and there is good reason to suppose, from the information available, that the proportion of merino used in France is even higher. In this country, on the other hand, the retained supplies of crossbred wool are greater than of merino. The same is true of the United States. More than half the imports into the United States in most years, however, are carpet wools.*

It is known that the Japanese demand is almost exclusively for merino or fine comebacks.† In Russia, the home-produced wool, which at the present time is entirely retained for domestic use, is mainly of low quality; the demand for imported wools, therefore, as might be anticipated, is for the finer qualities.

While the average figures of world consumption shown above present a fairly accurate picture of the importance of imports in the supplies of the principal consuming countries, very considerable changes occur both over long and short periods in the total imports of each country, in the relative proportions of the different types of wool imported, and in the sources of supply.

* Liverpool is the leading central auction for carpet wools in international trade.

† A merino-mutton cross, bred back to the merino stock.

(iii) Supplies in the United Kingdom.

The wool textile industry in this country depends for its supplies of raw material on both imported and home-grown supplies. Part of the home production is exported and part of the imported supplies is re-exported; in fact, the total quantity of wool handled in this country is almost double that retained for industrial use.

(a) Home Production.—The home production of wool consists of fleece and skin wool. Estimates of total production vary considerably according to the average weight per fleece assigned to each breed, the quantities estimated to have been sold as washed and unwashed, respectively, and the numbers of sheep computed as slaughtered in any year.* Estimates of production in the United Kingdom in the period 1926–30 made by the three Departments of Agriculture were as follows (see also Table IV) :—

Estimated Average Annual Production of Wool in the United Kingdom, 1926–30.
000 lb.

	Actual Weight.			Estimated Greasy Equivalent.*		
	Fleece Wool		Skin Wool.	Fleece Wool.	Skin Wool.	Total.
	Washed.	Un-washed.				
England and Wales	31,600	22,400	20,200	60,320	26,933	87,253
Scotland	5,660	15,540	6,920	22,212	9,227	31,439
Northern Ireland	—	1,811	475	1,811	633	2,444
United Kingdom†	37,160	39,751	27,595	84,343	36,793	121,136

* The object of conversion to a greasy basis is to facilitate comparison of statistics. The basis of conversion for this and subsequent Tables in this Chapter is described on page 133.

† Provisional estimate for 1931 :— 000 lb.
 Fleece Wool, Washed 39,800
 " " Unwashed 42,375
 Skin Wool 25,271

The whole of this wool falls into the trade categories of crossbred and carpet wools. The bulk of it is crossbred wool, though, so far as is known, no attempt has been made to define the proportion falling into each class.

* See *Report on Wool Marketing* (Economic Series No. 7), p. 59.

(b) **The Utilization of the Home Clip.**—Compared with other agricultural products grown in this country, wool holds a unique position in that a very considerable proportion of the home output is exported (see Table V).

The average quantity of wool exported annually in the five-year period 1926–30 is shown below; exports, however, are very variable, the annual figure in this period varying between 48.3 million lb. and 24.7* million lb.

*Average Annual Exports of United Kingdom Wool, 1926–30.**

	000 lb.	Per cent.
Greasy	21,318	53.8
Scoured or Washed	14,199	35.8
Pulled and Sliped†	4,083	10.4
Total	<u>39,600</u>	<u>100</u>

* Total Exports in 1931 were 28,190,000 lb. (Provisional).

† Wool removed from the skin of slaughtered sheep.

In the category "scoured or washed," the exact quantities scoured and washed respectively are not shown separately in the trade returns. The conversion of exports to a greasy basis must therefore be a matter of estimate. Assuming, however, that the wool classified as scoured or washed and pulled and sliped has lost, on the average, one-third in weight, the greasy equivalent of exports amounted to about 48 million lb., or 40 per cent. of the total home production.

The most important buyer of United Kingdom wools is the United States, which, in this period, bought practically 45 per cent. of the total exports of the home clip, including about one-half of the greasy wool, about one-third of the scoured or washed wool and about four-fifths of the pulled and sliped wool. Two-thirds of the United States imports of United Kingdom wools consist of carpet wools. Other important buyers are Germany, Belgium and Italy, which take 13, 9 and 8 per cent., respectively, of the total exports of home-produced wool. United Kingdom wool is used in the clothing industries of importing countries and is a substantial element in the supply of raw materials for the carpet and mattress industries of the United States and Italy, respectively. The quantity of the home clip available annually for home manufacture, after allowing for exports on the greasy basis indicated above, averages about 73 million lb. (see Table VI).

* The figure 24.7 million lb. refers to 1930; the next lowest figure of annual exports of United Kingdom wool during this period (and in fact since 1922) is 39.5 million lb. in 1928.

(c) **Imports and Re-exports.**—The United Kingdom is the most important buyer of raw wool in the world markets, handling on an average about one-third of the wool entering into international trade. Within the five-year period, 1926–30, gross imports fluctuated between 822 million lb. in 1927 and 779 million lb. in 1928 (see Table VII). The average annual gross imports during the period, classified according to type and condition, are shown below :—

Average Annual Gross Imports of Sheep and Lambs' Wool into the United Kingdom, 1926–30.

(000 lb.)

Condition.	Merino.	Crossbred and other sorts.*	Total.	Total estimated greasy equivalent.
Greasy	335,102	343,517	678,619	678,619
Scoured or Washed	23,164	89,949	113,113	226,226
Pulled and Sliped ...	1,005	9,031	10,036	13,381
Total ...	359,271	442,497	801,768†	
Total estimated greasy equivalent	882,770	535,456		918,226

* In the *Annual Statement of Trade of the United Kingdom*, "crossbred" wool and "other sorts" are classified separately. Since the distinction between them is indefinite, and important changes in classification have been made in recent years, the two categories have been merged in this and subsequent Tables dealing with imports and re-exports.

† Total imports in 1931 were 848,500,000 lb. (Provisional).

It will be seen that a very considerable part of the supply—over two-fifths of the total greasy equivalent—consists of merino wool and that over four-fifths of the total actual quantity received arrives in the grease.

The wools imported into this country come from all over the world, but, as shown in the following Table, 5 countries—Australia, New Zealand, South Africa, Argentina and India—supply nine-tenths of the total.

Average Annual Imports of Wool into the United Kingdom from Various Sources, 1926-30.

(000 lb.)

Source.	Actual Weight.				Estimated Greasy Equivalent.			
	Merino.	Cross-bred and other sorts.	Total.	Per cent. of Total.	Merino.	Cross-bred and other sorts.	Total.	Per cent. of Total.
Australia ...	171,330	87,052	258,382	32.2	181,336	93,877	275,213	30.0
New Zealand ...	16,587	168,948	185,515	23.1	16,858	194,087	210,945	23.0
South Africa ...	156,015	2,917	158,932	19.8	160,907	2,984	163,891	17.8
British India ...	—	47,853	47,853	6.0	—	89,892	89,892	9.8
Other Empire Countries ...	960	13,417	14,377	1.8	1,014	17,482	18,496	2.0
Total—British Empire	344,872	320,187	665,059	82.9	360,115	398,322	758,437	82.6
Argentina ...	1,394	56,175	57,569	7.2	1,459	57,810	59,269	6.5
Other Foreign Countries ...	13,005	66,135	79,140	9.9	21,196	79,324	100,520	10.9
Total—Foreign Countries	14,399	122,310	136,709	17.1	22,655	137,134	159,789	17.4
Total ...	359,271	442,497	801,768	100.0	382,770	535,456	918,226	100.0

The Empire provides well over four-fifths of the total wool imported, and it is only in the supply of crossbred wool that non-Empire countries—Argentina and, to a less extent, Uruguay and Chile—play any part.

A large part of the wool received into the United Kingdom is re-exported, mostly to foreign countries (see Tables VIII and IX). Ports, such as London and Liverpool, act as distributing centres for overseas buyers who for various reasons do not make their purchases in the country of production. Some of the re-exported wool is scoured, washed, pulled or slipped in this country, but 96 per cent. is dispatched without treatment. The chief countries to which wool is re-exported from this country are shown in the following Table:—

Average Annual Re-exports of Wool from the United Kingdom, 1926-30.

(000 lb.)

Country.	Actual Weight.				Estimated Greasy Equivalent.			
	Merino.	Cross-bred and other sorts.	Total.	Per cent. of Total.	Merino.	Cross-bred and other sorts.	Total.	Per cent. of Total.
France	65,352	48,688	114,040	33·7	66,807	57,619	124,426	31·2
Germany	52,158	58,949	111,107	32·8	57,123	68,844	125,967	31·6
Belgium	32,871	17,843	50,714	15·0	34,402	20,538	54,940	13·8
U.S.A.	1,793	31,410	33,203	9·8	1,945	49,408	51,353	12·9
Other Countries ...	6,416	23,236	29,652	8·7	7,915	33,773	41,688	10·5
Total*... ..	158,590	180,126	338,716	100·0	168,192	230,182	398,374	100·0
Total Re-exports as percentage of Total Imports Per cent.	44·1	40·7	42·2	—	43·9	43·0	43·4	—

* Total re-exports in 1931 were 271,700,000 lb. actual weight. (Provisional.)

The three European countries named in the Table, together with the Netherlands, take, on an average, 84 per cent. of the wool re-exported from this country. Half the re-exports to Germany and France and two-thirds of those to Belgium consist of merino wool. America buys practically no merino wool from this country, her imports consisting chiefly of carpet wools.

The average annual quantities of imported wool (estimated greasy equivalent) retained in the United Kingdom in the years 1926-30 (see also Table X) were :—

Merino	...	...	...	...	...	million lb.
						214·6
Crossbred and other sorts	...	...	...	...	...	305·2
						<hr/>
Total	...	...	...	...	...	519·8

(d) Net Supplies.—The following estimate of the average annual net supplies, on a greasy basis, of home-grown and imported sheep and lamb's wool available for manufacture in this country in the period 1926-30* ignores certain statistical complications† and must be taken as approximate. It is, however, sufficiently accurate to show the general position as regards raw wool.

* See also Table XI.

† e.g., no account is taken of wool on imported sheep skins, re-conditioned wool, mohair, alpaca.

*Average Annual Net Supplies of Raw Wool in the United Kingdom
(on a greasy basis), 1926-30.*

		million lb.	Percentage of Total.
Imported	... ..	519.8	88
Home Grown	... ..	73.1	12
	Total	592.9	100

Since they account for only 12 per cent. of the total supplies used in this country, home-grown wools occupy a subordinate position; moreover, they comprise no merino wool, and only a proportion of them commands a speciality market.

(iv) Prices.

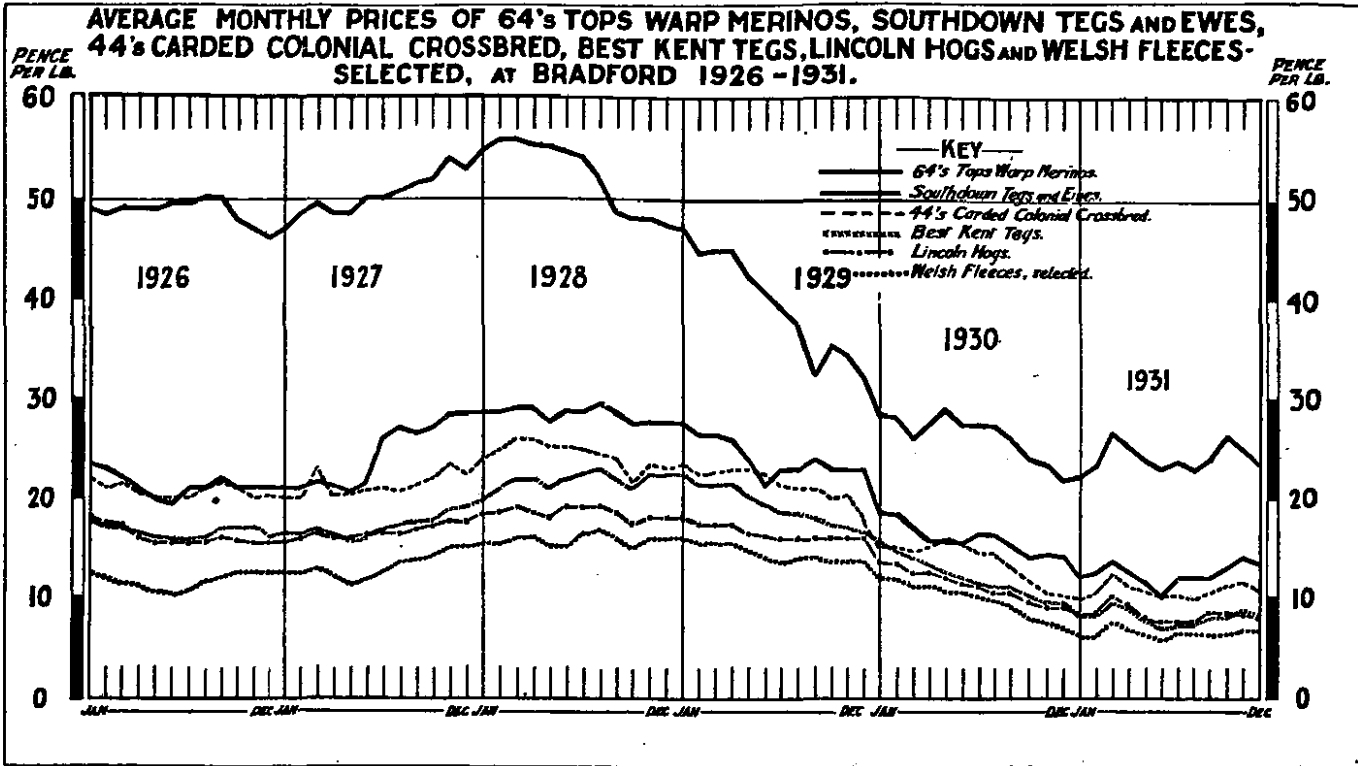
In the *Report on Wool Marketing in England and Wales*,* attention was drawn to the difficulty, arising from the absence of reliable information, of drawing deductions regarding intra-seasonal or short-period fluctuations in wool prices. In the absence of any system of recording prices at country wool sales in relation to quality, and in the absence, also, of reliable statistics of stocks and consumption in this country, that difficulty remains.

It is, however, possible to make some observations upon the general relationship between prices of British wool and world wool prices and upon that between prices of home-produced wool in producing and consuming areas.

(a) *Relation of Prices of British Wool to World Prices.*—In making a comparison of prices of British wool and world wool prices, price movements are of greater importance than the margins arising from differences in quality. Broadly, the value of clean-scoured wool, irrespective of its origin, is based on the fineness of the fibre. Thus, in whatever directions prices are moving, merino wool fetches more than crossbreds, and fine crossbreds command higher prices than coarse crossbreds. In order to relate the movement of prices of British wool and world prices, Bradford prices of merino and crossbred tops may be compared with those for "good, well-classed, selected and well-washed fleeces" of four representative breeds.

It will be seen from Diagram B and Table XII that the prices of wool grown in this country change with those of imported supplies at Bradford, which, since this country is the world's biggest secondary market, reflect changes in, and are themselves reflected in, the international market for wool. In view of the small proportion which the home clip forms of the total volume of wool exchanged and used in this country, it is clear that imported values must dominate the market for home-grown wool.

* Economic Series No. 7, Chapter II.



Production, Consumption and Prices.

On account of its volume and quality, merino wool is the most important single factor in world supplies, and changes in merino prices are reflected in the prices of crossbred and carpet wools, to which categories all home-grown wool belongs. The reason for this close, short-period price relation between the different categories of wool is to be found in the very considerable degree of substitution which is possible between merino and crossbred and reconditioned wools, more particularly in the woollen industries. Thus, if the price of merino is high, users tend to replace it with the finer crossbreds, and so on down the scale of qualities, with the consequence that increased demand for the cheaper sorts tends to keep prices together. Cheap crossbreds may, at times, have a weakening effect upon merino prices, but, in general, bearing in mind both the greater volume of merino and the preference of most manufacturers for the finer wools, the tendency is for merino to be the determining factor.

Though the statements that all British wools come within the categories of crossbred or carpet wools and that prices are determined by the prices of imported supplies are true, they should be taken as having a general application rather than as referring to particular wools and to exceptional short-term movements. Some of the wools grown in this country meet speciality requirements, and the prices which they command are subject to minor influences of demand or of fashion which may have a considerable effect not only upon the price relation of the wool of one breed to another, but upon the different qualities of wool within one breed. Numerous instances could be given. Thus, Southdown wools always command a good price, but frequently the very highest quality—of which not much is available—will fetch prices out of all proportion to the general run of wools of the same type: special lots at Lewes Auction often realise twice as much as lower quality lots of the same breed. The price of Scotch Blackface, a wool which is largely used in the carpet trade, was well maintained during the earlier part of the fall in world prices in 1929, mainly owing to strong demand from the United States. Shortly after the War, a demand for lustre wools for blending with artificial silk had a buoyant effect on these types, while, in 1931, Lincoln and Yorkshire “roller hogs”* commanded extremely high prices compared with wools normally on a similar price level. In general, however, high prices for special types of wool are not of long duration, for substitution usually has a levelling effect.

The broad position is that, whatever the degree of marketing organization, changes in British wool prices will be governed by factors over which the home producer has no control.

* A strong, long-stapled wool.

(b) **Prices of English and Welsh Wool in Producing and Consuming Areas.**—Prices in consuming centres, such as Bradford, only afford a picture of the trend of prices for different types of wool and indicate their levels at any given moment. They refer to “good, well-classed, selected and well-washed fleeces.” Quotations on this basis do not give a close measure of the value of individual clips; the factor of yield and the suitability of the wool for various uses are still matters for individual judgment. Bradford quotations cover certain wool-types associated with particular breeds and a few well-known crosses; special quotations are not made in respect of most of the numerous crosses prevailing in this country. Bradford quotations are often nominal, no transactions being made at the prices quoted.

The only broad generalization which can be made as to the prices of wool in consuming centres is that they do not show any marked intra-seasonal variation (see Diagram B). In view of the large proportion of the home clip sold immediately after shearing, it would be expected that prices would show a seasonal drop in June, July and August. It is possible that around this period there is some clearing of stocks to make way for the new clip, but however important this factor may be, it has no apparent influence upon prices in consuming centres. Absence of seasonal movement is primarily due to the fact that wool is a durable product for which there is a continuous and international demand and that, all over the world, wool is being offered by primary producers at all times of the year. In so far as the bulk of home-produced wool is offered for sale by the producer within a period of, say, 3–4 months and is used by the consumer over a period of 12 months, it must be assumed that the cost of holding stocks is averaged over the whole clip.

Although buyers in producing areas base their offers on prices in consuming centres, the difference between the prices which they pay and “Bradford prices” cannot be measured, since the wool in the condition in which it is bought may not fall into any of the categories for which Bradford quotations are available. It may be washed or unwashed; it may contain a large or small proportion of dirt, cotts,* greys or kempy fleeces, and hog, ewe and wether fleeces may or may not be separated. These factors are so important in determining the prices the producer receives that they render virtually impossible a comparison of prices for wool as it leaves the farm with those for wool as it enters the user’s hands. Prices in consuming markets are only useful to the grower in so far as they indicate whether prices are rising or falling; they do not tell him whether the price offered him is a fair one.

Even ignoring this difficulty, which is inherent in the nature of the commodity, there is a further difficulty—closely associated with the marketing system—in arriving at representative farm prices

* A fleece which has become matted and in which the fibres are entangled before shearing.

for the purpose of comparison, in that fully 80 per cent. of the fleece wool is sold by private bargaining and the prices are not disclosed.

Prices realized at country auctions are published in provincial and agricultural newspapers, but their value as a measure of producers' returns or as a basis for comparing prices with those in consuming centres is very limited. In the first place, they relate only to a small part of the wool sold in this country. Moreover, they only cover the auction season—a period of two months—whereas wool is normally bought from farmers throughout the summer and autumn.

In the form in which they are published, also, the prices are misleading. Not infrequently, the published prices are the highest paid and, at times, a range of prices is given and often a breed average; but the average price is generally calculated without reference to the quantities sold at each price. How great the variation in prices can be is shown by the fact that in one auction in 1930, lots of Southdown wool fetched between 7½*d.* and 1*s.* 5*d.* per lb. An attempt to relate auction prices to those in consuming centres or to compare prices in different auctions is frustrated by the confusion and lack of precision in nomenclature. Although reports generally distinguish between washed and unwashed fleeces, other distinctions, equally important, are often ignored. For instance, different breeds may be quoted in one group, such as "Other Downs," or the report may not distinguish between hog and ewe fleeces.

It is not suggested that variation would not be a feature of a better price-recording system. What is emphasized is that, on the one hand, attempts at averaging are misleading and, on the other, that the recording of prices for individual lots is practically useless from the grower's point of view. Quotations for individual lots are valuable only in so far as the quality and condition of each lot are known. Buyers familiar with the district may be able to interpret these prices but, so far as the farmer is concerned, since he is ignorant of the basis of valuation, the differences in quotations tend to confuse him and to produce friction between him and the buyer rather than guide him to more efficient production.

To sum up the position as to the relation between various prices, the prices of wool in consuming centres in this country move in harmony with those of imported supplies, and prices in consuming centres determine those paid to growers. To what extent growers' prices will vary from those in the consuming area depends on a number of factors of which not the least is the efficiency of the marketing system.

PART II.—METHODS OF ASSEMBLING THE HOME CLIP.

Several methods of selling wool are practised by farmers in England and Wales.* Wool may be sold by private treaty, on commission through a broker, through a public auction, or through a co-operative wool society. Except when sold through a co-operative society, each producer's clip is sold separately. The essence of the method adopted by the English wool co-operatives is that, in the process of preparation for market, the individual clip loses its identity.

Owing to the wide distribution of wool production, the comparative localization of textile manufacture and the need for processing, most wool passes through the hands of intermediaries before reaching the manufacturer. It is true that bulk lots of uniform quality offered by large flockmasters are sometimes bought direct by manufacturers, but the proportion disposed of in this way is small. Most manufacturers have always relied upon the wool merchant or stapler to supply their needs, and, since the War, the disinclination to carry heavy stocks at any stage of the manufacturing process has strengthened this tendency. To-day, much the greater part of the wool produced in England and Wales, whether destined for the home trade or for export, passes through the hands of specialist merchants, either in country districts or in Bradford.

CHAPTER IV.—INDIVIDUAL SELLING.

(i) Sale on the Farm.

In spite of the increased sale of wool in recent years through public auctions and co-operative societies, much the most important method of selling fleece wool in England and Wales is by private bargaining on the farm, except in the four northern counties and the south-central counties of England—Hampshire, Dorset, Wiltshire and Berkshire. Buyers fall into two categories—those who specialize in buying, selling and processing wool, and those whose wool trade is subsidiary to other business. The latter have little or no specialist knowledge of wool, and merely act as middlemen between the farmer and the specialist merchant.

(a) **Specialist Wool Merchants.**—The specialist wool merchants, who include country staplers and Bradford buyers, are by far the most important class of traders who buy wool on the farm. There is no essential difference between the Bradford buyer and the country stapler in so far as their operations in producing areas are concerned.

* This outline is only intended to discuss the broad methods of assembling the clip. See also Economic Series No. 7, Chapters IV-VII.

The former, however, usually operates over a wider field and, in addition to buying fleece wool, deals in tops to a much larger extent.

From the Scottish border to a line drawn from the Mersey to the Wash, practically all the wool is sold by private treaty, and, in the southern part of this area, proximity to manufacturing centres enables Bradford buyers and their representatives to operate extensively.

The larger specialist buyers, with business premises in Bradford and London and with connexions in foreign consuming centres, frequently have collecting depots in several areas. They buy either personally, by visiting the farm at clip time, or through agents who are paid a commission and are kept continually informed of the price limits which their principals will sanction.* There is some tendency for the Bradford buyer to concentrate on the larger clips and to confine his purchases to clip time. His agents, who often live in the buying area, pay more attention to the smaller clips and extend their buying over a longer period. The sale of wool on the farm is very largely a matter of personal connexions; in some cases, the goodwill existing between buyers and sellers is such that wool is sold from year to year to the same buyer as a matter of course.

Buyers generally require that ewe, lamb and hog, washed and unwashed wool shall be packed separately and that the seller shall accept deductions for cotts and greys. Beyond this, however, no price discrimination is made; wool is not paid for on a grade basis and adequate premiums are not offered for care in get-up. Some buyers, it is true, are prepared to offer the farmer a different price for each class of wool, but this practice is very uncommon. Usually, wool of the same breed is paid for at a flat rate, and it is a common practice for one flat price to be offered for all wool in a district.

But, though the expert buyer is always able and sometimes willing to recognize quality and condition in price offers, the attitude of the producer would make a change of policy on the part of the buyer difficult. Farmers are ignorant of the manufacturing value of wools; consequently, if payment were based on grading-out results, they might be suspicious of the merchant's classing and resentful if a higher price were paid to their neighbours. If open discrimination were made in favour of good lots, all the farmers in the district would expect the same price; in order to maintain their connexion, therefore, buyers tend to offer a flat price for the whole clip and to pay the same price throughout a district. This price must be fixed at a sufficiently low level to safeguard the buyer against low quality and bad packing.

Specialist buyers perform essential functions in the marketing and distribution of wool. They supply sheets, assemble the clip—

* Merchants also buy at auctions, from local manufacturers and local dealers.

making payment at the time of delivery—arrange for transport, and finance and control the movement of wool from farm to factory. The purchase of the clip is usually completed by October or November ; the selling season, on the other hand, normally extends until the end of March, and in some years part of the clip may have to be carried over to the following season.

In addition to the services of storage, finance and risk bearing, the specialist merchant grades the wool and frequently takes the processing a stage further—sorting, scouring and combing the wool and dealing in matchings, tops and noils—though it is only exceptionally that merchants outside the consuming centres extend their operations to semi-manufactured wool.* In any case, the specialist buyer adapts wool to manufacturers' requirements, working to grades in accordance with the character of the wool and the use to which it is to be put, or breaking up the fleece into matchings. His standards are his own, and on their maintenance depends his trade reputation and his ability to retain from year to year the goodwill of his customer—the manufacturer—who, once he is acquainted with the grades, can continue to place orders without inspection. Merchants will also grade to a customer's orders if their usual grades do not meet his requirements.

In addition to selling to home manufacturers and merchants, the larger merchants and staplers sell wool abroad. Sales may be transacted direct or through the agency of a broker. When wool is sold direct, merchants prefer to have a representative of the buyer present to supervise the packing as a protection against subsequent complaints.

In meeting their customers' requirements, the majority of the specialist buyers operate efficiently. They handle large quantities of wool and are able to pass it on at a low margin ; further, they possess the technical and commercial knowledge necessary for adapting to a wide range of purposes the wool which they handle.

(b) Hide and Skin Dealers and Local Wool Manufacturers.—Hide and skin dealers often combine wool merchanting with their major business.† They usually have sufficient knowledge of wool to classify it into broad groups and may build up a connexion which enables them to sell wool to manufacturers or large dealers without inspection. In some areas, such as parts of Wales, where some woollen mills are still operating, the local wool manufacturer, who has considerable technical knowledge, has taken up wool merchanting. He may adopt his own grades or sell the wool to the Bradford or larger country wool merchants on the basis of their own grading.

* Devonshire and Cornwall are unique, however, in having a local combing industry which processes a large proportion of the clip. The industry is closely allied to that of the general agricultural merchant, nearly all the raw wool of the two counties being bought by corn merchants, either on commission or outright.

† See Appendix A.

He does not break up the fleece and thus only performs a part of the services provided by the large specialist buyer. Both these types of buyers adopt the same general method of purchase of clips as the specialist merchants.

(c) **General Agricultural Merchants.**—Some wool is bought by general agricultural traders dealing in farm produce and requisites, who have very little, if any, knowledge of wool; this wool is normally passed on to specialist wool merchants ungraded. Not only private merchants but also a few co-operative requisite societies operate on these lines.*

The requisite societies, however, almost invariably buy on commission to the "limits" set by their principals, whereas the general merchant frequently takes the full merchanting risk. Buyers of this type operate in some important wool-growing areas. They are common in parts of Wales and practically monopolize the trade in Cornwall, Devonshire and parts of south Somersetshire. It is difficult to account for the prevalence of this type of buyer in these particular areas. Topographical conditions, a preponderance of small flocks, a local tendency for agricultural trade to be done on a barter basis, and a natural conservatism, all seem to play a part. In Cornwall and Devon, the survival of a combing industry, closely allied to general agricultural business, is undoubtedly responsible for the system.

The wool is bought without reference to its quality and its purchase is used as a lever to get business in corn or fertilizers, and vice versa. The wool is seldom paid for in cash; its value is merely set off against the farmer's debt or is a basis for further purchases of requirements. A vicious circle of indebtedness thus sets in, with the result that the farmer is no longer free to choose where he sells his wool. Buyers themselves often express dissatisfaction with the system, but fear that its discontinuance would result in the loss of other business. Apart from buying and dispatching the wool as received, the general agricultural merchant does nothing to expedite its distribution. Being without technical knowledge, he cannot grade the wool to manufacturers' requirements, and his activities merely introduce another link into the marketing chain.

(d) **Special Criticism of Farm Selling.**—The peculiar weakness of farm selling is that practically no attempt is made to pay for wool on a quality basis. This is partly the result of the producer's attitude and partly of limited competition. Although, for the bigger and better clips, competition is fairly keen, the majority of wool growers must be content to take what is offered. The general result is that, in the areas where wool is bought on the farm, the get-up of the clip is nowhere good and in many areas extremely bad. This is especially the case where wool is sold to general traders who finance the farmer. Not a few farmers, receiving no

* In 1929 and 1930, 9 societies collected about 500,000 lb. of wool.

reward for careful shearing and packing, have reverted to slipshod methods. The whole system tends to perpetuate slovenly, and even dishonest, packing.

Another important defect of the system of private bargaining on the farm is that it is extremely wasteful. Buyers spend much time and money in inspecting clips on scattered farms, especially when clips are small. Bargaining is protracted and may have to be completed in the market town. The absence of centralized assembly and baling tends to wastage in transport, large numbers of small and bulky consignments being dispatched considerable distances. A large quantity of wool goes to central buyers in the condition in which it leaves the farm and the grading then has to be done in industrial areas, where labour costs are high; freight is paid on dirt and other extraneous matter; faulty packing leads to much friction and disputes as to rebates; and the costs of storage are higher than they need be.

(ii) Sale through Country Brokers.

In the four northern counties—Cumberland, Westmorland, Northumberland and Durham—a very large proportion of the wool is sold through specialist country wool brokers.* The essential function of the wool broker is to find the producer a market, to sell, at agreed terms, on his behalf, and to collect the returns. The majority of brokers, however, also purchase wool outright, as do staplers, and in so far as some of the latter also sell wool on commission in this area, the distinction between the two is not always clear.

The broker provides sheets and warehousing facilities and is always open to receive wool from growers. His function as agent is to secure the maximum returns for his client. The seller is frequently consulted before the sale is made, and is given the option of refusing offers and of selling other than through the broker with whom his wool has been stored. The usual commission is 2½ per cent., plus charges for storage, insurance and hire of sheets. It is said that in some areas staplers have been forced to go over to a brokerage business because farmers, in comparing returns, consider the gross price and not the net price remaining after the broker's charges have been met.

In general, the classification adopted by the country broker is relatively simple and usually the fleece is not broken up. The degree of classification depends on the character of the wool handled and the channels of distribution. A considerable proportion of the coarse wool is sold without any classification beyond that of hog and ewe wool, washed and unwashed. With the finer quality wools, each of these groups may be further split up into classes.

* Some growers sell wool through brokers in Bradford, who may sell either by auction or private treaty.

Some brokers grade closely to manufacturers' requirements; many of them are well known to north-country manufacturers and the wool can often be bought without inspection. Some of the larger firms engage in the export trade. Wool brokers operating in the country districts frequently sell to brokers buying on behalf of overseas buyers.

Several factors can be put forward to explain the prevalence of the brokerage system in the north of England and Scotland. Undoubtedly, the relatively large number of flocks of above a thousand sheep in these districts has favoured the emergence of a class of specialist wool salesmen. The farmer's income is largely dependent on the returns from wool and it is worth his while to engage an expert to operate on his behalf. Another factor is the comparative uniformity of fleece both in individual flocks and over large areas. Owing to climatic conditions, the range of breeds which can be kept with good results is limited; further, indiscriminate crossing is not so marked a feature of sheep husbandry in these areas. The result of the two factors—size and uniformity of clips—is that the seller can offer large lots of uniform wool and is thus in a relatively strong bargaining position.

Another factor lies in the buying practices of the border-country manufacturers, which, as regards home-grown wool, differ from those of manufacturers in the West Riding. The border manufacturers generally make their own matchings, selling unsuitable wool to other branches of the trade, and therefore do not require the services of the Bradford merchant-topmaker. Because of the narrower range and the nature of the textiles manufactured and the comparative uniformity of the wool, as well as the shorter distance between producing and consuming centres, the movement of wool from farm to factory is more direct in the northern counties than in the remainder of England and Wales. Both supply and demand are less variable than is generally the case in this country, and a system of wool selling which maintains the identity of each producer's clip is more feasible.

The holders of large flocks are usually satisfied with the services rendered by brokers. In practice, however, the farmer has no assurance that he gets the price which his particular clip realizes, particularly when, as sometimes happens, wool is graded and bulked before sale, since the farmer has no definite knowledge of the quantity of wool put into each grade and is therefore not in a position to check returns with current market quotations. Thus, the brokerage system, as operated in this country, is not suitable for the disposal of the small mixed clip, and, since these predominate in most parts of the country, it is capable of little, if any, expansion. The worst feature of the system is the combination of brokerage and merchanting, which is unsound in principle and capable of abuse in practice.

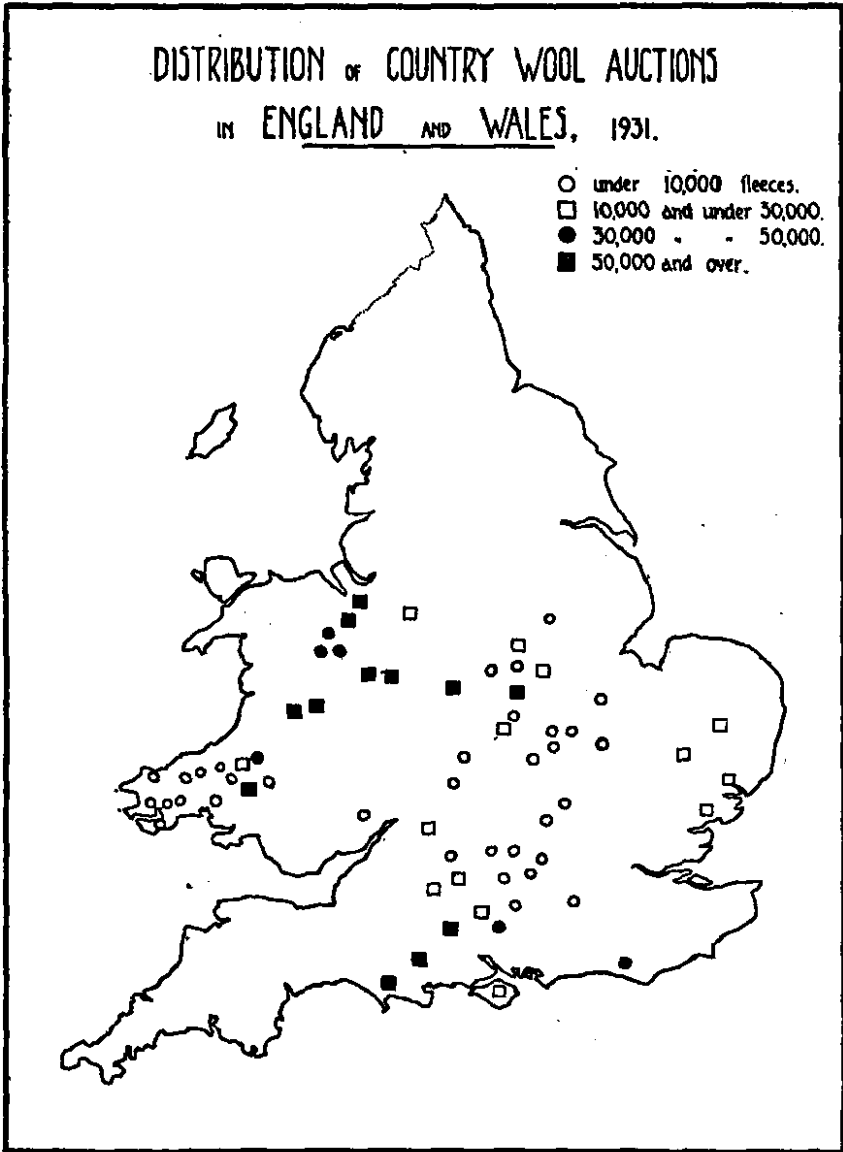


DIAGRAM C.

Overseas experience shows that a satisfactory brokerage system requires to be closely organized in the interests of the producers, the buyers and the brokers themselves (see Chapter VII.)

(iii) Country Auction Sales.

The methods of selling wool in country auctions have been fully described in a previous Report.* There is much difference in the size of auctions from centre to centre and from year to year, as well as in their relative importance as a means of sale. The number of fleeces disposed of at a single sale ranges from one or two thousand to 150,000. The quantities on offer may fluctuate by as much as from 20 to 30 per cent. from one year to another. In one county, nearly all the wool may be sold by auction; in the next, there may be no auctions at all (see Diagram C.)

Owing to changes in the number of auctions and in the volume of business from year to year, it is not easy to measure their importance accurately. In 1931, however, roughly 1,400,000 fleeces were sold at 66 auctions in England and Wales. 68 per cent. of the wool auctioned was sold at 16 centres, which handled, on an average, nearly 60,000 fleeces each. A further 16 auctions handled 23 per cent. of the total wool auctioned, or an average of about 20,000 fleeces each. The remaining 34 auctions, which averaged 4,000 fleeces per sale, accounted for only 9 per cent.

Auctions are not generally found near wool-manufacturing centres.* Thus, there are none north of the Mersey-Wash line. Certain important sheep areas, such as Kent and Devon, which are remote from manufacturing areas, are also without auctions. Elsewhere, they are widely distributed over areas which cover many systems of sheep farming and many breeds. In some of these areas, there are comparatively large auctions which secure the bulk of the trade; while in others, the auctions, though numerous, are small and account for only a small proportion of the wool produced.

(a) **Country Auctions in Down Wool Areas.**—The areas in which large auctions predominate and in which auction selling is of primary importance comprise the southern counties of Wiltshire, Dorset, Hampshire and Berkshire and the county of Salop, in all of which sheep play an important part in farming. In Salop, about two-thirds of the wool is sold by auction, while the auctions in the other four counties handled 370,500 fleeces in 1931, this figure representing over 97 per cent. of the numbers of sheep over one year old in those counties. The character of the wool produced in these areas appears to be largely responsible for the prevalence of the auction system. The bulk of the clip is Down wool. This is

* *Report on Wool Marketing in England and Wales* (Economic Series, No. 7), Chapter V. In some centres, a few of the one-time numerous wool fairs, where transactions are made by private treaty, still survive.

comparatively valuable and there is a speciality demand for certain classes, notably in the hosiery, tweed and felting industries. These conditions ensure the active competition which is the basic requirement of an efficient auction system. The auctions are attended by manufacturers, particularly in the hosiery trade, or by agents buying for manufacturers, and by Bradford and local buyers. Without studying the quality and the fate of each lot of wool, it is not easy to measure the success of the auctions in securing fair prices to the farmer, but it is significant that, in the four southern counties mentioned, auctions obtain the bulk of the trade and that the local wool stapler has disappeared.* Farmers who use the auction system are, in general, satisfied with it.

(b) **Country Auctions in Mixed-Breed Areas.**—There is no obvious explanation of the existence of the wool auctions outside the areas already discussed. With the exception of four auctions in the eastern counties (which also produce a quantity of Down wool) and of those in north-east Wales and the Welsh border area, the auctions are small. This is especially the case in the Midlands and south-west Wales. In practically all these areas, the sheep are very mixed in breed, and there is less speciality demand for the wool. There are indications that in these areas wool auctions are complementary to the livestock-auction system. Auctioneers, anxious to hold and extend their position in livestock marketing, and possibly with a view to safeguarding themselves in respect of credit extended to farmers, have arranged auctions for wool. Competition between auctioneers tends to lead to auctions being set up indiscriminately, with the result that the convenience of purchasers and the interests of growers do not receive first attention. It is significant that in these areas the auction system has not supplanted other methods of selling and that farmers are much more critical of it.

(c) **Absence of Auctions in Longwool Areas.**—Reference has already been made to the absence of auctions in Kent, Lincolnshire and Devonshire. These are important longwool areas, carrying a very high sheep population and producing good quality wool. Similar conditions exist in certain parts of the north of England, where a similar absence of auctions is to be noted, though here other reasons may be in part responsible.

Negative evidence is sometimes of considerable value in arriving at conclusions as to the suitability of methods of sale. The auction system has failed in Devonshire, although in the adjoining county of Dorset some of the most successful local auctions in England are found. It has also been tried and failed in Kent and Lincolnshire. It is likely that this failure is closely associated with the character

* It is worth noting, however, that in Sussex, where similar conditions obtain, a successful local auction, a large wool stapler's business, and a wool co-operative society, are to be found side by side.

of the wool marketed. As compared with other methods of individual selling, the chief value of the country auction system is that it more often secures recognition of the wide difference in value between different clips. In the case of long wool, however, quality distinctions are less marked and consequently prices are more uniform. There is, therefore, less incentive to the producer to use this particular method of sale.

(d) **Criticism of Country Wool Auctions.**—From some stand-points, the sale of wool by auction is an improvement on private-treaty selling at the farm. Buyers can obtain a reasonable quantity of wool in a comparatively short time, as well as save travelling expenses. Before the sale, they can rapidly inspect a large quantity of wool and decide the lots which are best suited to their requirements. The conditions of sale provide for rebates on cotts, greys and greasy fleeces and for faulty packing. This not only gives buyers confidence but also tends to stimulate an improvement in the get-up of the clip by the producer. It is noteworthy that in those counties where the auction is the established method of sale, get-up is generally good and is definitely better than in those areas in which buying on the farm predominates. On the whole, as there is a wider circle of buyers, the producer is paid more in accordance with quality when he sells at an auction than when he sells on the farm. This again acts as an incentive to improved get-up. Except where the wool meets a speciality demand, however, price differences are by no means commensurate with differences in the quality of the wool.

The auctions, by providing an alternative outlet, strengthen the sellers' position, particularly where a farmer has only a small clip to offer. Most buyers at auctions are naturally anxious to secure large lots, but even on small lots the bidding is usually sufficiently keen to give a small farmer a price comparable with his neighbour; indeed, small lots of well-prepared wool of special quality are often sold at very good prices. To some farmers and buyers, the auction also provides a price guide, and serves as a check on prices offered privately. Much dependence, however, cannot be placed upon local auction prices, partly owing to the difficulty of quoting prices accurately for a commodity so variable in quality, and partly owing to the practice of some auctioneers of only publishing prices for special lots which often bear little relationship to the bulk of the wool sold (see Chapter III).

Against these advantages must be advanced some important criticisms of country wool auctions as operated in this country. When strong competition is not assured by the quality of the supplies, the size of the auction has an important bearing on its efficiency. As shown already, there are many small auctions, some of which are isolated or so difficult of access as to fail to draw sufficient buyers. Alternatively, where auctions are close together, the clashing of local sales may be unavoidable, and buyers will

tend to neglect the smaller sales if the demand for wool is not strong. It is true that some effort is made to study the convenience of buyers; and auctions are often properly spaced. But a large number of small sales greatly adds to the difficulty of planning a programme, and buyers frequently complain of insufficient time in which to inspect the wool, with the result that there is unnecessary friction on the question of rebates. In some areas, also, buyers with limited capital complain that the dates of the auctions fall too near one another to enable the earlier purchases to be realized. The result is that it is not possible for them to operate in all auctions, and they claim that the farmer suffers from the consequent weakening of competition.

The facilities offered at auctions too often leave much to be desired. Where auctions are well established, it is usual for the wool to be well packed, ewe, hog, ram and lamb wool generally being kept separate and all daggings and pieces bagged apart*; the accommodation, too, is in most cases good, and buyers are given sufficient time and space to examine the lots.

Where the auction method is less firmly entrenched, the auctioneers—who may have no expert knowledge of wool—usually take insufficient pains to encourage good get-up by the farmer. The wool is often piled so closely that buyers cannot inspect it properly and therefore tend to discount packing faults too heavily. It is often put-up in temporary structures and is liable to suffer from the weather. In such cases, also, disputes between auctioneers and their clients as regards the weight and identification of lots are frequent. To secure adequate accommodation for a large auction is often a difficult matter, and as it would only be in use for a few days, a building specially erected for the purpose would prove expensive.

In some respects, the auction system as conducted at present leaves the farmer in a weak bargaining position. Although there is provision for arbitration in most conditions of sale, the seller must in practice virtually submit to the buyer's declaration of faults and has little remedy in case of dissatisfaction beyond avoiding auctions in future. Moreover, once the wool has been consigned to auction, the producer is more or less forced to part with it at the price offered. He may, it is true, fix a reserve price, though this is not common, partly because he has no standard by which to fix such a price and partly because it is of little use, for if the bidding does not reach the reserve price he will only incur further expense in offering the wool at another auction or taking it home. Sales in each district are, moreover, held within a few days of each other and are attended by the same buyers, and, if a farmer wishes to sell by auction, he must usually let his wool go at current prices or store it until the following season. The majority of farmers have

* In some auctions, "self-tied" fleeces are designated as such and apparently secure better prices.

insufficient or unsuitable accommodation for storing wool and, with the risk of price changes and loss through vermin, storing is always a speculative proposition. They are, therefore, in practice, left with the alternatives of taking the price-bid or of offering their wool for sale by private treaty.

Finally, a system under which buyers move from sale to sale in company throughout the season is open to abuse. It is hardly possible to believe that buyers can be in close touch for long periods without knowledge of each other's "limits" and without coming to informal understandings at least as regards wool for which there is no strong demand.

To sum up, local auctions offer to the farmer an alternative and, under certain conditions, a preferable method of disposing of his clip to that of sale on the farm. To the buyer, they offer corresponding advantages. But small auctions, bad presentation, irregularity of supplies, and lack of co-ordination work against the system, which can at best offer only a partial solution of the problems of wool marketing.

(iv) Weaknesses of Individualism in Wool Marketing.

The characteristic feature of all the methods of sale which have so far been discussed is that each farmer's clip is sold individually. As will appear in Part III, dealing with experience overseas, individual selling cannot be effective unless wool growing is a specialist industry, flocks are large and of a uniform type, and a specialist wool broker represents the grower at a large central auction. These conditions do not obtain here.

A factor of major importance in wool marketing in this country is the weak bargaining position of most producers when acting individually. This weakness is largely attributable to their lack of knowledge of the value of wool. Their information on market values is derived from three sources—the price that "wool" is fetching in the district, the declared prices at local auction, and the prices published in agricultural and textile journals for certain classes of wool in consuming centres. Even if these sources of information could be relied upon—and the first two are certainly of dubious accuracy—they would be of little use to the producer, for they take no account of the two factors of prime importance in determining price—namely, the quality and yield of the parcels under consideration. The valuation of a parcel of wool is the work of an expert, calling for long experience and for day-to-day knowledge of the world's wool markets. The farmer has not the time to acquire such experience, and, even if a market-intelligence service could supply him with the necessary information as to prices, he would be in no position to apply it.

In such circumstances, the seller must be more or less at the mercy of the buyer. If competition is keen, he may be clever enough to play-off one buyer against another, or he may be able to

take advantage of a buoyant market to secure a price higher than the original offer. But only an expert can tell the farmer the value of what he has to sell; unaided, his bargaining can be based upon nothing but a guess at what the buyer is likely to pay and, consequently, he is in no position to secure payment on a quality basis.

It is true that if the producer offers his wool for sale at a local auction, or through a broker, he is, theoretically at least, in a slightly stronger position. In the former case, the competition of expert buyers may be expected to fix a fair value for the clip; in the latter, the salesman has the requisite technical knowledge. But, as has been shown, it is only in limited areas in this country that either of these methods of sale can operate with fair efficiency, and both methods, as practised at present, leave much to be desired.

A factor of equal importance in weakening the bargaining position of the producer under the existing individualistic system—and, possibly, the main reason for the failure to evolve a satisfactory marketing system in this country—is the relatively small size of flocks and the mixed character of the clip.* While individual selling persists, no matter what the actual method of sale may be, the producer cannot hope to secure active competition for his wool or adequate recognition of quality. Small lots of wool generally attract a very limited amount of competition from buyers; mixed lots invariably realize prices below the actual value of the fleeces making up the parcel. When these two disadvantages are combined in a single lot, as they frequently are, the seller cannot hope to get a good price. The fault does not lie with the buyer; he prefers, quite naturally, to buy his wool in large lots, rather than in small parcels, and, if the wool is mixed, the allowance he makes for material unsuited to his requirements must necessarily leave a balance in his favour. Nor is the producer to blame except for the fact that he has permitted to continue a system under which it is impossible for him to offer his wool for sale in the quantities and form required.

A third cause of the weakness of the individual producer as a seller is that, for financial or other reasons, his choice of when to sell is limited. The individual farmer must frequently realize his wool at once, either on account of his financial position or through difficulty in providing adequate storage. That this has a profound effect upon his strength as a seller can hardly be doubted, especially as the buyer will probably size-up the situation with fair accuracy. Moreover, there is the more general consideration that to throw the whole weight of financing the purchase of the

* (See Chapter I.) It must be remembered that, from the standpoint of the manufacturer, or of the merchant top-maker, there are very few flocks in this country which are anything but small, and very little wool—if comparison is made with Australasian or South African clips—that is anything but mixed.

British clip upon the shoulders of buyers during the few weeks following shearing time must tend to weaken prices all round. That such is the effect upon the weaker buyers is not in dispute; in consequence, there is probably a good deal of wool bought by the bigger men more cheaply than would otherwise be the case.

The most serious criticism that can be levelled against the individualistic method of wool marketing in this country is that, despite the inherent high quality of much of the wool produced by the British mutton breeds, it has failed to give the average producer a sufficient inducement to take care of his wool, or, indeed, to regard it as anything more than a not very valuable by-product. Under the present system, it may be seriously doubted if payment on a genuine grade or quality basis is a practical proposition, for the severely practical reason that the size and character of clips preclude adequate grading on the farm. To divide a flock of 400 pure-bred sheep into hog, ewe and lamb fleeces and then to proceed to subdivide into quality grades would be difficult enough: for smaller flocks of crossbred sheep, it would be impossible. As there is little reward for high quality, little consideration is paid to the fleece in crossing for mutton and lamb production, with serious effects upon the quality of the wool clip. For the same reason, the preparation of the clip for market is, in most cases, extremely inefficient. Tar marking, insufficient dagging, and the use of string in tying fleeces are examples of bad technique, which must, in the aggregate, cost the producer tens of thousands of pounds annually. There is little hope of any material improvement with a marketing system which, making little, if any, distinction in price between good and bad parcels, tends to spread the cost of inefficiency in the form of lower prices over the industry as a whole.

The loss that arises from lack of attention to quality must largely fall on the producer, since home-grown supplies compete in consuming centres with imported supplies, the bulk of which are of good quality and practically all of which are well prepared for market; but, to an appreciable extent, it concerns the consuming industry, which, apart from the effects on the manufacturing processes of ill-prepared, dirty and badly packed wool, is also handicapped by lack of adequate knowledge of the volume, quality and placing of the clip. The interests both of producer and consumer call for a rationalized method of assembly, sale and movement of supplies to manufacturing centres at home and abroad.

CHAPTER V.—THE CO-OPERATIVE WOOL SOCIETIES.

In the years immediately before the War, one or two attempts were made by farmers to sell their wool co-operatively, but the history of the present wool co-operative societies dates back to the removal of War-time control. There are, at present, six specialist

wool societies in England, the oldest with a successful history of eleven years' work, the one most recently established having handled only two clips. The growth of societies since 1920 is shown in the following Table :—

English Wool Societies.

Year.	No.	Members.	Share Capital.	Number of Fleeces Handled.
			£	
1920	1	75	688	2,500
1921	1	101	894	25,000
1922	2	231	1,996	53,000
1923	2	491	2,345	104,000
1924	3	658	3,754	195,000
1925	2	1,364	6,116	314,000
1926	3	1,638	8,761	357,000
1927	3	1,792	9,373	357,300
1928	4	2,526	11,675	447,100
1929	5	3,076	14,000	472,100
1930	6	3,760	15,291	508,250
1931	6	3,969	17,250	471,322

(i) Structure.

The business structure of all the societies is the same. Membership varies between 200 and 1,200, and the societies handle, on the average, anything between 25,000 and 200,000 fleeces annually. Wool is usually accepted only from members of the society, who must qualify by taking up a minimum of one £1 share. Members are not bound by any form of contract to send the whole or any portion of their wool to the society. One society made the experiment of adopting a form of contract under which the producer agreed to send his clip for a period of three years, but the system has been abandoned, although it is possible that it will be tried again at a later date.

Each society is governed by a board of directors (elected annually by the body of shareholders) numbering from 12 to 40, according to local conditions and the extent of the area of operation. The permanent staff consists of a secretary, a warehouseman and sometimes a clerk. The secretary may either be a whole-time employee of the society or may combine his duties with other employment, since the processes of assembling, grading and preparing the wool for disposal do not occupy more than 5 or 6 months of the year. Should this other employment bring him into contact with flockmasters, the system has a good deal to commend it.

In most societies, the broker who sells the wool participates in the management, and his advice, even if he should not be an *ex-officio* member of the Board, is called for in all matters connected with the sale of the wool. The broker is usually the only person

connected with the society (except the grader) who has technical and commercial knowledge of wool. He is the technical expert to whom the Board must turn for advice on every aspect connected with the sale of the wool. His responsibility is a very heavy one, for in practice it is extremely difficult for a board of directors, without any technical knowledge of the goods which they have to sell and with little facility for judging the trend of the market, to disregard his advice.

During the shearing season and until grading has been completed, an additional seasonal staff is employed, consisting of a Bradford grader and of casual labour. The grader, who is solely responsible for classifying and grading the clip, is usually engaged on the advice of the broker and is a man whose credentials are such that he will have the confidence of buyers.

The average share capital of the societies is £2,500. In one case, it is as low as £1,400; others have less than £3,000 subscribed; one society has nearly £6,000. The equipment necessary for preparing and packing wool for market is simple, and elaborate buildings are not necessary. Consequently, the possession of few capital assets and of a small permanent share capital is a mark of sound finance. On the other hand, since they provide credit to their suppliers in the form of advance payments, the wool societies need a considerable volume of credit during the marketing season. The policy of the societies has been, rightly, to meet their expenditure on fixed assets from share capital or by a mortgage loan and to finance marketing credit by short-term bank overdrafts.

(ii) Business Methods.

The methods of assembling the wool at the receiving centre and of instructing the farmer as to shearing, packing and dispatching his clip have been described in considerable detail in previous Reports.* These methods have not materially changed nor do they vary from society to society except in points of detail. It is, therefore, unnecessary to recapitulate except in summary.

Before the commencement of the shearing season, a printed slip is sent to each member of the society for completion and return. On this slip, the farmer states the number and type of fleeces which he expects to market through the society, the approximate dates upon which his consignment is likely to arrive and the place to which empty sheets should be consigned for the packing of the wool. The slip also contains instructions as to the shearing and packing of the clip. Most societies now advise their members not to wash their wool, because it is believed that returns from

* *The Co-operative Marketing of Agricultural Produce in England and Wales and Wool Marketing in England and Wales* (Economic Series Nos. 1 and 7).

greasy wool are better.* Content-labels for attachment to the sheets are also forwarded and these the farmer is required to complete.

The method of transporting the wool from the farm to the receiving depot varies (Fig. 10). The cost is usually paid by the society, but in some cases farmers living within easy reach of the depot are expected to deliver at their own cost and carriage-in is only paid outside a stated area. Some societies have used road transport instead of rail for collecting the wool.

On receipt of the consignment at the depot, it is checked, weighed and stored until grading commences (Fig. 11). After grading, each producer is credited with the weight of his wool falling into the different grades. The wool is then bulked, baled and stored in the bale ready for dispatch as a sample to London or direct to the buyer.

The wool is sold by auction on the London Wool Exchange under the mark of the society, usually in the autumn series of sales.† A sample representing 25 per cent. of the total of each grade must be available for inspection by buyers at the London Dock wool warehouses, the minimum sample being 5 bales. The wool is not necessarily sold the first time it is offered. A reserve price may be placed upon each lot in consultation with the broker or it may be left to the discretion of the broker to withdraw lots.

As soon as his wool has been graded or, in some cases, as soon as it is weighed, a cheque for advance payment is sent to the farmer. This advance payment represents in theory a figure of between 60 and 70 per cent. of the estimated price which the wool will fetch when sold, as arrived at on a supposedly conservative basis in consultation with the broker. These advance payments are financed by borrowing from the bank on the security of the wool. But until a certain proportion of the wool has been graded, the bank, in the majority of cases, requires collateral security, which usually takes the form of a guarantee by certain members of the society. In some cases, this guarantee automatically lapses when the wool is graded and in store. In other cases, it continues throughout the season.

When all the season's wool has been sold, a slip showing the average season's price obtained for each grade is sent to the farmer,

* Policy in this respect must be judged by a number of factors, but it must be emphasized that competition for certain classes of wool may be needlessly restricted by not washing. Some users of Down wool, for example, are only in the market for washed wools. On this subject, see "Comparison of Washed and Unwashed Welsh Wool," R. G. White and T. Lewis: *Welsh Journal of Agriculture*, Vol. VII, 1931; and "The Economy of Washing Kent Sheep before Shearing," N. L. Tinley: *Journal of South Eastern Agricultural College*, July, 1930.

† During the past two seasons, one or two societies, which normally sell by auction, have sold part of their wool by private treaty, using the Scottish Wool Growers and, in some cases, the London brokers as agents.

together with a cheque representing the balance due to him according to the grade of his wool less his share of the expenses of the society.

One society, instead of selling its wool in London, sells by private treaty. Its organization, however, corresponds to that of the other societies. After grading, the wool is not baled but is stored in the bins while awaiting sale (Fig. 12), and the grader, who in other societies is only employed during the season, is a full-time employee. The sales organization is very simple. Arrangements have been made with expert and independent advisers in Bradford to supply the society with current prices for the grades of wool which are handled, and with observations as to market fluctuations and tendencies. A small sub-committee, consisting of three members, meets weekly to decide the minimum prices at which the secretary may sell. The method has only been in operation for a short time and it is hardly possible to pass any comment upon it as yet, although the results have been encouraging.

(iii) Note on Scottish Wool Growers, Ltd.

Scottish Wool Growers, Ltd., registered in 1926, is the only co-operative wool marketing society in Scotland, but it is in a large way of business and its members are drawn from all parts of the country.

Scottish Wool Growers, like the English society mentioned above, instead of entrusting the sale of wool to a broker on the London Wool Exchange, sells direct to manufacturers at home and abroad. The explanation is to be found largely in the different conditions of production and marketing in Scotland.

The bulk of the wool in Scotland is of one type—i.e., Blackface wool—is produced in larger flock units, and is generally prepared for market with greater care than is the case in England and Wales. Because of its greater uniformity it can be offered to manufacturers in fewer grades than are necessary south of the border; and in the case of Blackface wool the merchant topmaker does not hold the same pivotal position as with English wools. The following account shows how Scottish Wool Growers has adapted itself to basic conditions and developed a system to meet the requirements of growers and users alike.

The Society is open to receive wool from non-members, ordinary members and contracting members. After paying 5 per cent. interest on capital, profits, if any, are distributed in proportion to the quantity of wool consigned, the contracting members being entitled to a share not exceeding three times that of ordinary members; non-members do not participate in profits. Contracts are made for a period of three years and approximately 60 per cent. of the members have contracted to sell the whole or a definite proportion of their clip through the Society.

The wool from some of the larger farms is dispatched direct from farm to factory, or port of export, after the wool has been inspected and graded by a representative of the Society. The greater part, however, is passed through the Society's warehouses at Glasgow and Galashiels. In either case, the costs of transit to warehouse, factory or port are paid by the farmer.

Most of the Society's business is conducted on a commission basis. The wool is generally graded and stored in central warehouses to await a favourable time of sale. The manager, who is in constant touch with markets, may be given complete freedom in selling or he may sell after consultation with the owner. The grower usually receives payment within 21 days of sale, less costs which are fixed at a charge of $2\frac{1}{2}$ per cent. commission, plus 2s. 6d. per bag or 4s. per sheet, to cover insurance, storage and handling for 12 months; if he desires an advance, this may be arranged.

The Society is not a pooling organization; each supplier is paid according to the price realized by his own lot of wool, not the average season price obtained for each grade sent in, and is only charged the cost of marketing his particular lot together with a sum to meet his share of the overhead costs of the Society. The methods are elastic and can be adapted to suit the requirements of suppliers; they do not involve speculative risks on the Society's part, since it always operates on an agency basis.

Considerable quantities of wool are exported by the Society to Italy for the making of mattresses, and a trade with the United States has been established in carpet wools. The export trade is partly conducted through the agents of the Society in the countries concerned and partly by the dispatch of samples direct to users. Buyers can order further supplies of any given class of wool by merely quoting a number and can be certain of obtaining wool similar in essentials to previous consignments. An encouraging feature is the number of repeat orders which the Society has obtained. By dealing only with firms of sound repute and using credit assurance facilities, the Society has been able to escape loss on account of bad debts. Rather than adopt rigid grades, the policy is to base the classification of wool on the requirements of individual buyers. It is likely that, with the wider range of breeds handled by the Society, the problems of grading and finding outlets will become more complicated.

The success of an enterprise run on these lines must, in a great measure, depend on the business ability of the manager. It is only the confidence of the Society in him that permits quick action being taken without the necessity of obtaining outside advice.

The Society claims to have helped to steady wool prices, and has gained the confidence of farmers. Since 1926, it has steadily increased its business, so that in 1931 nearly $4\frac{1}{2}$ million pounds of wool, or 25 per cent. of the Scottish clip, were handled.*

* The Society also has a small trade in sheep dip and similar requisites.

The volume of wool handled and the methods of marketing have enabled the handling costs to be kept at a competitive level. Like the English societies, it has been able to do business with comparatively little fixed capital. The working season tends to be rather longer than in England, but since wool is not pooled and advance payments are not general, the needs of the Society in respect of working capital have not, hitherto, been great. In years of falling prices, the existence of only a small demand for advance payments has saved the Society from making the over-payments which have hampered some of the English undertakings.

The selling methods used by Scottish and English societies, respectively, have grown up to meet peculiar needs and opportunities, and neither system can be regarded as static or perfect. Experience alone will show which is more suitable for the wool trade of Britain as a whole, but the success of the Scottish Wool Growers during a period of falling prices shows the possibilities of a producer-organization selling by private treaty.

(iv) Criticism of the Co-operative System of Wool Marketing.*

The experience of the six English wool societies, three of which were not in existence before 1928, is too limited to form a basis for anything but tentative conclusions. Moreover, at the present time, it is easy to confuse the problems underlying the co-operative form of organization with those of a temporary character caused by the extreme collapse of wool prices since the spring of 1928.

The wool marketing societies are faced with the usual difficulties associated with co-operative marketing—notably those of retaining their suppliers in the face of competition. These difficulties are the more acute in wool marketing owing to the farmers' ignorance of wool values; thus, it is often difficult for an organization which pays on a quality basis to secure supplies against competitors paying an overall price.

It sometimes happens, too, that societies have done themselves more harm than good in endeavouring to maintain the volume of their supplies by extending the area of their operation. The result has often been that any economies derived from larger turnover have been more than offset by high transport charges and excessive handling costs due to the great admixture of breed (see page 108).

Nevertheless, the co-operative wool societies, although they have many problems yet to solve, have undoubtedly demonstrated the basic advantages of collective selling.

Wool is paid for on a strict quality basis; this recognition of quality is the outstanding distinction between co-operative and individual methods of sale. Wool is prepared for market and sold on the farmer's behalf by experts; in this way, he gets the benefit of technical and commercial knowledge which he himself does not

* This section applies particularly to the English societies.

possess. The co-operative system, in fact, supplies both the incentive and the machinery for increased technical efficiency. The offer of graded and bulked lots instead of many mixed clips enhances competition. The system of advance payments frees the farmer from resort to some of the less desirable forms of short-term credit. Finally, the societies provide a more economic means of assembling the clip than is possible under a system of individual selling.

PART III.—THE ORGANIZATION OF WOOL MARKETING ABROAD.

CHAPTER VI.—CENTRAL AUCTION SELLING.

The three Dominions of Australia, New Zealand and South Africa, whose methods of wool marketing are described in this Chapter, may be regarded as a single group. They are essentially exporting countries, and their marketing system is in each case highly developed and follows the same principle of sale by independent specialist wool brokers at public auction at the ports of shipment.

(i) Australia.

(a) **Production Conditions.**—Australia is the leading wool-producing country of the world, with about one-seventh of the world's sheep population, or round about 100,000,000 sheep, and with an annual output of about 900,000,000 lb., or about one-quarter of the world's wool output. The importance of the Australian clip in consuming centres is greatly enhanced by the fact that more than 80 per cent. of the wool grown in the Dominion is good quality merino—the dominant wool in world markets—the remainder being crossbred wools of various descriptions.

Australia's position in the world market has been built up during the past 100 years mainly as a result of four factors, viz. :—

- (a) suitable climatic conditions ;
- (b) attention to the development of a sheep—the Merino (Fig. 13)—carrying a fine, and at the same time, a heavy fleece ;
- (c) careful get-up, and
- (d) the progressive development of marketing organization.

It can be said with confidence that in no country primarily devoted to the production of wool is such a high degree of development to be found.

Australia has been in the past, and to a great extent still is, a country of large flocks, but since the beginning of the present century the tendency has been for the average size of the flock to decrease. Though this change has, as yet, only become marked in certain areas and the majority of the sheep are still in comparatively few hands, it has already had its effect upon the marketing

problem. The following Table shows the numbers of flocks of various sizes in each of the States in a recent year :—

Size of Flock.	Distribution (States and Numbers of Flocks).*						Total.
	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	
Under 500 sheep ...	14,507	20,430	1,800	7,345	4,086	3,232	51,400
500 and under 1,000	4,651	4,339	290	1,252	1,076	218	11,826
1,000 " 2,000	3,626	2,233	402	631	467	113	7,472
2,000 " 5,000	2,510	955	606	330	197	123	4,721
5,000 " 10,000	776	247	445	109	83	30	1,690
10,000 " 20,000	359	111	210	48	93	13	834
20,000 " 50,000	137	23	149	18	55	4	386
50,000 " 100,000	24	41	4	4	—	—	73
100,000 and upwards ...	2	—	10	—	1	—	13
	26,592	28,379	3,916	9,737	6,058	3,733	78,415

* Official figures quoted in "Australia's Pastoral Industry," published by the Commonwealth Immigration Office, 1926.

Out of a total of 100,000,000 sheep, 60,000,000 are held by 3,500 sheepholders with an average of 17,000; on the other hand, out of a total of 78,000 sheepholders, 70,000 have less than 2,000 sheep and 50,000 less than 500 sheep each.

(b) **Preparation for Market.**—To those accustomed to conditions in Great Britain, the most notable feature of the assembly of the Australian clip is the attention which is paid to get-up. Wool is the principal product of the merino sheep, its carcase being a by-product of no great value, while the big scale upon which sheep farming is conducted in the Dominion ensures that the marketing of what is by far the most important source of revenue will be closely watched. The present high standard of efficiency is largely the result of the accumulated knowledge and experience of the specialist wool producer, who, in his effort to secure efficient production, can be compared to the large-scale manufacturer. For many years, breeding stock has been carefully selected and a definite technique has been developed in the handling of the clip.

Shearing.—Shearing is done by machinery, usually by gangs of shearers in the employ of a broking-house which eventually sells the wool. Occasionally, shearers working on their own account are to be found and there are a few co-operative shearing associations. The length of the shearing season, which, though the heaviest work is done from June to October, extends, in some degree, throughout nearly the whole year, lends itself to efficient shearing organization, since it becomes possible for expert shearers to find

more or less regular employment by travelling in gangs from one part of the country to another.

The maximum attention is given to shearing facilities having regard to the size and financial resources of the sheep station. A special shed for the purpose is to be found on every station of any size and upon very many small ones (Fig. 15). In many cases, elaborate arrangements are made, including the provision of a shed to house the sheep in bad weather during the shearing period, and sweating pens and special small pens to hold some half-dozen sheep waiting to be shorn. (Fig. 16.)

In shearing (Fig. 17), the belly wool is first removed and placed on one side, and the main portion of the fleece is then shorn. The fleece is roughly rolled and taken to the classing room, where it is thrown fully open upon a large table, usually fitted with slats so that dirt or loose wool can fall to the floor.

Skirting.—The next stage in preparation for market is the skirting of the fleece—i.e., the removal of all portions which are below the average quality of the fleece (see Diagram A, page 14). In practice, this means the removal of all stained, short-staple or burry pieces, either by running the shears round the edge of the fleece or by pulling by hand. Skirting is highly skilled work and, in inexpert hands, probably does more harm than good. A well-skirted fleece, whether crossbred or merino, may be said to have had removed all wools likely to detract from its value, though the heaviness of skirting partly depends on the size of the clip.

Classing.—The fleece, skirted and rolled, but not tied, must pass through the hands of the classer, who places each in its appropriate bin preparatory to being baled for dispatch to central auction. The classer may be the farmer himself or a neighbour skilled in the work, but on the larger stations he is usually an expert recommended by the brokers. Classing is based on fineness, length and strength of staple, and condition. The extent to which it can usefully be carried is largely dependent on the size of the clip. As a generalization, it is probably true to say that the more finely and evenly a lot of wool is classed, the better price it will fetch over a period of years, provided always that the sub-division of the clip is not carried so far as to entail a large number of small lots. Buyers are not interested in small lots of wool. A lot of 100 bales will always attract more interest than one of 10 bales, and the seller must, therefore, compromise between a fine classification of his clip and the necessity of putting it up into large enough lots to attract good competition.

It is important to realize that, while the same names may be used for the classes made up from separate flocks—e.g., Super Combing, AAA Combing, AA Clothing*, etc.—they are based on

* The terms "combing" and "clothing" mean, broadly, that the fleece is of a staple length suitable for the worsted and woollen industries, respectively.

no standard except the purely arbitrary one that the best-quality and best-conditioned fleeces go into the top classes. Classification is essentially an *ad hoc* process designed to meet conditions in central auctions, and should not be confused with standardized grading.

After classing, the wool is baled (Fig. 18) and each bale is marked with a description of its contents and the name of the station. By this means the station-holder is enabled to build up a reputation for the quality and get-up of his clip, which is both an asset to the producer and an inducement to him to pay attention to the preparation of his wool for market.

Inter-Lotting and Bulk Classing.—To help the small producer to escape the disadvantage of selling in small lots, two methods have been evolved. The first—"interlotting"—consists simply of the cataloguing, by the broker, as one lot, of wool of similar classification from a number of farms. While this system increases the size of offerings, it does not increase the fineness of the classification. Nevertheless, in areas where wool throughout a whole district is even in character and yield, it is satisfactory and particularly suitable for dealing with skirtings, bellies and other pieces. It has the advantage over "bulk-classing" (see below) that the handling of the wool can be done on the station and that the cost of a second classification is saved.

The second method—known as bulk-classing, re-classification* or binning—as well as increasing the size of lots, enables the small producer to take advantage of the higher values realized by close classification. It is peculiarly adapted to dealing with small crossbred clips which show considerable variation in quality. The wool is simply skirted on the farm. The skirtings are kept separate, but no attempt is made by the producer otherwise to classify his clip. The wool is then sent in to the broker†, who bulks it according to grade with wool from other producers and returns to the producer a price based upon the amount realized from the various grades into which his wool has been placed. The wool thus classed must, by agreement between brokers' and buyers' associations, be marked on the bale with the name or mark of the broker carrying out the work. A standard charge—usually $\frac{1}{4}$ d. a lb.—is made to the producer for the service. This is probably considerably higher than the cost of classifying a large clip on the station, but with the large number of small lots to be handled this is inevitable, and there seems to be no doubt that the extra return from bulk-classed wool is amply sufficient to meet the charge.

(c) *Central Auction Selling.*—The great bulk of the wool exported from Australia is sold in the greasy state, not more than 5 per cent. being scoured in the Dominion. Roughly 90 per cent.

* Wool from larger stations is sometimes sent in for classification by the broker, but is not bulked with other clips.

† In some areas, bulk-classing is done at special depots,

is sold at public auction at central markets in Sydney, Melbourne Brisbane* and elsewhere. Until the end of the 19th century, the development of these auctions was steady but not startling. Producing interests were sufficiently large to send wool individually to London for sale and, where clips were not large enough to consign in this way, they were purchased on the spot by wool buyers who re-shipped to London as a speculation. In 1899, sales at Sydney reached 396,838 bales; by 1929, this figure had grown to over a million bales and the total sales in the Commonwealth auctions had increased from about 800,000 bales to over 2½ million.

The sales now begin in September and extend to July. Nearly three-quarters of the Australian clip is sold at Sydney, Melbourne and Brisbane, and the size of these sales, apart from the quality of the wool, justifies the attendance of large buyers from all over the world. The wool is consigned to the selling brokers at the ports of shipment; it is there stored on the brokers' premises and samples are drawn, valued as a basis for a reserve and offered for inspection by buyers. These premises are, as a rule, very up-to-date, and the top floor, which is commonly devoted to sampling, always has special lighting facilities (Fig. 19).

When offered for sale, the wool is knocked down to the highest bidder, though a reserve price may be placed upon it by the seller. Within 14 days of sale the broker pays the grower the gross price received less the agreed charges. The direct shipment of wool from the Australian auctions to manufacturing centres, rather than, as formerly, to secondary markets for redistribution, has been a significant development since the latter years of the 19th century. Buyers make their own arrangements for insuring, shipping and financing the movement of the wool.

Although the auction system just described is similar to that of the London Wool Exchange, yet there are significant differences in practice.

* Dalgety's "Annual Wool Review for Australia and New Zealand" shows that the Australian clip for the years 1929-30 and 1930-1 was disposed of at eleven centres. Of these, Sydney is of outstanding importance. The following are the number of bales handled at these centres in the two seasons:—

	1929-30.	1930-1.
	Bales.	Bales.
Sydney	1,095,449	1,047,947
Brisbane	410,843	456,987
Melbourne	389,146	349,576
Adelaide	189,498	173,880
Geelong	178,315	174,502
Perth	169,909	167,646
Albury	58,860	49,231
Newcastle	14,523	15,732
Ballarat	3,755	3,900
Tasmania (Hobart and Launceston)	41,854	43,023

Average weight of a bale:—1929-30, 304 lb; 1930-31, 308 lb.

By agreement between brokers' and growers' organizations, and in order to prevent speculative offering, wool may only be offered twice in Sydney and must then either be disposed of privately or offered for sale elsewhere. In London, however, wool can be put up any number of times.

Owing to the difficulty of arranging storage space in dealing with a large volume of wool in a short time, only sample bales of wool are made available for inspection by the buyer, instead of the bulk as in London. Thus, with a lot of 10 bales of crossbred wools, 6 must be shown and 2 opened, whereas with a lot of 200 bales or over only 20 need be shown and 6 opened, and the proportions to be shown in lots of intermediate sizes vary accordingly. Provisions for inspection of the bulk after the sale and for arbitration in cases of dispute are embodied in the sales regulations. There are no such provisions in London, where the bulk is shown before sale.

Buyers pay on in-weight, instead of on out-weight as in London. It is claimed that, owing to the fact that wool from dry areas gains a good deal in moisture-content during storage at a port, this provision is to the disadvantage of the grower.

(d) **Organization of Sale.—War-time Control.**—In order fully to understand the present structure of wool marketing organization in Australia, it is necessary to discuss some aspects of War-time control. When the British Government undertook the purchase of the whole Australian clip in 1916, it was found necessary to form in Australia a Central Wool Committee to direct the business of assembling the clip and to ensure that each producer received a fair price for his wool. The Committee consisted of one Government representative, two representatives of the growers, three wool-selling brokers and one representative each of the manufacturing, scouring and buying interests. To ensure the proper representation of brokers and growers, a National Council of Wool-Selling Brokers and an Australian Wool Growers' Council was formed, the latter consisting of representatives of the pastoral associations in the various States. The clip was described in 848 classes. A definite price was fixed for each class of wool and the wool itself was appraised by experts.

When, in 1919, the Australian Government announced that control was to be discontinued and auctions re-started, it was felt by many that work which had been admirably performed under War-time conditions might, with advantage, be continued in a form to suit peace-time conditions. The Australian Wool Council was therefore established jointly by representatives of growers and brokers in 1919, which submitted to the growers a scheme for controlling prices and methods of sale; but, either from apathy or indifference, a majority refrained from voting, and although 75 per cent. of the minority who voted were in favour of the scheme,

it proved impossible to put it into operation. Meanwhile, the stocks of wool carried over from the time of control were so large that they caused a break in prices in 1920, and before the opening of the 1921 season, in order to dispose of the accumulated stocks not only in Australia but in New Zealand, it was found necessary to form the British Australasian Wool Realization Association, the capital in which was allotted to growers on the basis of the quantities of wool previously taken over from each during the control period. Bawra, as the association came to be called, took over from the Australian Government its share of the stocks and acted as agent for the British Government in the disposal of its share. It succeeded in disposing of the surplus between the time of its formation in January, 1921, and its last sale in May, 1924, without disturbing the market unduly and to the general satisfaction of the growers.* None of the wool was offered in Australasia, but was disposed of in secondary markets.

The success of Bawra in tackling the problem of organized marketing under the adverse conditions existing immediately after the War again aroused the hope that a permanent organization could be set up to control, wholly or in part, the disposal of the Australian and New Zealand clips. Again, however, the idea came to nothing, partly, no doubt, owing to practical difficulties and to its psychological association with the regime of Government control, but largely owing to the opposition of vested interests connected with the selling side of the wool industry, which foresaw a diminution of their activities if controlled marketing were instituted.

Control of Auctions.—The organized control of auctions in Australia by brokers and producers acting in co-operation has greatly developed in recent years. Owing to the small number of broking houses, close organization and the maintenance of uniform trade practices and charges was not a difficult matter.† Local associations of brokers in the various centres determine matters of detail, such as the order of offerings, etc., while the interests of brokers as a whole are supervised by the National Association of Wool-Selling Brokers. The growers' interests are protected by the Australian Wool Growers' Council, which has survived the period of War-time control. Matters of general policy are decided by these two bodies acting together; these matters relate mainly to the distribution of auctions over the season. An estimate is made of the amount of wool available for the coming season, and the general policy is to distribute the offerings with a view to

* In some circles, the policy of price maintenance carried out by Bawra is held to have encouraged the use of artificial silk and other substitutes for wool. (See *The Statist*, 28th November, 1931, p. 854).

† There are about 30 wool-broking houses in Australia, but 80 per cent. of the trade is done by 10 houses, the largest of which handles nearly 500,000 bales (including New Zealand wool).

CONTROL OF AUCTIONS IN AUSTRALIA.

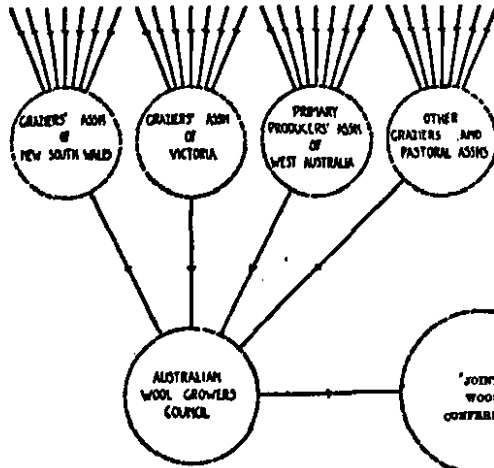
Functions

Shearing, Diving, Classing, Baling, Dipstick.

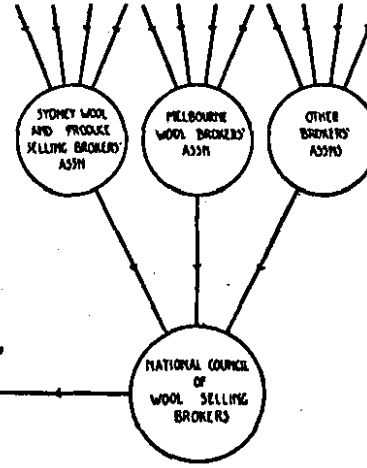
Protection of Growers' interests:

Negotiating with Brokers re charges and sales programmes; Encouraging production and marketing improvements

C R O W E R S



B R O K E R S



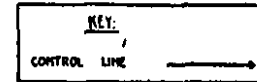
Functions

Sale by auction; Bulk classing; Provision of Credit; Sale of requisites.

Local arrangements for auction:

Regulating selling and credit charges; Securing uniform practices.

Estimating clip; Fixing dates of auctions and determining selling programmes; Regulating offerings; Negotiating with Wool Buyers.



Central Auction Selling.

DIAGRAM D.

disposing of half the clip before Christmas and the other half in the earlier part of the following year. Agreement is reached as to the dates upon which auctions are to be held and the quantities to be offered at each series of sales and at each auction centre, the allocations being based upon the quantity of wool held in each centre in relation to the total quantity available. For the purpose of deciding dates of sale, Australia is divided into a northern and a southern section, the northern section including New South Wales and Queensland and the southern the remainder of the Continent. The dates are so arranged that buyers can cover a wide area during the selling season with the minimum of travelling, though the larger buying houses usually operate in more centres than one.

In the ordinary course of events, wool is sold in rotation as it arrives at the broker's premises, but recently a new system, known as the Zone system, has been adopted in New South Wales as a result of consultations between the New South Wales Graziers' Association and the Association of Wool Buyers, and is understood to be working satisfactorily. The area from which wool is drawn is divided into two to correspond roughly to the early and late shearing areas, and wool from the late shearing areas can now be offered at the same time as that from the early areas. The reason for this is that it was found that buyers could not obtain certain classes of wool at auction early in the selling season and, where they had orders to fulfil, were compelled to buy by private treaty up country, so that there was a danger of the auction system being undermined.

The Australian Wool Growers' Council, in conjunction with the National Council of Wool-Selling Brokers, also exercises considerable control over the offering of wool and recently there has been an attempt to spread the realization of the clip over a longer period in order to keep the market steady. If necessary, offerings are curtailed when the market shows signs of weakness. Violently fluctuating prices are not in the interests of either the producer or the consumer, and there is no doubt that control of the quantity of wool offered can have a considerable effect in restoring confidence to the market at times of weakness. Nevertheless, it has been questioned whether the present informal type of organization is sufficiently flexible or sufficiently authoritative to carry out this work satisfactorily. If, as at present, the marketing of wool is largely financed by a body of expert private dealers, it may be dangerous to interfere with their activities, and, in any case, interference demands the closest knowledge of current conditions in the main consuming centres.*

* It should be noted, however, that the Australian Wool Growers' Council has recently appointed a representative in London and that a London Committee of the National Association of Wool-Selling Brokers has been formed. In both cases the object is to ensure liaison with the trade and to facilitate the provision of statistics and market information.

Brokers as Station Suppliers.—In addition to making arrangements for the disposal of the clip, the Australian Wool Growers' Council discusses the details of the financial assistance to be given by broking houses to producers. At present, the financing of the grower is undertaken very largely by his broker, and though the immense progress of the pastoral industry in Australia has been based to a considerable extent upon this system, there is no doubt that it may tend to place the grower in a weak position and may be subject to abuse. The broker, in whose warehouse the wool is stored prior to sale and who usually arranges for the supply of shearers, etc., is also a dealer on a large scale in farm supplies of all descriptions. The credit arrangements between wool broker and growers seem to be very informal. The credit may take the form either of a cash advance or of the postponement of payment for requisites supplied until the wool is sold. This combination of broker, dealer and banker bears only a superficial resemblance to the corn-cum-wool merchant found in parts of Great Britain. Australian brokers are organized, and their charges and practices are controlled; both grower and broker are, moreover, interested in raising the standard of wool, as regards both quality and get-up, and in many important directions their interests are one.*

Producer-Broking.—The broking of wool by producer-financed companies has only developed in Australia during comparatively recent years, but it has made considerable progress in all States, and between 15 and 20 per cent. of the wool is now handled in this manner. This progress is the more remarkable when it is remembered that many of the large clips are directly or indirectly controlled by the big broking houses. As a rule, the co-operative broking of wool in Australia is not generally carried out by new organizations devoted solely to this purpose, but by previously existing farmer-controlled organizations whose original function was the sale of agricultural requisites and produce. These organizations, though they are actually limited liability companies, have several co-operative features. The members are required to hold a minimum of shares, usually ten £1 shares, and are restricted to a holding of 1,000 shares. The companies work, however, upon the same terms as the ordinary broking houses and members look to make their savings out of profits. The dividend they may receive is restricted to 8 per cent. and any further profits are returned to members in the form of a patronage bonus. It is usually estimated that about 25 per cent. of the broker's charges can thus be saved. Business is commonly accepted, and indeed encouraged, from non-members, and societies supply farm requisites and credit in precisely the same way as the ordinary broking houses with whom they are in active competition. Al-

* Station-holders often have financial interests in broking houses and vice versa.

ready the influence of co-operative handling of wool has shown itself in the refusal of the societies to agree to the raising of handling charges, with the result that private concerns have been unable to do so. Moreover, probably on account of the comparatively small average size of the clip handled by co-operative societies, bulk classing has made considerable progress under their encouragement.

(ii) New Zealand.

(a) **Production Conditions.**—The importance of wool in the economic life of New Zealand, while relatively less than in Australia, is considerable. Unlike Australia, which depends so largely upon the merino for its wealth, New Zealand has developed its pastoral industry to meet the needs of the frozen mutton and lamb trades, and has therefore fallen back upon English mutton breeds in building up its flocks. Wool, nevertheless, has always been an important consideration with the breeder in New Zealand, and export figures over a period of years show that it plays a more important part in the export trade of the Dominion than does the carcass, in spite of the outstanding importance of New Zealand lamb and mutton in the English meat trade. The average annual values of exports for the period 1924-5 to 1928-9 were about £15,100,000 for fleece wool and £8,600,000 for mutton and lamb. Even after allowing for the mutton and lamb retained for home consumption, wool accounts for considerably more than 50 per cent. of the returns of sheep husbandry. New Zealand experience goes to show that breeding for high quality in flesh is consistent with high-quality wool production.

The merino was the first sheep to be introduced into the Islands, and not until the later years of the 19th century, when refrigeration made possible the export of carcasses, did a sheep, valuable only for its wool, give place to a dual-purpose animal. Even so, it was upon the merino crossed with English longwools—the Leicester, the Border Leicester and the Lincoln—that the fame of “Canterbury Lamb” was built up. Later, the in-bred merino and longwool was fixed as the Corriedale (Fig. 14), a sheep with admirable mutton characteristics and carrying a heavy fleece of medium quality. To-day, the most important breed numerically in New Zealand is the Romney Marsh, which has largely taken the place of other longwools. Down breeds, and particularly the Southdown, are being used for crossing to an increasing extent for the fat-lamb trade. As a result of this drastic change-over from the merino to mutton breeds, about 95 per cent. of the wool of the Islands is to-day classed as crossbred; 50 years ago, it was at least 90 per cent. merino.

In one other important respect, the position in New Zealand differs from that in Australia. There is an almost complete absence of very large flocks, though the average size of the flock is only slightly less than in Australia.

*Distribution of Sheep in Flocks of Various Sizes in New Zealand.**

Size of Flock.	Number of Flocks.	Number of Sheep.
1- 200	7,100	667,335
201- 500	7,184	2,435,173
501- 1,000	6,764	4,879,290
1,001- 2,500	6,318	9,680,159
2,501- 5,000	1,860	6,334,184
5,001- 7,500	456	2,796,325
7,501-10,000	159	1,351,128
10,001-20,000	151	1,942,187
20,001 and over	30	755,506
Total	30,022	30,841,287

* Official Year Book of New Zealand, 1931.

It will be noted from the above Table that, out of a total of some 30,000 flocks, there are only 30 of more than 20,000 sheep, as compared with the position in Australia, where, out of about 78,400 flocks, there are 472 flocks of more than 20,000, and where 3,500 persons or companies own 60 million sheep, or an average of 17,000 each.

In the year 1929-30, the production of wool in the Dominion was estimated to total 265 million lb., of which 220 million lb. was exported. Only about 15 per cent. of this was exported as scoured or slipped wool.*

(b) **Preparation for Market.**—Shearing follows the practice in Australia; sheds are provided on all but the smallest stations teams of shearers are engaged and every care is taken to market the wool in good condition. In preparing the fleece for market, belly, leg and breech wool is kept separate, and the fleece is skirted. As nearly all sheep are crossbreds, skirting is not so heavy, since the variation in the individual fleece makes it almost impossible to attain the regularity to be found in skirted merino fleeces. Moreover, crossbred fleeces are usually less stained and dirty, and since large flocks are relatively few, the number of classes adopted is usually less. Bulk-classing, on the other hand, has taken a firm hold; provision is made by all important broking houses to deal with small clips in this way at the various sales centres, and already a large proportion of the smaller clips are so treated.

(c) **Central Auction Selling.**—In broad outline, the system of marketing in New Zealand corresponds to that in Australia. Nearly

* Official Year Book of New Zealand, 1931.

all wool is sold by public auction at the ports of dispatch.* A small proportion of this wool is purchased in up-country areas and sent to auction by the buyer, but this system is moribund in most districts, presumably because the grower is satisfied that he stands to gain over a period of years by putting his wool up to auction.

As in Australia, the grower selling at auction may place a reserve price on his wool. If offers do not reach the reserve, the wool can be offered later, but only after wool already in store has been offered. As a protection to the auction system, by agreement between growers' and brokers' organisations, no wool can be sold privately unless it has previously been offered at auction. The broker, as in Australia, takes an active part in financing and supplying requisites to the grower. Thus, in both countries, the position and functions of the brokers are closely similar and some houses operate in both Dominions.

Auctions in New Zealand have tended to remain comparatively small. In consequence, considerable discussion has taken place as to the possibility of amalgamation of sales centres. It is claimed that competition could thus be strengthened and facilities improved. It is pointed out, however, by those who favour the present sales programme, that the towns in which the sales are held are the natural outlets for the hinterland which they serve, and that wool can be shipped direct in each case. It is also maintained that there is no evidence that prices are higher in the larger auctions, and that, if they were, brokers themselves would be the first to advise their clients to sell there.

(d) *Organization of Sale.—Control of Auctions*—The New Zealand clip, like the Australian, was controlled during the War—and the carry-over was disposed of by Bawra—with the similar result that a general feeling remained in favour of a closer control over the disposal of the clip. In 1924, an Order by the Governor-General gave power to the Minister of Agriculture to set up a Wool Committee to determine, from time to time, the maximum quantities of wool that might be offered for sale at public auction. The Committee was to consist of a Chairman (who was to be a producer), two representatives of wool brokers and two representatives of

* The quantities sold at New Zealand auctions in 1929-30 and 1930-1 were as follows. Dalgety's Review, 1932:—

				1929-30	1930-1
				Bales.	Bales.
Auckland	...	...	...	44,329	45,419
Christchurch	...	...	...	66,306	75,980
Dunedin	...	...	...	69,904	83,777
Invercargill	...	...	...	29,192	28,668
Napier	...	...	...	66,892	32,936
Timaru	...	...	...	28,267	30,478
Wanganui	...	...	...	39,136	48,933
Wellington	...	...	...	80,493	99,005

Average weight of a bale:—1929-30, 338 lb.; 1930-1, 339 lb.

wool growers. In practice, two members are nominated by the New Zealand Sheep Owners' Federation, two by the Wool Brokers' Association, and the Chairman is appointed by the Minister.

The statutory powers conferred upon the Committee correspond closely to those exercised by voluntary agreement by growers' and brokers' associations in Australia. It is of interest to note, however, that, under the New Zealand Order, no broker may offer wool at public auction except with the authority of the Wool Committee.

Though wool forms a large part of the export trade of New Zealand, the machinery of export control which has gained prominence in the case of meat and dairy products has not hitherto been applied to wool. A request was made by New Zealand growers in 1926 that an Export Control Board should be set up for wool. This request has not yet been granted, partly, no doubt, because the existing Wool Committee performs most of the functions which such a board would undertake if formed.

Producer-Broking.—As in Australia, a number of farmer-financed companies have taken up wool broking and are in active competition with the private broking houses. In the season of 1929-30, about 75,000 bales, or roughly 10 per cent. of the total clip, were handled by these companies. Societies work upon the same terms and by the same methods as other brokers, the producer reckoning to make his savings on the bonus which he receives pro rata to the amount of wool which he has sold through the society. The savings relate only to handling charges and, in the most advantageous circumstances, are small compared with those that can be attained in other agricultural industries, which probably accounts for the fact that the co-operative selling of wool has made less progress than that of other commodities in New Zealand.

(iii) South Africa.

(a) *Production Conditions.*—The pastoral industry in the Union of South Africa, though it has developed much more slowly than in Australia and New Zealand, dates back to the early years of the 18th century, when the first merino sheep were imported by the Dutch settlers. Sporadic importations continued but it was not until the last quarter of the 19th century that any concerted effort was made to improve the stocks by the importation of pedigree sheep in large numbers from Germany, France, the United States and, later, Australia.

The merino is now the predominant sheep throughout South Africa, though some consideration has recently been given to the

possibility of introducing mutton sheep. The latest census figures* show :—

Merinos :—

European-owned	...	...	...	39,419,842
Owned by natives on European farms	...	...	...	328,324
Owned by natives in reserves	...	...	...	4,163,995
Total Merinos				43,912,161

Non-woolled sheep :—

European-owned	...	...	...	3,730,626
Owned by natives on European farms	...	...	...	204,621
Owned by natives in reserves	...	...	...	510,941
Total non-woolled sheep				4,446,188
Grand Total				48,358,349

No official figures are available to show the numbers of flocks falling into different size categories. Sheep are, on the whole, held in medium-sized flocks, but the size of flock varies considerably from one district to another, according to climatic conditions and types of farming ; it is estimated that the majority of the flocks range in size from 600 to 2,000 head.

In the years 1926-30, production averaged 281 million lb., of which 257 million lb. were exported.

(b) *Marketing Methods.—Preparation for Market.*—Until the War, production conditions and outworn marketing methods combined to gain an unenviable reputation for South African wools in the buying centres. The employment of comparatively unskilled labour, shearing under poor conditions, and the sale of wool to up-country pedlars and storekeepers, who were financed by large suppliers on the coast and who in their turn financed the producer, all reacted adversely on the clip. Get-up was bad, complaints of deceitful packing were frequent, and little or no differentiation in price was made by the pedlar-purchaser between good and bad wool. A rapid advance, both in the improvement of South African wools and in methods of marketing, has taken place since the War ; indeed, one of the notable features of world wool markets during the post-War period has been the increase in the reputation of, and the demand for, South African wools. As in the other Dominions, War-time control had a marked influence upon the wool-growing industry of South Africa. But the credit for the remarkable change that has taken place must be divided between the State, the producers' associations and the brokers, who have all played a part.

Shearing is done by hand by native labour, and though the organization of shearing is less elaborate than in Australia, the work is usually carried out efficiently.

* South African Sheep Census, August, 1930.

Skirting is undertaken in most cases but a certain proportion of unskirted wool still finds its way on to the market. Owing to the smaller size of flock, less elaborate classification is practised than in Australia ; in consequence, there is a smaller number of highly-skilled classers.

Methods of Sale.—The South African clip is now largely disposed of in the same way as in the other great wool-growing Dominions—i.e., by sale at public auction at the ports of dispatch—Cape Town, Port Elizabeth, East London and Durban. Whereas, before the War, a large part of the wool was sold to up-country dealers, to-day probably 90 per cent. is consigned direct by the producer to the coast, either to a private broking house or to a co-operative association. Moreover, of that proportion of the clip which is still bought privately, the bulk is also re-sold through the broking houses. Though so large a proportion of the clip passes through the hands of the brokers, there is no uniform system of selling at the various selling centres. Wool may be disposed of either by private treaty or by public auction. No exact figures are available to show the proportions disposed of by one method or the other at the different centres, but the following estimates are given for the selling season 1929-30.*

	Capetown.	Port Elizabeth.	East London.	Durban.
Bales No.	57,253	339,201	263,320	224,705
Proportion sold at Public Auction <i>Per cent.</i>	90	70	40	100
Selling Brokers ... No.	6	28	22	11

The average weight of a bale is 315-325 lb.

At only one port—Durban—is there any regulation of methods of sale, corresponding to that in Australasia. At this centre, all wool must be offered once at public auction, but, if withdrawn under a reserve price, it may be sold by private treaty or offered again. Moreover, all sales are held at the Central Wool Exchange, which is under the joint control of the Durban Wool-selling Brokers' Association and the Durban Wool Buyers' Association. The order and date of selling for individual brokers are fixed by the Brokers' Association.

At the other centres, wool may be offered for sale in the first instance by auction or private treaty. Although the seller may require his wool to be offered at auction, this right has not generally been acted upon. The result is that private-treaty and auction selling take place side by side, with consequent weaknesses in the marketing structure (see Chapter VII).

The wool-selling brokers are represented by a central organization—the National Association of Wool-selling Brokers—but

* Report of Wool Council Committee on Marketing of Wool in South Africa, 1930, pp. 6-7. Since the publication of the Wool Council's Report, 10 brokers at Port Elizabeth have gone out of business.

this exercises little control over auction-selling*, though it seems probable that conditions will be tightened up in the near future and that its functions may then correspond more closely to those of similar associations in Australasia.

Co-operative Broking Houses.—In addition to the privately owned broking houses, there are 4 co-operative wool-broking societies.† As shown by the following figures, they have made remarkable headway during the past 10 years, and to-day dispose of over one-third of the clip of the Union :—

<i>Year.</i>	<i>Membership.</i>	<i>Quantity handled.</i>	<i>Turnover.</i>
1923-4 ...	755*	77,200 bales	£1,944,550
1929-30 ...	10,963	333,071 bales	£3,951,350

* 1922.

The main features of these organizations are similar to those of other societies registered under the Co-operative Societies Acts, 1922 and 1925.‡ Each member has one vote. The society provides service at cost, surplus funds being devoted to the payment, up to a fixed rate, of interest on capital, to the building-up of reserve funds and lastly to paying a patronage dividend on the basis of produce sold through the society. Membership carries with it the obligation to deliver wool to the society, but provision is made for the resignation of a member at the end of any year on three months' notice. Some of the societies impose a fine of 3s. 6d. per 100 lb. of wool not delivered under the terms of the membership agreement.

The co-operative wool societies act as brokers for their members and their handling charges correspond more or less to those of ordinary broking concerns. A part of the handling charges is returned to members in the form of dividends on shares or of patronage dividends, or is used to strengthen the reserves of the company; hitherto, the societies have followed a conservative policy in the distribution of patronage dividends.

Societies make some advances to members against the delivery of wool. Facilities are available whereby funds can be obtained by societies either from the Land and Agricultural Bank or under the Warehouse Act; in the latter case, warehouse receipts can be discounted with ordinary commercial banks. It seems probable that the comprehensive credit system set up by Act of Parliament,

* In the latter part of 1931, however, the situation caused by the gold crisis resulted in sales being held up for a period. This action was decided upon by the joint agreement of growers, brokers and buyers and was sponsored by the State.

† Co-operative societies handling general farm produce also receive wool from their members. They do not act as brokers but merely dispatch the wool to brokers for sale on members' behalf.

‡ Societies may be based on limited or unlimited liability. Those based on unlimited liability have no share capital, the fixed capital being derived from bank loans secured on the joint and several guarantees of the members.

under which the individual producer can obtain financial assistance, either for production purposes or against the delivery of his produce for sale, has materially reduced the credit problem of the wool societies.

The growth of co-operative wool broking in South Africa since the War has been phenomenal. The societies claim to enjoy the full confidence of buyers and have effected reductions in broking charges. As yet, they have not adopted the system of bulk-classing. That system, indeed, appears to have made little or no progress in South Africa despite the fact that flocks are smaller on the average than in Australia. It is anticipated, however, that, before long, star lots* and bag lots will be dealt with on these lines as a preliminary to further action. Investigations are also taking place as to the possibility of establishing one central bulking house in preference to a more individual line of development.

(c) **Organized Improvement of Marketing.** *Wool Growers' Associations.*—Apart from the co-operative broking societies, producers have organized non-trading wool growers' associations, most of which are affiliated to a central body known as the National Wool Growers' Association. The ultimate aim of this association is to become the mouthpiece of the wool-growing industry of South Africa. It actively encourages the co-operative movement and is strongly in favour of the replacement of the dual system of selling (see page 75) by sale at public auction. With the object of gaining the goodwill of buyers in all parts of the world, it promotes the growing of wool of the right type, efficient get-up and attractive packing. As part of this effort, it has registered a trade-mark, a springbok's head in a circle, for application to its members' bales of wool. Before bales can be stamped with the mark, the wool must be classed strictly in accordance with the conditions laid down and only by classers who have passed a special examination prescribed by the Association. The grower makes his own arrangements for the sale of his wool, even though bearing the mark of the Association. The costs of administration are met by a levy of 3*d.* a bale on members' wool. The Association also receives funds from the Wool Council (see below), to be expended on approved programmes of education and propaganda.

State Assistance and Control.—The improvements which have been effected in the production and marketing of wool in South Africa since the War owe a great deal to the State. Agricultural education and a comprehensive credit system account for much. General marketing legislation has also been useful.

Under the terms of the Agricultural Produce Export Act, 1917, the Minister of Agriculture, at the request of 50 per cent. of the producers of an agricultural commodity, is empowered to institute an inspection of exported produce on payment of a fee. The Act also provides that when an export inspection has been enforced,

* Lots of up to 5 bales, depending on local conditions of sale.

the Minister, again following a favourable vote of 50 per cent. of producers, may impose a levy on the produce exported, to be kept as a separate fund and used for the development of the industry concerned.

Both these provisions have been applied to wool, the inspection fee being $\frac{1}{2}d.$ per bale and the development levy $11\frac{1}{2}d.$ per bale.* Although it has not been possible to define for wool a system of export grades of the kind adopted for other farm products, the export regulations have a number of interesting features. Amongst others, all wool must be contained in a pack of nominal standard weight, and bales must be sewn with blue-tinted twine—which can be easily picked out if it becomes mixed with the wool—or fastened with metal clips. Every bale must be marked with the name and address of the consignor; unskirted wool, as well as bellies, locks and pieces, must be marked as such on the bale, and no bale containing foreign matter may be exported (see Appendix B).

Under the terms of the Agricultural Products Packing and Marketing Act of 1930, similar regulations have been made for all wool intended for sale in the Union of South Africa.

The Wool Council.—Following a request by growers that the special development levy referred to above should be made on export wool, an advisory body, known as the Wool Council, was constituted in September, 1929, by the Minister of Agriculture, with the immediate duty of advising the Minister as to the utilization of the levy, which was expected to yield about £45,000 per year. The members of the Council are nominated by the Provincial Agricultural Unions in collaboration with local wool-growers' associations affiliated to the National Wool Growers' Association. The President of the National Wool Growers' Association is an *ex-officio* member. The Secretary for Agriculture is Chairman and an official of the Department acts as Secretary.

The Council collaborates with the National Wool Growers' Association in furthering the organization of producers for production and marketing throughout the Dominion, and, by means of grants, assists research work on sheep and wool. The most interesting side of its activities is the attempt which it is making to bring the methods of marketing throughout the Union into line with the best modern practice and its endeavours to co-ordinate wool marketing in the three exporting Dominions. To this end, it has provided funds for the establishment of a Wool Information Service under the Department of Agriculture. Current market information is cabled to South Africa from Great Britain and other consuming centres and vice versa, and steps are taken to publish this information in the Press. In carrying out this work, the

* The development levy has been temporarily suspended—presumably on account of the current difficulties of wool growers—for a period of one year from February 1st, 1932.

Council has received strong support from the farming community and has established friendly relations with the National Association of Wool Selling Brokers.

The Council has made a number of recommendations designed to strengthen the marketing structure (see Appendix C). The chief of these are (a) that the dual selling system whereby wool can be sold by private treaty or auction should be abolished and that it should be made compulsory for all wool to be offered at least once for sale by public auction; (b) that selling practices in all markets should be co-ordinated; (c) that selling at the various centres should be planned so as to avoid overlapping of dates and to ensure that the markets are not glutted by heavy sales over a short period; (d) that the combination of buying and selling by the same broker should cease; and (e) that all selling brokers should be required to be registered and that registration should be conditional on having a minimum turnover.

The organization of wool marketing in South Africa still lags behind that in Australasia, but there is every prospect of a thoroughly efficient marketing system being built up in the near future.

CHAPTER VII.—ANALYSIS OF CENTRAL AUCTION SELLING.

(i) Introductory.

Within the limits set by the different historical and physical conditions, the wool-marketing systems in each of the three Dominions—Australia, New Zealand and South Africa—correspond very closely in broad outline.

The preparation of the wool for market has reached, in most cases, a high level of efficiency and is usually carried out by the producer. Skirting, classification and packing are done on the station, or, where the size of the flock is too small to make adequate classification possible, the system of bulk-classing by specialist agencies is being developed.

The greater part of the clip is sold at public auction, at the ports of shipment, to buyers who attend from all important consuming centres, including Great Britain, the United States, Germany, France and Japan. The wool is sold by brokers on a commission basis, the costs of transport, insurance and storage being paid by the producer. The financing of the producer is largely undertaken by the broker, who is also interested in the supply of farm requisites. The cost of financing the clip between the point of primary sale and the consuming centre is borne by the purchaser. The producer, through his pastoral associations or otherwise, and acting in co-operation with brokers and buyers, has obtained some measure of control over auctions.

This general organization, operating with varying efficiency in different areas, has been built up to meet the demands of the consuming industries and the special qualities of the wool itself.

(ii) Origin and Growth of the System.

It should be emphasized that Australia, South Africa and New Zealand, together with the South American States, are the great *exporting* wool areas of the World, and that the organization of primary auctions* was essentially directed to meet the conditions arising from an international demand. When the Australian pastoral industry was in its infancy, Great Britain held a predominant position as a consuming centre.† Wool was shipped to London because this was the rendezvous of the most important buyers, who came at first from Bradford, but, as time went on, from nearby Continental countries also.

The demand from other European countries and from America and Asia, however, increased, while the importance of the Australian clip as a source of supply showed a corresponding advance. As a result, the supply began to be tapped at the exporting end and auctions sprang up at the ports of dispatch, where the wool had perforce to be concentrated for export.

The primary auction system developed slowly, but as the international character of the demand became more marked, so buyers tended more and more to seek their supplies in producing countries. Clearly, there was economic gain in purchasing at the point of shipment and dispatching direct to the consuming area, rather than at a secondary market from which the wool had to be re-shipped to its ultimate destination. Both the growers and those who financed their operations preferred—other things being equal—to sell at the point of shipment, for they were thus relieved of the responsibility for dispatching the wool to the consuming centre and financing its transit, and they had a much more direct control over its actual sale. In due course, the same system was adopted in New Zealand and South Africa.

(iii) Factors Conducing to a Successful Auction System.

In the three Dominions, the conditions required for a successful primary auction system are present—that is to say, a large volume of good-quality wool for which there is international competition. If, however, the grower is to turn this position to account, he must present his wool to buyers in such a condition that its quality can both be readily appraised and adequately rewarded.

* This term is used to cover auctions in the country of production.

† The fact that the pastoral industry was, in early years, largely financed from this country, was also no doubt responsible for the shipping of wool to London.

Wool is not a commodity which lends itself to standardization for the purpose of market dealing. It must be seen and its quality and yield judged by the buyer before purchase. But, in practice, the buyer must form his judgment of the wool for which he proposes to bid from a sample. It is impossible for him to inspect every bale, let alone every fleece. He can only bid up to the full value of the wool if he is assured that the sample fairly represents the bulk. This fact is the basic reason for the elaborate system of skirting and classification or bulk-classing which forms so important a part of the organization of wool marketing in the Dominions.

Skirting and classification together form one major operation designed to reduce the different lots of wool put up to auction to their lowest common denominator. Skirting removes those parts of the fleece which, so to speak, are out of harmony with the main portion, leaving the fleece itself *comparatively* uniform in character. Classification places fleeces and skirtings into classes according to their characteristics, giving uniformity within the lot. When the two are combined, the producer is enabled to offer his wool in lots which adequately represent the quality of the wool and are uniform throughout, thus giving the buyer the necessary confidence in the correctness of the sample. The fact that the wool is put up in lots of uniform quality also means that the buyer can purchase just the type of wool he wants without making provision for a possible loss in disposing of unsuitable types, as would be necessary if the wool were mixed in character.

The attention given to the preparation of the clip for market is supplemented by careful organization of sales and sales programmes. The fact that the wool has to pass through the ports has provided some natural limitation to the number of sales centres. This has been strengthened by the joint action of wool-growing and wool-selling interests whose policy has been to ensure that auctions are sufficiently large to attract buyers. In recent years, control has been tightened, and, in the determination of sales programmes, the convenience of buyers is duly considered. The overlapping of sale dates is eliminated as far as possible and buyers know in advance what quantities are to be offered at various times in each centre.

The primary auction system grew because it suited, alike, conditions in producing areas and the needs of the buyer. From the producer's standpoint, the need was to assemble and move the wool to distant consuming countries at the minimum cost and to secure fair prices. The satisfaction of these requirements through auctions was possible owing to the existence of large-scale specialized production and the partnership between producer and selling broker. The Australian pastoral industry was built up on large-scale production and upon the merino sheep—that is, a sheep of the wool and not of the dual-purpose type. Large-scale production of wool carries with it advantages similar to those associated

with specialist activity in other spheres. The whole attention of the station-holder is devoted to one purpose—the improvement of wool production and marketing; the provision of specially adapted buildings for handling the wool becomes economic; skilled labour can be employed for shearing, skirting, classing and packing. Finally, large-scale production in itself ensures a measure of uniformity in the clip, and the wool can be put up in sufficiently large lots to ensure competition and yet maintain uniformity in classification.

The specialist wool-selling broker is the link between the seller and the purchaser. Distance from market and the importance of returns from wool in the producer's income made the employment of a specialist both desirable and economic. Specialization became feasible from the broker's point of view for two reasons: broking as a method of sale was technically suited to the system of production and the volume of wool was sufficient to give him ample scope for business.

The brokers have greatly helped the development of the industry and are the corner-stone of the present structure. Without their financial assistance,* the pastoral industry would not have reached its present dimensions. Their advice and assistance have been largely instrumental in building up the technique of presenting the clips for sale. The partnership of broker and producer has ensured that the inherent advantages of primary auctions are secured to the producer: both are interested in securing high returns on the produce sold. Another feature of the auction system has been its adaptability. Changes in the organization and objectives of sheep production, involving greater diversity in type and in the size of flocks, are being met by modifications in the auction system. The increase of small mixed flocks might well have threatened the whole system of marketing by lowering the efficiency of preparation for market of a large part of the clip; for, in all three Dominions, much wool is now produced under conditions which make adequate preparation on the farm impossible. To meet this situation, inter-lotting and bulk-classing have been developed in Australasia and there is a movement in the same direction in South Africa; there are, too, indications that the system is developing on constructive lines in other respects.

(iv) Co-operative Broking.

The success of co-operative broking in South Africa has been remarkable, though it has probably been in part due to the fact that private brokerage practices are less standardized and the auction system less developed than in Australasia, and that consequently the potential savings are greater. It is necessary,

* It must be remembered, however, that many large station-holders are financially interested in the broking houses and vice versa.

however, to distinguish between, on the one hand, co-operative marketing by producers for the purpose of the assembly of wool and its better preparation for sale—such as is described in Chapter V—and, on the other hand, co-operative selling through a broking house owned and controlled by wool growers. The latter offers no more than an alternative, though essentially similar, method of financing the traditional brokerage system. It is competitive, but it does not break new ground ; its aim is to save handling costs to the wool grower and it can only be justified by its results, which are of vastly less importance than those of co-operative action in the assembly and preparation of the product for sale.

(v) Weaknesses of the Auction System.

Although the central auction system is firmly established in all three Dominions, its efficiency in South Africa has been gravely hampered by the practice of dual selling—i.e., selling both by private treaty and public auction at one time and in the same market. The view taken in Australia of this particular practice is illustrated by the prompt action taken by growers, brokers and buyers to prevent its possible spread in New South Wales.*

Where dual selling operates, the market cannot be firmly controlled or strictly regulated. It tends to prevent the formation of strongly organized brokers' and growers' associations and, consequently, doubtful practices are apt to go unchecked; it facilitates the formation of rings and upsets arrangements for the orderly distribution of the clip. By enabling buyers to short-circuit the auction and fulfil their requirements by private treaty, it makes it much more difficult to get them to bid up to their limits, and, owing to the secrecy of private-treaty business, any upward tendency in the market is slow to operate. Finally, it is against the interests of growers as a whole, since it enables a broker to favour one grower or one buyer at the expense of the others.

It is arguable that, at times, the flexibility of the system of dual selling favours the seller, in particular, the seller of speciality wools. But such considerations cannot be held to weigh strongly against its retarding effect on the growth of a strongly regulated and efficient marketing system.

A familiar aspect of the system of sale at public auction is the combination of buying interests known as "rings." That rings are formed at certain times at most auction markets, and particularly where control is weak, is not open to question.† The difficulty is to determine the extent to which they operate and their effect on the market.

* See the Zone System, page 60.

† "Buyers in Durban make no secret of the fact that they form rings, and such rings are also found at public auctions in Port Elizabeth and East London." Report No. 2 of Wool Council Committee, Union of S. Africa.

With a commodity such as wool, where buyers operate under clearly defined "limits," it is almost impossible at times for anyone without an expert knowledge of wool values to determine whether a "ring" has been formed or not. Bidding may be very keen up to a certain figure and may then cease. Such a situation by no means necessarily indicates a "ring." On any given day, many buyers will probably be operating on the same, or very nearly the same, limits for clean wool; moreover, their valuation of a given lot of wool and their judgment of its yield will generally closely correspond. Such being the case, they will all be likely to cease bidding at about the same figure, whether there is a ring or not.

The fundamental difficulty of dealing with rings is the secrecy of their operations; even when there is strong reason to suspect the existence of a ring it may not be easy to prove it. Merely to include regulations against rings among the conditions of sale is therefore unlikely to have any effect owing to the impracticability of enforcing them.

In actual practice, conditions at a central auction are such that the formation of completely successful rings is not an easy matter. There will usually be buyers who stand outside and who will ensure that wool is not bought too cheaply. The bigger the auction and the more international the buying, the more difficult it becomes for sufficient buyers to come to an understanding to weaken the market seriously.

(vi) Tendency towards International Co-ordination.

There are indications that the central auction system is entering a further stage of development. A tendency towards international action was shown at the Empire Wool Conference held at Melbourne in June, 1931, where, in addition to proposals for the improvement of selling machinery, the wider aspects of co-ordination of sales policy and the development of the primary public auction system in areas—such as South America—to which it has not yet penetrated, were discussed.

While it is clear that much ground must be covered before such proposals can be put into practice, the fact that producers in all exporting countries are coming to realize their common interest in developing a uniform system of selling, marks an important step forward.

Under a co-ordinated system, the collection and dissemination of statistics of production, stocks, prices and demand would be greatly facilitated, and a basis would be provided for the intelligent regulation of sales programmes to meet the requirements of consuming centres.

CHAPTER VIII.—ORGANIZED PRIVATE TREATY SELLING.**(i) United States of America.**

(a) **Introductory.**—In contrast to the majority of countries producing large quantities of wool, the home clip in the United States is practically all consumed at home. It is, in fact, an important source of supply of raw material for the wool textile industry of that country; for the years 1926-30, the home clip supplied nearly 60 per cent. of the raw material used by American industries.

Though America exports very little wool, the home clip must be moved long distances, since wool production tends to be concentrated in the west, while the wool textile industry is located mainly in New England and the States of New York, New Jersey and Pennsylvania. In the period 1926-30, the annual production of fleece wool in the United States averaged 296 million lb. in the grease, of which roughly half was produced in the 11 far-western States, while Texas and Ohio were responsible for a further 12 per cent. and 5 per cent., respectively.

The figures of consumption by grade for the years 1923-30, taken from the Bulletin of the National Association of Wool Manufacturers, April, 1931, are of interest (see Table XIII).

It will be observed, in the first place, that the consumption of domestic wools has increased since 1923* while that of foreign wools has correspondingly decreased. But it is by examining the statistics for the fine and half-blood wools—that is to say merino wool or wool from sheep with a considerable proportion of merino blood—that the very strong position of the domestic clip can best be illustrated. The proportion of fine wools of domestic origin has shown a striking increase, while imported supplies have become of less and less importance. Foreign wools are only of outstanding importance in the carpet grades, and their importance decreases as the grade gets higher.

The position in the United States contrasts strongly with that in Great Britain, which exports a considerable part of the home clip but does not, on the other hand, supply any part of the demand for fine merino wools.

(b) **Production Conditions.**—In the eastern half of the United States—e.g., east of the Missouri River—sheep husbandry is generally associated with mixed farming, the size of the flocks tends to be small and mutton is the chief consideration. In these States, the sheep are derived mainly from English mutton breeds, and the wools are usually known as “fleece” or “domestic” wools—terms synonymous with “crossbred.”

* The very low yield of the United States clip, amounting over the whole country to only 40 per cent. of the weight of the clip in the grease, undoubtedly tends to exaggerate, to some extent, the quantitative importance of home supplies.

In the western States, where sheep are raised in large numbers, wool production is more specialized, and flocks are bigger. The wools are largely grown from sheep of merino stock and are known as "territory" wools. But, in spite of the large flocks and fairly uniform production, skirting and classification on the farm have never been extensively practised.

(c) **Individual Marketing.**—The history of the development of the present wool marketing system is interesting. When, in the early days, sheep farmers moved west, the cloth mills followed the raw material from the Atlantic coast towards the mountain States. With the opening of the railways, however, the proximity of the mill to the sheep became of less consequence, and manufacturers set up business where power and labour could be secured cheaply and where a market for the manufactured product could readily be obtained. In the middle of the nineteenth century, therefore, the mills began to move eastwards again and the small manufacturing units were merged in larger combinations. The flocks, however, continued to move westward and intermediaries sprang up to link up the grower and the user as they gradually drifted apart.

At the present time, apart from the use of co-operative methods, the grower can dispose of his clip in various ways.* He can sell to the manufacturer's or merchant's agent, who may be an employee or may buy on commission and who sometimes enters into a contract before the sheep are shorn; or he can sell to his local storekeeper, who has little knowledge of wool and passes it on for grading and sale to larger merchants in consuming centres. These methods are subject to the same general criticism that has been levelled against selling on the farm in this country (see Chapter IV)—that the grower is given little encouragement to produce and market better wool because little discrimination is made in the prices offered.

As an alternative to selling on the farm, he can employ a commission man to sell for him or he can consign to a warehouse company, where the wool is stored, graded and, if necessary, bulked, and sold direct to manufacturers or to brokers. The warehouse method of marketing, which predominates in Texas and New Mexico, has been fostered for the most part by local business men, rather than by producers. It is, thus, not co-operative in organization, but some co-operative practices have been adopted. Growers usually contract to consign wool to the company's warehouse, to pay agreed charges for services rendered and to pay liquidated damages for wool not consigned. Although the grower retains control over the sale of his wool if it is sold in "original bags,"† he agrees not to sell before a day specified by the warehouse committee. The object of this condition is to secure a sufficient stock

* See Economic Series No. 4, p. 29.

† i.e., without grading by the marketing agency.

of wool to draw large buyers from a distance. At his own option, however, the grower can have the wool graded and bulked by experts and sold by the company.

Apart from the services which it renders in storing, insuring, grading and selling the wool, the warehouse company usually makes advances to growers for production purposes, stipulating that wool on which money has been advanced must be marketed through the company. The services rendered by the warehouse companies may not be completely satisfactory either to the grower or user of the wool, but they offer an improved means of marketing in that the producer is brought into touch with buyers at a distance and can have his wool graded by experts and paid for on a quality basis.

In general, the traditional methods of marketing wool in the United States, which have been briefly described, are based on the sale of the wool, clip by clip, and on the individual bargain. They show the same weaknesses and diversity of practice as obtain in Great Britain. An organized system is, however, in process of evolution, through the gradual development of increasingly complex producer-controlled organizations.

(d) **Early forms of Producer-organization.***—Co-operative wool marketing in the United States dates back to about 1885, when the *Putnam County Wool Growers' Association*, of Greencastle, Indiana, was formed. This association, loose in its organization and serving the interests of a single community, is typical of the early form of collective effort and of several associations still in existence.

Associations of this type only operate for a few weeks at clip time, and in practice their only function is to attract buyers by presenting a reasonable quantity of wool at one point, although some of them also effect economies in transport by arranging for the dispatch of the wool in carlots.

There is a general understanding between growers that they will market their wool through the Society; each lot is listed and sold separately, without grading. The quantities sold through the Putnam Association, varying between 20,000 and 30,000 lb. of wool per annum in the years 1920-4, are typical of the volume handled by associations of this type.

The "*Jericho Pool*," though local in character, operates on a larger scale, handling about 1 million lb. of wool per annum, and is organized on somewhat different lines. No formal contract exists between members, and the wool, though "pooled" for sale, is not bulked or graded. Membership is restricted to a limited number of big growers. Bids are received by a Committee, and their acceptance or refusal depends on the vote of the owners of more

* A brief survey of the condition of organized wool marketing in the United States is given in the Report on *Large Scale Co-operative Marketing in the U.S.A.* (Economic Series No. 4), pages 27-30.

than half the wool. The wool may either be sold clip by clip or a bid may be made for a number of clips, according to the needs of the buyer and the character of the wool.

State Pools, 1918-29.—In 1918, co-operative wool marketing in the United States entered a new phase which can be described as the era of State pools. Instead of the local, loosely organized associations, carefully planned, large-scale associations began to be developed. This phase of marketing opened with the formation of the Ohio Sheep and Wool Growers' Association in 1918. This was followed by other large-scale enterprises in Michigan in the same year, in Illinois, Iowa and Kansas in 1919, and by ten others before the end of 1921. In most cases, these large-scale associations were centrally organized, but a few were built up by the federation of local or county wool growers' associations. The detailed description of several of these organizations which follows will indicate the general line of development.

*Ohio Wool Growers' Co-operative Association.**—In 1918, the Ohio Sheep and Wool Growers' Association, which for 50 years had worked on educational and political lines, was resuscitated in order to ensure for growers the best prices procurable under the War-time system of wool control. By the end of 1918, 30 county branches had been formed to carry out local propaganda and to organize the assembly of the clip on behalf of the central association. In order primarily to strengthen its contracts with farmers, the association was reorganized in 1924, when it affiliated with the Ohio Farm Bureau Federation and took on its present form and name. Under the new arrangement, the Ohio Wool Growers' Co-operative Association markets the clip while the Federation provides field, legal, transportation, organization and publicity services at a fixed charge of $\frac{1}{2}$ cent per lb. of wool marketed.

The association is a State-wide organization of the centralized type, with headquarters at Columbus, Ohio. It is controlled by a Board of Directors, chosen, on the basis of 1 director for each 50,000 lb. of wool, from the 26 districts into which the State has been divided. Capital stock, amounting to \$100,000, has been provided by the issue of \$10 shares to growers. This capital has been largely sunk in a central warehouse at Columbus, the actual administration of which is vested in a subsidiary corporation—the Ohio Wool Warehouse Company.

Supply contracts were first introduced in 1922 to counteract the active competition of dealers. Since 1924, all members have entered into a uniform supply contract with the Association, which empowers it to grade, bulk and sell their wool and to exact liquidated damages in case of breach of contract.

The wool is assembled at the Association's central warehouse in Columbus. On arrival, it is weighed, graded, bulked and stored.

* See also Economic Series No. 4, page 30.



FIG. 2.—Welsh Mountain.



FIG. 3.—Swaledale.

Qualities in typical mountain fleeces.



FIG. 4.—Leicester.



FIG. 5.—Dartmoor.

Qualities in typical lustre fleeces.

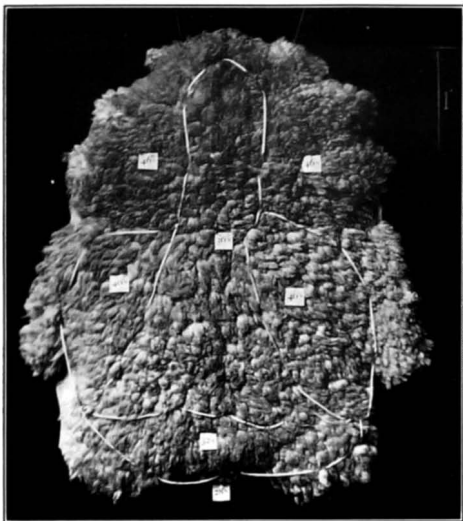


FIG. 6.—Cheviot.



FIG. 7.—Kent or Romney Marsh,
Qualities in typical demi-lustre fleeces.

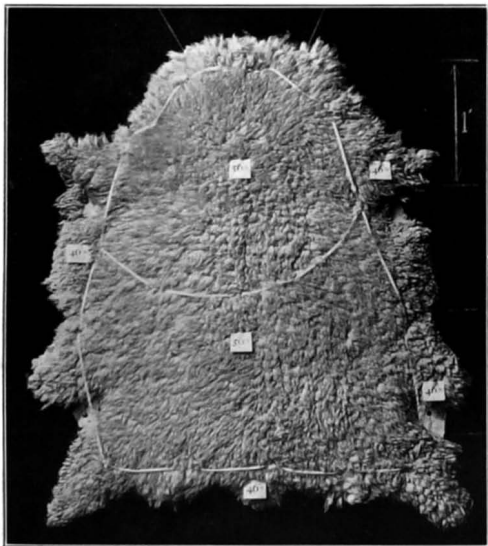


FIG. 8.—Southdown.



FIG. 9.—Ryeland.

Qualities in typical down fleeces.

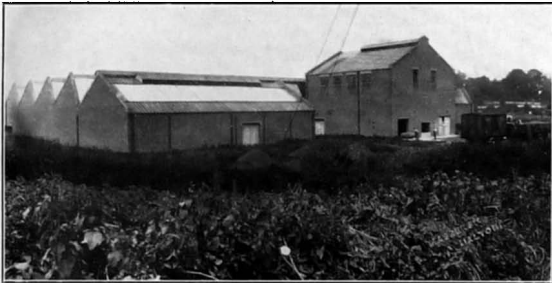


FIG. 10.—Yorkshire and Northern Wool Growers' Depot, Malton.



FIG. 11.—Grading in progress at Malton.



FIG. 12.—Bins of graded wool at Malton.

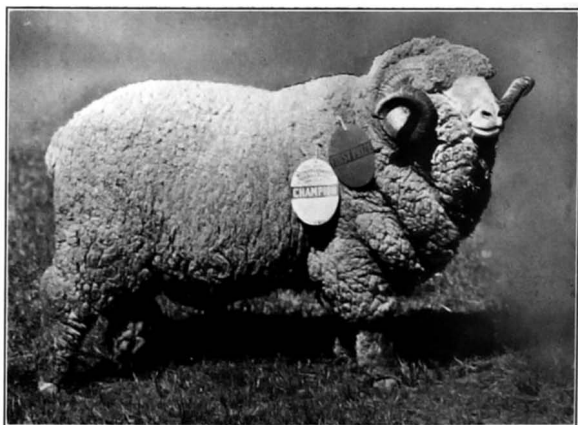


FIG. 13.—Merino ram (South Africa).



FIG. 14.—Corriedale ram (New Zealand).



FIG. 15.—Sheep entering shearing shed (New Zealand).



FIG. 16.—Sheep ready for shearing (New South Wales).



FIG. 17.—Team shearing (New South Wales).



FIG. 18.—Baled wool leaving sheep station (Western Australia).



FIG. 19.—Buyers inspecting wool before auction at Sydney (N.S.W.).

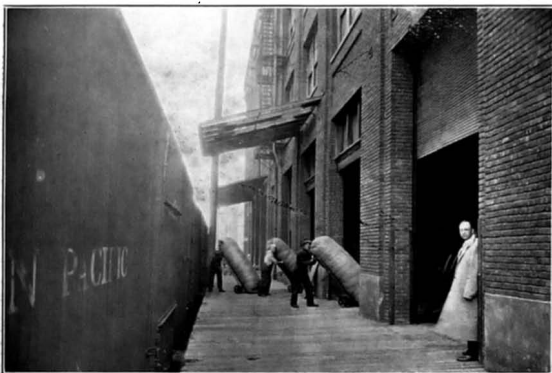


FIG. 20.—Receiving wool at depot of Pacific Co-operative Wool Growers', Portland, Oregon.



FIG. 21.—Press-baling bulked wool at Portland, Oregon.



FIG. 22.—Sale in progress at the London Wool Exchange.

It is sold direct to manufacturers ; by adopting suitable grades, and controlling as it does a considerable volume of wool, the Association can meet mill requirements throughout the season.

As soon as the wool has been received at the warehouse, the grower is entitled to receive an advance payment amounting to approximately 75 per cent. of the value of the wool, the interest charged—normally at the rate of 5 per cent.—being the same as that paid by the Association on advances obtained by it from banks.

When the season's sales are completed, the returns accruing from each grade are pooled and each producer is paid a sum representing the average price realized according to the grade of his wool, less the advance payment with interest thereon and costs of handling. Costs, other than interest on advances, have been assessed for recent years at a flat rate of 2½ cents per lb., which is charged to all suppliers.

The success of the Ohio Association has not only stimulated the formation of pools in other States, but has resulted in producers' organizations in Indiana, Michigan, Pennsylvania and West Virginia entrusting the Ohio Association with the sale of their wool. The educational work, carried on by the Association in conjunction with the Farm Bureau, has served to stimulate support for the Association in its early years, and, as a result of continued education in the feeding and care of flocks, in shearing, in preparing the clip for market and in grading, farmers have learnt to appreciate the value of a grading and pooling organization. Ultimately, however, the support accorded to the Association has been due to its success in securing better returns for farmers. Efficient organization and management, together with direct selling to the mills, enable the Association to compete effectively with other methods of sale open to the farmer. The directorate is in close touch with farming opinion and the arrangement with the Farm Bureau Federation enables the Association to keep in close contact with the individual producer.

*Pacific Co-operative Wool Growers.**—The Pacific Co-operative Wool Growers was set up in 1921 as a result of the great difficulties met with in selling the 1920 clip, a considerable part of which was carried over until 1921. Since its inception, the Association has expanded rapidly. It sold an average of 5 million lb. of wool and mohair annually in the years 1925-9, and in 1930, after its affiliation with the National Wool Marketing Corporation (page 85), nearly 10 million lb. of wool. The following description refers to its organization and methods before the formation of the National Wool Marketing Corporation.

The Association commenced operations in Oregon, but supplies were soon attracted from neighbouring States. There are now about 5,000 consignors in Oregon, Washington, Idaho, California and Nevada.

* See also Economic Series No. 4, page 30.

The Association is organized as a non-stock, non-profit co-operative association,* and is controlled by a board of directors elected by districts which are mapped out on the basis of sheep population. As it does not own warehouses, its fixed capital requirements are low. Working capital is derived from membership fees and a revolving fund† of 1 per cent. on sales.

Supply contracts, pledging all wool to the Association and providing for the advance of credit to members, for grading, bulking and sale of wool, for deductions from proceeds to provide a reserve fund and for the payment of 1 cent per lb. of wool not delivered to the Association as liquidated damages in case of breach of contract, have been obligatory from the start. Contracts are continuous, but notice of withdrawal may be given in September of each year for the next season's clip.

The wool is assembled at warehouses, licensed under the United States Warehouse Act, which are leased by the Association at Portland, Oregon, and San Francisco. The wool is weighed on arrival at these assembly depots and graded by expert graders holding a federal licence; much of the wool from the large flocks in the mountain States is, however, of uniform quality and can be sold without further grading. Its efficient grading system enables the Association to sell considerable quantities of wool on sample and repeat orders have become a feature of its trade. Moreover, in addition to its operations in fleece wool, the Association has wool sorted, scoured and carbonized. The very low prices received for locks and dags provided the first incentive to scouring and substantial savings have been made by having this process done.

The proceeds from wool, less working costs, are pooled and returned to growers on a grade basis. In past years, the Association has set up as many as ten area pools for wool from the various districts of supply. The wool in each pool may be classified into a dozen or more grades, and separate pools are set up for processed wool.

Although some of the wool handled by the Association is sold from Portland for manufacture on the Pacific seaboard, the greater part of it must be sent—by rail or sea—to eastern markets. The Association has always pursued the policy of selling direct to the mills and has therefore acquired warehouse facilities in Boston and Philadelphia, where it also has its own sales offices and staff. The largest mills in the United States are regular customers of the Association, which has built up a valuable goodwill.

* The non-stock, non-profit association is one having no capital stock and returning any trading surplus to the members; financial reserves for trading purposes may, however, be accumulated by the association.

† Certificates of indebtedness are issued in respect of money levied for a revolving fund; they are redeemable usually after 2 to 5 years, and are paid off by new levies made for the purpose. The capital is therefore subscribed by the current members who use the organization.

The provision of credit to growers has always been an important feature of the Association's activities. Three types of credit are provided—viz., production credit, pre-shearing advances and marketing credit. In 1928, the Association sponsored the formation of the Pacific Wool Credit Corporation, through which production credit has since been available to growers. The Corporation grants loans of twelve months duration to cover the purchase of breeding ewes and of six months to cover the feeding of sheep. Advances are also made against dairy stock. The loans are covered by a chattel mortgage taken out on the stock itself. Between November 1st and shearing time, growers can secure a pre-shearing advance from the Association. The grower takes up a chattel mortgage on his wool direct with the Pacific Wool Growers, the mortgage providing security for advances to the Association by banks.

Marketing credit, based on the estimated value of the wool, is, however, the most important of the credit services offered to the grower. An advance is provided when the wool is delivered to one of the Association's warehouses. Since these are licensed warehouses, the warehouse receipts are acceptable collateral to the Federal Intermediate Credit Bank. The grower pays interest to the Association at the same rates as are charged to the Association by the bank. Proceeds from the sale of wool are paid over to the Intermediate Credit Bank as soon as they become available, and interest charges are thereby reduced.

The Association has always actively promoted improved methods of production and preparation for market, and through its bi-monthly bulletin, its field service, and by grading demonstrations and wool exhibits, keeps members constantly informed of new methods and developments. It has also a supply department and is able to cheapen the cost to its members of production and marketing materials.

The Pacific Wool Growers is a comprehensive organization and has done pioneer work in the West, being the first to introduce a standard marketing agreement and to process wool while still under producer-control. It has succeeded in improving the quality of produce and in securing prices in excess of those realized by non-members. One important factor in its success has been a highly efficient management; the Association has secured the services of persons experienced in producer-organization and in all branches of the wool trade.

Stimulated by its own success, the Pacific Wool Growers has been active in promoting organized wool marketing by producers in other districts, and was an important factor in the establishment of the National Wool Marketing Corporation (see page 85).

(e) **The National Wool Exchange.**—The National Wool Exchange, established in 1925, represents an advance from the phase

of isolated, self-sufficient organizations in the direction of joint action. . . Between 1909 and 1924, a private company—the National Wool Warehouse and Storage Company—with headquarters in Chicago, had sold wool on commission for large individual growers and for the smaller wool growers' associations in the Plain and Mountain States, who were thus able to bridge the long distances between producing and consuming centres. After handling the 1924 clip, the Company ceased operations as a result of financial difficulties, and was replaced in 1925 by a central sales agency, with its main office at Boston, under the title of the National Wool Exchange. A smaller association, known as the Eastern Wool Growers' Federation, was formed to act for growers in the eastern States.

Until its activities were taken over by the National Wool Marketing Corporation the National Wool Exchange acted for a number of co-operatives and for some individual growers, selling wool at a fixed charge of 2½ cents per lb. as a central brokerage agency. Though not organized under the Capper-Volstead Act,* it was owned and controlled by the co-operatives who sent wool for sale. In 1929, the Exchange disposed of 18 million lb. of wool, though in the three previous years its sales had averaged only 8 million lb. The Exchange was in close contact with manufacturers, with some of whom it entered into contracts. In addition to storing and selling wool, the Exchange, for an additional charge, was prepared to grade and bulk consignments to meet manufacturers' requirements. Warehouse receipts were issued by the Exchange to the supplying associations against wool received and were used by them as collateral for securing advances from the local Intermediate Credit Banks.

(f) **The Position in 1929.**—The position of wool marketing organization in 1929, before the formation of the National Wool Marketing Corporation, was that the United States was covered by a large number of producer-controlled wool marketing associations in addition to a few organizations that handled wool as a side-line. Many of these organizations were small and limited in scope; much the greater part of the co-operative trade was done by a few large-scale associations. In the decade 1920-30, the centre of co-operative wool marketing shifted from the eastern to the western States. In 1920, only 21 per cent. of the wool sold co-operatively was grown west of States reaching from Minnesota to Louisiana, whereas in 1927, the proportion had risen to 73 per cent.† It is estimated that, in the three or four years prior to the formation of the National Wool Marketing Corporation, about 100 associations handled annually from 20 to 25 million

* See Economic Series No. 4, page 108.

† Elsworth: *Co-operative Marketing and Purchasing, 1920-1930.* U.S.D.A. Circular No. 121, pp. 49-50.

lb. of wool in the aggregate. The statistics of the most important associations are given below:—

Area of Operation.	Year of Incorporation.	Sales.	
		1926-8 Average.	1929.
		lb.	lb.
Ohio	1918	3,418,835	3,832,624
South Dakota	1920	393,642	2,200,000
North Dakota	1920	330,718	1,300,000
Pacific	1921	4,321,195	5,058,602
Montana	1923	4,008,333	6,400,000
Wyoming	1924	1,771,007	4,060,925
Colorado	1927	1,084,615	1,622,000
National Wool Exchange (Sales Agency)	1925	8,011,777	18,000,000

(g) **The National Wool Marketing Corporation.—Organization.**
—The National Wool Marketing Corporation, which was registered in November, 1929, can be regarded as the outcome of developments in co-operative produce marketing in general, and of wool marketing in particular. The Corporation was formed under the auspices of the Federal Farm Board, which itself was formed to carry out the provisions of the Agricultural Marketing Act, 1929, for establishing large-scale regional and national selling organizations under producer-control.

Before the passage of the Agricultural Marketing Act, the amalgamation of the large wool marketing associations had already been suggested. The nucleus of such a federation was present in the National Wool Exchange, and some associations had already found that joint selling strengthened their position in central markets. But, strong though some of the State pools were, there were two important weaknesses in the situation. In the first place, only about 10 per cent. of the clip was marketed co-operatively, the bulk of the clip still being disposed of by growers over a period of 60-90 days following shearing, and passing into the hands of speculators, thus causing, it was argued, an unnecessarily wide gap between producers' and users' prices, and an unstable market. The second factor was the lack of unity among the co-operative marketing organizations. It was felt that both producers and consumers of wool would benefit from a national organization not only embracing all the co-operatives but capable of selling the whole of the home clip, if necessary.

The National Wool Marketing Corporation, the formation of which was a logical development in organized wool marketing, is a co-operative association for selling wool supplied by members and for performing services relating to it (see Diagram E). Membership of the Corporation is confined to wool marketing societies registered under the Capper-Volstead Act and selling at least 500,000 lb. of wool per annum through the Corporation. It may sell wool for non-members, whether individuals or associations, but these sales must not exceed sales on behalf of members.

The Corporation is financed and controlled by its member-associations. Its capital stock, fixed at one million dollars, is in shares of \$100, each association subscribing at the rate of one share for each 100,000 lb. of wool or major fraction thereof sold in the year prior to joining the association or contracted for in the year of application. Interest on stock is limited to 8 per cent. per annum, and after deducting a maximum of $\frac{1}{2}$ cent per lb. of wool for the purpose of building up a reserve fund, any surpluses must be returned to the member associations in the form of patronage dividends. In the first two years, the Corporation was governed by a board of 15 directors chosen from 5 districts, the number of directors from each district depending on the volume of wool; now, however, each member association has one representative on the directorate. For day-to-day administration, an executive committee of 5 members is chosen from the directorate.

Each affiliated association must enter into a standard supply contract with the Corporation. Contracts are continuous but may be terminated at a stated period in each year. The affiliated association agrees to deliver all wool at the time and place determined by the Corporation, which is responsible for grading and selling. There are further provisions for advances and for the payment of liquidated damages in case of breach of contract. The Corporation has further sought to standardize supply contracts between associations and their grower-members; broadly, the relation of the Corporation to individual associations corresponds to that of the associations to their own members.

In its first year, the National Wool Marketing Corporation secured the affiliation of 27 marketing associations and also handled wool for 6 non-member organizations. Its total turnover, derived from about 40,000 producers, amounted to 119 million lb. of wool and 15 million lb. of mohair, representing 35 per cent. and 85 per cent., respectively, of the United States' production of wool and mohair.

Assembling, Grading and Selling.—The Corporation does not own warehouses, its policy being to encourage affiliated societies to acquire their own warehouse facilities. At the time of commencing operations, moreover, the Corporation deemed it inadvisable to establish its own selling organization, preferring to

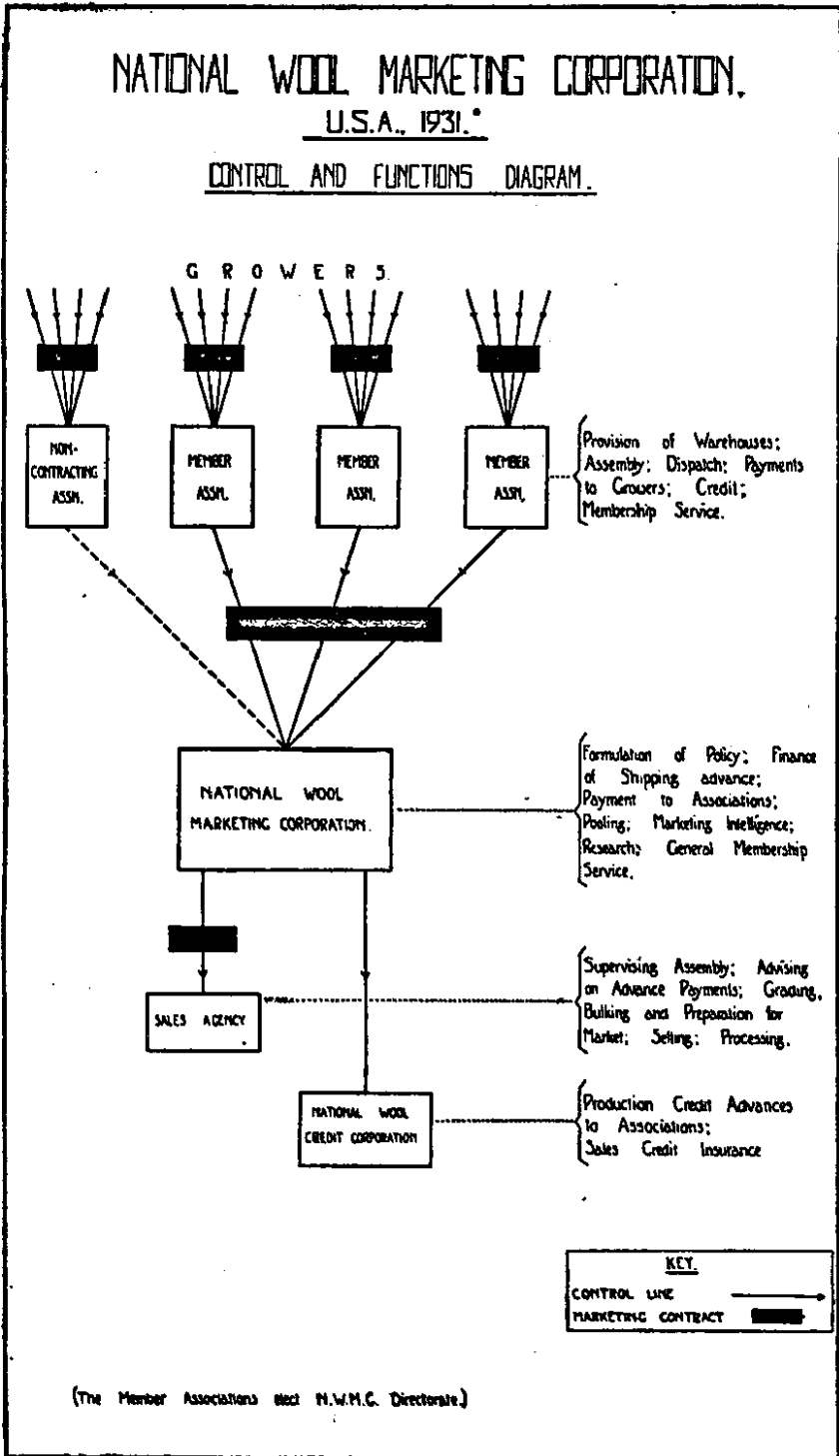


DIAGRAM E.

* For changes in 1932, see page 89.

NATIONAL WOOL MARKETING CORPORATION, USA, 1931.*

TRADING DIAGRAM.

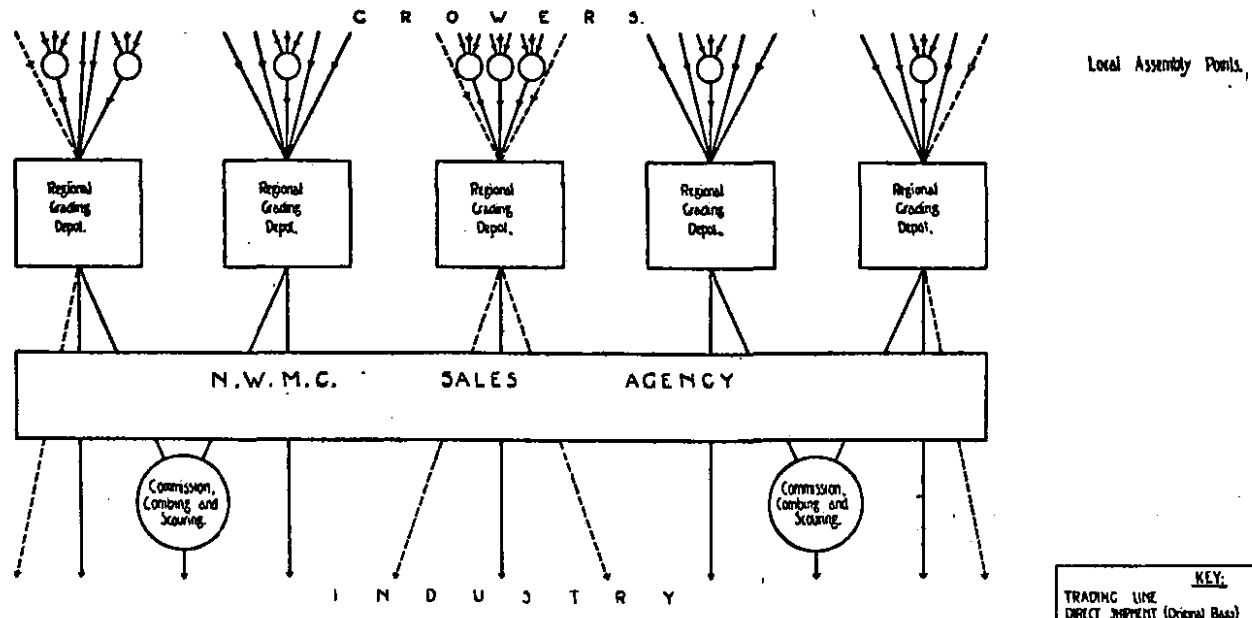


DIAGRAM F.

* For changes in 1932, see page 89.

take advantage of the experience and trade connexion of a private firm. One of the largest wool houses in the United States, with a normal annual turnover of 50 million lb., was therefore appointed to act solely for the Corporation as its sales agent (see Diagram F.). To assist in the valuation of the home clip, the firm retained the right to handle 5 million lb. of imported wool.

Assembly of the clip is carried out by the affiliated associations acting on the instructions of the sales agent. The representatives of the latter are responsible for examining each individual clip and for grading. A grading slip is made out for each clip and is handed over to the affiliated association, which is responsible for the final settlement with growers. Individual consignments are bulked and the returns are pooled on a quality basis; there is no standard period for a pool, the final returns to the grower being made when the pool to which his wool has been allotted is sold out. A certain amount of the wool grown in the western States is in sufficiently large lots and sufficiently uniform in character to be sold without further grading; in these cases, the wool is not pooled but is sold separately, and the grower receives this return immediately his wool has been disposed of.

Selling costs, apart from the cost of freight and advance payments, vary according to the services performed by the agency. A fixed commission is charged on all sales and additional charges are made to cover grading and the extra costs entailed in handling small lots.

Excluding freight and interest charges, the costs of selling are as follows:—

	<i>Per lb.</i>
Commission to sales agency	1·4 cents.
Grading fee to sales agency	0·4 "
Additional fee for lots of 5,000 lb. or less ...	0·5 "
National Wool Marketing Corporation levy	0·35 "
Affiliated association charge	0·5 to 1·0 "

Thus, if a clip is small and lacks uniformity, the costs of selling may be as high as from 3·15 to 3·65 cents per lb., but where wool can be sold without grading and bulking, as is possible in the range area, costs may be as low as from 2·25 to 2·75 cents per lb.

New plans have been decided upon for handling the 1932 clip. In order to reduce the costs of marketing, the National Wool Marketing Corporation has decided itself to perform the services previously performed by the sales agency on a commission basis, and, in order to secure for itself expert technical assistance, it has taken over a large proportion of the agency's staff.

Some change has also been decided upon in the arrangements for pooling the returns from the "territory" wools of the western and south-western Range States. As in previous years, wool will be valued on delivery and growers will receive an advance payment. Now, however, a certificate of indebtedness will be issued to the grower for the difference between the appraised value of the wool

and the advance payment. The gross returns from all "territory" wool will be treated as one pool and the net returns will be arrived at by deducting the pool's share of the Corporation's total costs. If the net returns are equal to the total of the individual valuations, then the certificates of indebtedness will be paid in full; if greater, the growers will then receive, in addition, a sum proportionate to the value of the wool delivered by them to the pool. If less, on the other hand, the certificates will only be repayable to the extent allowed by excess of the net receipts over the total advance payments already made. By this new arrangement, it is hoped to simplify the operations of the Corporation and to secure a more satisfied membership by virtue of lower costs and prompt settlements.

In addition to selling graded wools in the fleece, the Corporation has a certain quantity of wool processed through commission combers and commercial scouring-houses in consuming centres.

Credit.—Another important service performed by the Corporation is the provision of credit for growers. Credit takes two forms—a pre-shearing advance and a shipping advance. In both cases, the interest on the advance is paid by the grower.

The national organization facilitates the provision of production credit. The pre-shearing advance is offered by some of the member associations on the security of a chattel mortgage on the forthcoming clip. Alternatively, a grower may give a chattel mortgage to his own bank on conditions fixed by the association with which he has a supply contract. In order to facilitate the granting of pre-shearing advances, the Federal Farm Board has loaned 1 million dollars to the National Wool Marketing Corporation for the purpose of setting up a National Wool Credit Corporation. The Credit Corporation makes advances to member associations which are passed on to growers on the security of chattel mortgages.

When the wool is received at the local shipping point, the grower becomes entitled to receive an advance amounting to a stated proportion of the valuation of the wool, this valuation, of course, being without prejudice to the subsequent classification at the grading centres. If the grower has already had a pre-shearing advance, either from his own bank or from his co-operative, this must be released before his marketing advance is made. The actual rate of advance, which has been up to a maximum of 90 per cent. of the valuation, is previously determined by the National Wool Marketing Corporation in conjunction with the sales agency. The bills of lading or warehouse receipts, issued when the wool is dispatched or put into store, form the collateral for the advance made by the local association from funds supplied by the Corporation. There are two sources of finance for this purpose. The Federal Intermediate Credit Bank provides 65 per cent. of the money, the remainder being guaranteed by the Federal Farm

Board. From the reserve fund which is gradually being built up, the Corporation intends to repay the loans which it has received from the Federal Farm Board.

In addition to arranging for credit to growers, the Credit Corporation, by means of credit insurance, assumes the risk of bad debts incurred in sales to the mills. The Corporation has been given ample support by public and semi-public banking institutions, and the private banks have also been anxious to participate in financing the orderly marketing of the wool.

Other Services.—Apart from its actual marketing activities, the Corporation performs other services for growers. Its constitution provides for the establishment of a research and standardization branch, an education and publicity department and for assisting affiliated associations in their organization. In order to keep members and growers in touch with its activities, the Corporation issues a periodical market report and news letter. Furthermore, the Corporation has organized campaigns to encourage the increased use of wool by the general public.

Future Prospects.—At so early a stage in the history of the Corporation, it is difficult to gain a clear perspective of its operations. It would appear, however, that its directors envisage that it will, in time, take over the whole range of functions which in this country are performed by the merchant topmaker and will deal both in raw fleeces and in semi-processed wool. It has already sold a considerable amount of wool in the form of tops; in this connexion, the following statement by a director of the sales agency of the Corporation is of interest as indicating the trend of thought on wool marketing in the U.S.A. :—

“A wool-selling agency is greatly helped by the ability to sell its wool in top form. This gives flexibility to selling operations and greatly increases the opportunities for making sales. Compare a method which requires the physical presence of wool for examination by the buyer, who may want to buy wool for delivery through several future months, with the sale of a standard top which requires no specific lot of wool and can be arranged for exact delivery in any quantity on precise standard specification into the indefinite future. Again, the wool market is sensitive and speculative in nature. By means of future sales of tops, wool can be disposed of quickly and a real hedging process enjoyed independent of a technical futures market. Not only does the seller benefit, but the buyer at the same time is enabled to cover on future commitments. The method permits the transaction of business otherwise impossible.”*

* Circular letter from National Wool Marketing Corporation, 15th July, 1931. It should be noted, however, that the sale of processed wool is by no means universally accepted in co-operative circles as a desirable development. See “An appraisal of the Wool Marketing Work of the Federal Farm Board and the National Wool Marketing Corporation,” by M. R. Benedict : Bulletin of the National Association of Wool Manufacturers. Jan, 1932.

Given control of a large proportion of the domestic clip—and it must be remembered that already the Corporation handles roughly one-third—the successful pursuit of this policy must lead to interesting results. It would seem, for instance, that a degree of standardization of tops qualities, hitherto not approached in any consuming centre, might follow without the necessity for legislative sanction.

Opinion as to the effect of the Corporation's operations upon the market for domestic wools in the United States is naturally varied and is, in any case, largely speculative. There is a body of opinion which holds that the Corporation has already succeeded in lessening the incidence of the drastic fall of commodity prices upon domestic wools. It is true that, quality for quality, domestic wools remain cheaper than imported wools, but it is suggested that the margin would have been wider and the fall in prices more steep if the Corporation had not been in existence.

Doubt must be felt as to whether a sufficiently conservative policy has been pursued in making advances on wool. It is true that advances have only been made on a valuation, which may bear a conservative relation to the actual market value of the wool, but it is probable that the financial backing of the Federal Farm Board has resulted in the making of bigger advances than might economically be justified.

In conclusion, it may be said that the organization of wool marketing in the United States has shown remarkable progress since the War. There is every reason to suppose that the basic principles upon which it is founded reflect American conditions of production and demand, and that it offers the producer the opportunity of immensely increasing his bargaining strength. At present, it is in a transition stage, and its success or failure must largely depend on those who control its development through the National Wool Marketing Corporation.

(ii) Canada.

(a) **Introductory.**—Since the War, the annual production of wool in Canada has fluctuated between 15 and 22 million lb. The Dominion, therefore, is not an important wool grower, its total production being only 6 per cent. of that of the United States and about 15 per cent. of the clip in the British Isles.

Canada is both an exporter and importer of wool; her wool textile industry is centred in the eastern Provinces, in some of which domestic production is still important.

As in this country, the sheep industry has concentrated largely on mutton production and, until recently, little consideration has been given to improving the quality and get-up of the wool. In this latter respect, Canada is now making considerable progress. The comparative prosperity of the Canadian sheep industry in recent

years, the value of sheep in keeping arable land free from weeds, together with the poor returns from wheat-growing in the past few seasons, have directed the attention of agriculturists to more extensive and improved sheep production. The natural resources of Canada warrant such expansion, and the Dominion Government, realizing the importance of stock improvement, has afforded generous assistance to the industry. Selected rams and ewes have been placed in various communities on favourable terms, with the object of building up a sheep population which will satisfy home and overseas requirements for mutton and lamb while securing improvement in the quality of the fleece. As in other countries, the problems of wool improvement are being scientifically studied.

With the improvement in the quality of wool production, there has been progress in wool marketing organization. In pre-War days, the wool was mostly sold to buyers, who travelled throughout the country in search of wool, or to local wool dealers, who had neither the facilities nor ability to grade. The inevitable result was low prices and "careless preparation, the inclusion of dirt and much other extraneous material, which increased the cost of manufacture. . . ."

Dissatisfaction with these conditions prompted an educative campaign and the encouragement of producer-controlled marketing organizations by the Dominion and Provincial Departments of Agriculture. Through these efforts, seven associations were organized for marketing wool in 1914. The movement developed rapidly and, by 1918, associations representing each Province were marketing a total of 2 million lb. of wool co-operatively. From the start, the associations received every encouragement from the Departments of Agriculture, whose object was to improve the character of the wool clip and to develop a national grading system. Societies or groups of wool growers could, on application to the Dominion Live Stock Commissioner, have their wool graded by an expert classer. Organized producers availed themselves of this service, which was also open to private buyers who undertook to pay the producer on the basis of the analysis; the latter, however, did not choose to exercise their right.

(b) **The Canadian Co-operative Wool Growers.**† *Organization.*—The formation of Canadian Co-operative Wool Growers Ltd., in 1918, was the outcome of a desire to set up a national organization which should act for individual wool growers and for the various sheep breeders' and wool growers' associations throughout Canada. The Canadian Co-operative Wool Growers has had a successful career and, in 1931, handled nearly 5 million

* "Review of Co-operative Wool Sales in Canada." Pamphlet No. 14, Department of Agriculture, Ottawa, 1917.

— † See also Economic Series No. 4, page 30.

lb. of wool. This represents 25 per cent. of the wool produced in the Dominion and probably a yet bigger percentage of the wool passing through marketing channels, since a fair proportion of the wool grown in the eastern Provinces is utilized on the farms.

The organization is a growers' selling agency with £23,000 of capital stock, subscribed in shares of £2 by growers and shippers of wool. Its head office is in Toronto and it has a branch office in Regina. It is essentially co-operative in character; an upper limit is placed on the shareholding of each member; interest on stock is limited to 8 per cent. and control is vested in a board of directors, elected by shareholders on a provincial basis.

The Association operates through the medium of 13 sheep breeders' and wool growers' associations scattered all over Canada.* These affiliated associations differ considerably in character, size and function and are financially independent of the central organization. Generally, they are non-stock associations, meeting their expenses by means of a small poundage charge against the wool collected and through profits derived from the sale of requisites.

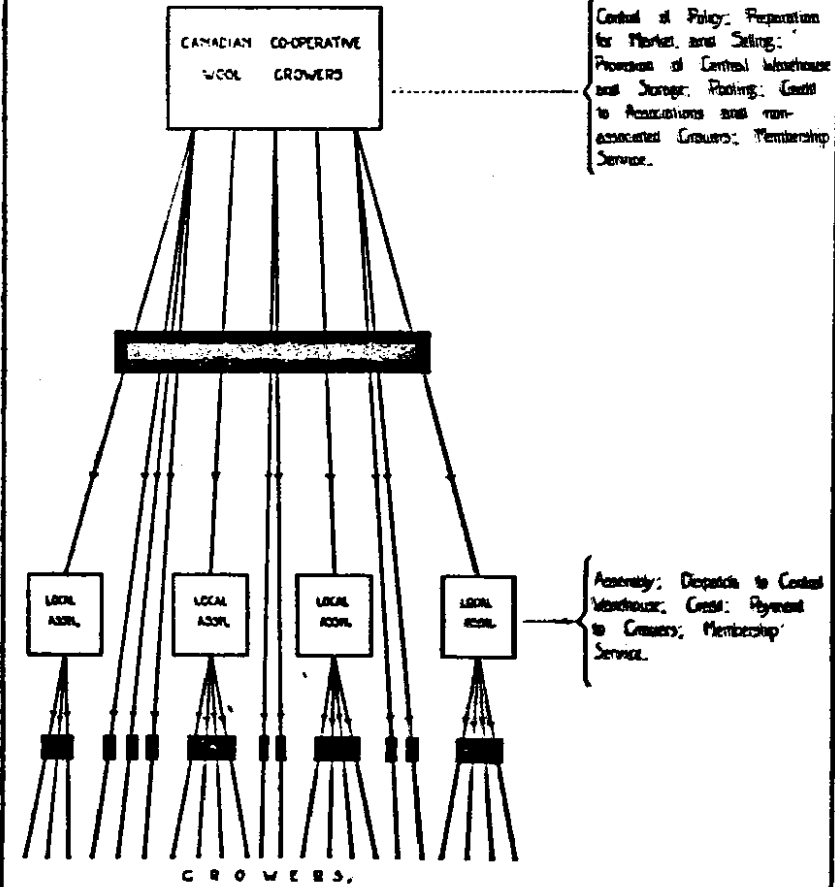
The Canadian Co-operative Wool Growers has no control over the activities of the local associations beyond that specified in the supply contract, which ensures a common policy in all matters relating to wool marketing. Local associations are under contract to pass to Canadian Co-operative Wool Growers all wool delivered by growers. A similar contract binds the producer to send to the local association all wool produced by him other than that utilized on the farm (see Appendix D). The grower gives complete freedom in grading, bulking, storing and selling the wool to the local association, which, in turn, passes on these powers to the central organization. Both contracts provide for payment of 5 cents per lb. as liquidated damages for wool withheld. In addition, direct contracts are made between growers and Canadian Co-operative Wool Growers where the grower farms in an area outside that covered by an affiliated association.

The supply contract was not introduced until the 1929 season, and it was agreed that it would not become operative unless 3 million lb. of wool were signed up. This was forthcoming and now practically all the wool is taken on a three-years' contract, renewable each year. Contracts are regarded as a weapon to prevent the half-hearted co-operator from taking advantage of the more loyal members. In poor market years, the less scrupulous farmer would patronize the co-operative, which might have to draw on reserves in order to carry the business through a period of depression. Spasmodic patrons were thus able to take advantage of the service built up by consistent suppliers over a number of years. It is now felt that the defect has been remedied; by ensuring a steady supply of wool from year to year, the planning of internal organization can be carried out with greater efficiency and sales contracts with buyers can be made and carried out.

* See Diagram G.

CANADIAN CO-OPERATIVE WOOL GROWERS.

CONTROL AND FUNCTIONS DIAGRAM.



(Growers, and not Local Associations, elect C.C.W.G. Directors.)

DIAGRAM G.

CANADIAN CO-OPERATIVE WOOL GROWERS. TRADING DIAGRAM.

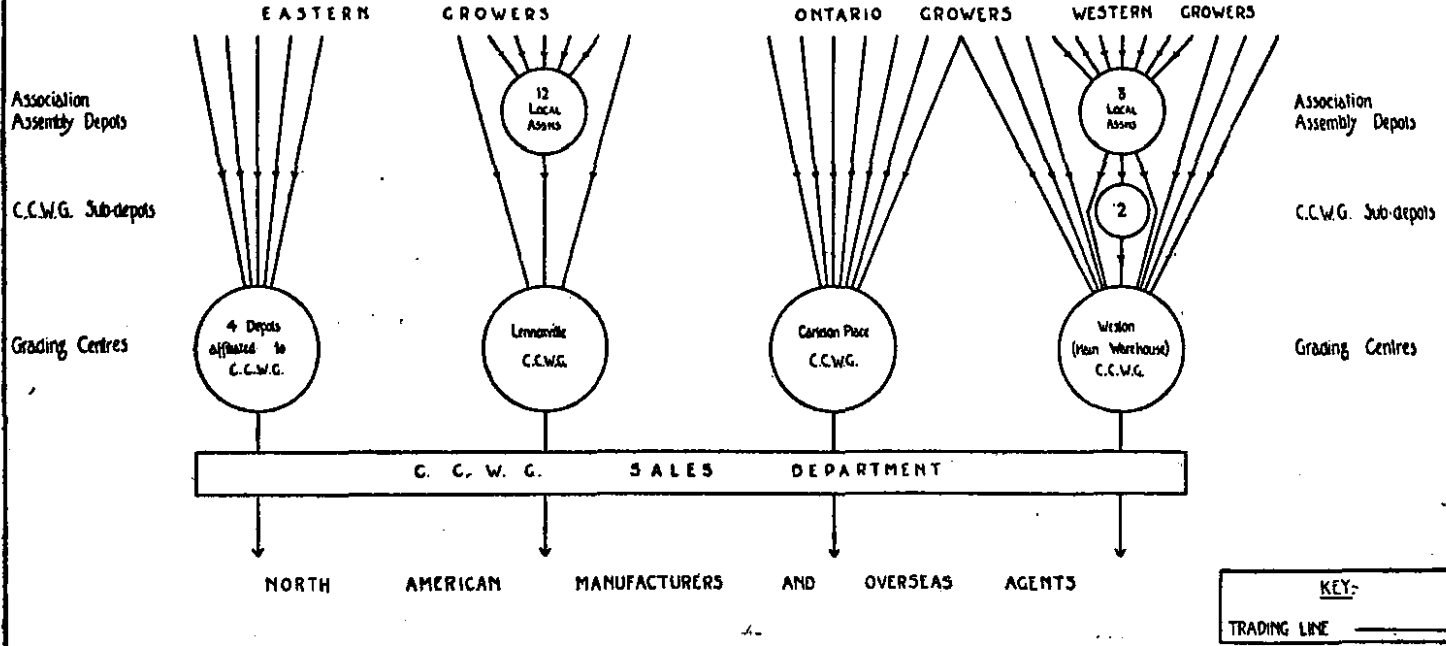


DIAGRAM H,

Assembling, Grading and Selling.—The methods adopted by Canadian Co-operative Wool Growers as regards the assembly of the clip have been determined by two factors: firstly, that much the greater part of the wool must move eastwards, either to home or foreign markets; secondly, that there are important differences in the quality of the wool in various parts of the Dominion.

In the siting of assembly depots, the object has consequently been to reduce transport costs and to facilitate the subsequent task of grading by providing separate assembly points for areas where the wool falls into the same category. The wool of the three Maritime Provinces—Prince Edward Island, Nova Scotia and New Brunswick—passes through four warehouses held by area associations affiliated to Canadian Co-operative Wool Growers, which is responsible for its subsequent handling. The province of Quebec is covered by an association which consigns wool to the Lennoxville warehouse of Canadian Co-operative Wool Growers. The bulk of the eastern wool is handled at these five centres (see Diagram H).

The main depot of Canadian Co-operative Wool Growers is at Weston, Ontario, and has capacity for storing 4 million lb. of wool. To this and the subsidiary warehouse at Carleton Place, is consigned the wool of Ontario and the States west of this Province. These depots thus handle the Western Range and Western Domestic wool which is assembled by 8 associations, one of which—the Southern Alberta Sheep Breeders—dispatched over 1½ million lb. of wool in the 1929 season. From June to August, part of the western supplies are also received at the Canadian Co-operative Wool Growers' depots situated at Portage La Prairie, Manitoba, and at Regina.

The affiliated associations are responsible for dispatching the wool in car-lots at their own cost to the grading depots or other points within Canada specified by Canadian Co-operative Wool Growers; the associations, in turn, specify the shipping points at which they will take over the wool from the individual producer.

The essential function of Canadian Co-operative Wool Growers is to grade and sell the wool with a view to securing maximum returns for suppliers. This service is performed at cost, although the Association has power to deduct, with a view to building up a reserve fund, up to a further 1 per cent. from returns due to suppliers. Realizing the importance of grading and bulking, the affiliated associations have given Canadian Co-operative Wool Growers the power to mix wool received from the various associations with any other wool of like classification.

Fleeces are graded at the depots of Canadian Co-operative Wool Growers by qualified classers supplied by the Dominion Department of Agriculture. As the result of accumulated experience, it has been found possible for the official classers to build up a

grade schedule* which covers the different classes of wool produced in the Dominion. Although Canadian Co-operative Wool Growers at times makes up special lots to meet the particular requirements of buyers, these grades are usually found to be sufficiently comprehensive to meet manufacturers' requirements. The Canadian Co-operative Wool Growers does not break up the fleece. If the wool is sold overseas, it is press-packed for shipment, but when the wool is consigned to users in Canada and the United States, it is merely foot-trampled into standard sacks.

The wool handled falls into three broad categories, corresponding to broad geographical areas. The wool of Ontario and the provinces lying to the east is known to the trade as Eastern Domestic wool. The English Down breeds are the basal stock in the area, the finest quality coming from the Southdown. The Shropshire, Hampshire, Suffolk, Oxford, Leicester and Cotswold, and crosses of these breeds, are also common.

In western Canada, there are two main classes—Range and Domestic wools. The former come chiefly from the southern sections of Alberta and Saskatchewan and, being of merino strain, are the finest quality wools produced in Canada. The Domestic wools of the west are comparable to the eastern wools, but, in addition to the ordinary grade specifications, are subdivided into "bright," "semi-bright" and "dark," because the varying climatic conditions under which the wool is produced result in differences in condition and quality. Of the 4½ million lb. of wool collected by Canadian Co-operative Wool Growers in 1929-30, Western Range wool accounted for 2,144,000 lb., Western Domestic for 1,266,000 lb. and Eastern Domestic for 1,012,000 lb.

The returns from each of these three broad groups are separately pooled for the purpose of paying suppliers. From the pool to which his wool belongs, the grower receives a price based on the weight of each grade supplied. As in the case of the English wool societies, the price paid is the average realized over the season less the cost of marketing.

The wool is stored and released over the season in the quantities and classes required by users and exporters. The aim of Canadian Co-operative Wool Growers has been to sell as directly as possible to users. Sales are made by private treaty direct to mill owners in Canada and the United States and to buyers for overseas countries. The wool may be sold on inspection, on sample, or by description. The Association, on the basis of the work done by the Federal Department of Agriculture, has been able to grade to manufacturers' requirements and to execute repeat orders. The result of careful grading is that the confidence of manufacturers in Canadian wool has been greatly strengthened, and that satisfactory returns have been secured for wool sold overseas. The

* See Appendix E.

Canadian Co-operative Wool Growers has made considerable sales in the United Kingdom and is closely studying the Japanese market as a potential outlet for the wool grown in the western States.

Credit.—Since Canadian Co-operative Wool Growers itself holds wool until it is required by users, it must itself supply credit to growers. The Association is empowered by contract to borrow money on the security of the wool and to deduct the interest on the money borrowed from the sale proceeds due to the affiliated associations. On the basis of ruling world prices, the parent organization decides in the spring on the rate of the advances to be made to growers. The local associations make advances to the individual growers from funds obtained either from the central organization or through banks on the security of warehouse receipts and bills of lading on wool. In order to reduce the credit burden on the affiliated associations, Canadian Co-operative Wool Growers pays the associations for wool received from them as and when funds become available. As in this country, the granting of credit, though necessary, has proved dangerous, especially on a falling market; but, apart from the over-advances made in 1920-1, when wool values declined very rapidly, the system has worked satisfactorily in Canada. Care is taken to make the advance on a sufficiently conservative basis—usually 50 per cent. of the estimated value of the wool—and its speculative character is reduced by Canadian Co-operative Wool Growers' general policy of refraining from holding wool for a rise in price.

Other Services.—In addition to the above services, Canadian Co-operative Wool Growers encourages propaganda to increase the use of wool, sells manufactured woollen goods to members and supplies them with the requisites for sheep production. The manufactured woollen goods are not necessarily made from wool supplied by the Association, but are bought from Canadian mills which purchase wool from it.

Through its publication, "The Canadian Wool Grower," the national organization keeps the producer informed of its activities and of conditions in the wool market, and educates him in the production and preparation for market of both sheep and wool.

The organization's activities have been an important factor in the improvement of wool production and marketing in Canada. From the growers' standpoint, it provides a means of selling his wool on a quality basis and of putting him in direct touch with the international wool market. An efficient large-scale organization which considers his interests has been established. It is claimed that, by extending the selling season, prices have been stabilized and short-period gluts avoided. The system of assembly through local associations and of grading by independent graders ensures efficiency. As a result, Canadian Co-operative Wool Growers

has won the confidence of producers and of manufacturers. Although, at first, considerable opposition came from the wool trade, the Canadian mill interests have been friendly and have assisted organization in every possible way.

CHAPTER IX.—ANALYSIS OF ORGANIZED PRIVATE-TREATY SELLING.

(i) Factors in Development.

The development of wool marketing organization in the United States and Canada has taken a different line from that of the Southern Hemisphere. In each case, however, the growth has been organic, developing directly from the prevailing conditions of production and consumption. It has been shown in Chapter VII that the central auction system has grown up in response to the conditions prevailing in wool-exporting countries. The chief factor in moulding organization in North America has been the predominant importance of the home market as compared with export demand. The United States and Canada consume practically the whole of their domestic production and, in the former country, the home clip in point of volume and quality is gaining a commanding position in the home market. America, largely by reason of her geographical position, is not a centre of the international wool trade, while her buyers, when operating abroad, buy for home consumption. In short, the conditions which favour the development of a central auction system do not exist in North America. Instead, organized selling by producers takes the form of private-treaty dealing, largely direct with consuming centres.

Other factors which have determined the scope of producers' organizations are to be found in the conditions prevailing in the producing areas. There has been no development of the country auction system, and a large part of the wool is assembled by mill agents or middlemen, the latter having no specialist knowledge of wool. Consequently, there is a strong economic case for the organization of assembly and for the preliminary adaptation of the wool in producing areas for sale in consuming centres.

In assuming these functions of assembly, adaptation and sale, co-operatives in North America have found it necessary to have entire control over the wool from the time of its arrival at their depots. Once the need for sale in central markets with the corollary of bulking and grading became apparent, the practice of the private warehouse companies of leaving the right of deciding the time of sale to the individual producer became administratively impracticable. Control in these matters passed to the central body, and,

in the latest stage of development—the federation of individual associations—has been further centralized in respect of such features as directly affect selling policy.

(ii) Business Structure.

The business structure of the North American wool co-operatives has naturally been influenced by developments in the large-scale organization of producers of other commodities. These have been described in another Report,* and it is only necessary to emphasize those features which are closely associated with functions and policies.

The uniformity in structure exhibited by the organizations' described in Chapter VIII is not accidental and is closely bound up with the fact that they sell direct to the consumer. An organization selling direct to the consumer must be able to command a large volume of wool in order to maintain uniformity within each class or grade of wool offered for sale and to ensure continuity of supply throughout the year in each grade. This basis of quantitative and qualitative control is essential to successful sale direct to the consumer. To satisfy these requirements, the producers' organization must have some guarantee of supplies. The supply contract—providing for liquidated damages in the event of default—whether between the grower and his association or between a local association and a central organization, is therefore almost universal. With such a guarantee and the knowledge of the volume and quality of supplies which it ensures, an effective selling organization can be built up in consuming centres and arrangements made, if necessary, for the disposal of the wool in advance. Bearing in mind the importance of volume, it is significant that Canadian Co-operative Wool Growers stipulated that contracts would not be valid unless 3 million lb. of wool were contracted; similarly, in the United States, a co-operative association, in order to affiliate with the National Wool Marketing Corporation, must handle at least 500,000 lb. of wool. Moreover, the nature of the contracts is important. In contrast with the contractual arrangements in force for some other commodities, the marketing arrangements adopted by the North American wool co-operatives, with few exceptions, give the central body complete powers to decide upon the form and degree of grading, and to control the time, place and terms of sale, the function of the local units being limited to the enrolment of members and the assembly of the clip. Ultimate producer-control is assured by the election by producers of directors to local associations, which, in turn, elect the central board. District votes are based usually on sheep population, or, on the volume of wool sold through the organization.

* *Large Scale Co-operative Marketing in the United States of America.* Economic Series No. 4.

(iii) Business Functions.

(a) **Assembly.**—Representatives of local associations and officers of the central body arrange the shipping of the clip in bulk to the central grading depots. The grower or the local association, as the case may be, pays freight to a receiving point specified by the central association. The receiving warehouses, which act as grading and storage centres, are located with due regard to the ultimate destination of the wool and with a view to securing economy in handling. Whether owned or leased by the organization, the wool warehouses in the United States are usually registered for the purpose of securing credit facilities (see below).

The centralization of the processes involved in preparing wool for sale is a characteristic of the organization of wool assembly in North America.

(b) **Preparation for Market.**—However the wool may be sold, success in organized wool marketing is very closely bound up with the care with which the wool is prepared for sale. This calls for expert knowledge of wool quality. Sale by private treaty also involves a knowledge of buyers' requirements.

Some of the clips—grown mostly in the western range States—handled by the North American co-operatives, are sufficiently well got-up and sufficiently large and uniform to meet consumers' requirements, and can be sold in the bags in which they are received. These sales are not pooled. To enable the buyer to make repeat orders, and in order to encourage the producer to maintain and improve the quality of his clip, the bags in which these clips are sold are marked with the grower's name. This system is probably fair and efficient, but its administration necessitates tact and impartiality.

Grading and bulking are necessary, however, with most of the clips, since they are small and of mixed quality. The purpose of grading is to render the wool acceptable to buyers by placing wool of like quality in the same category. In order to make the lots sufficiently large to attract buyers, it becomes necessary to combine fleeces of like quality from different growers in the same lots. Thus, when wool enters what may be termed the "grade pool," the fleeces lose their identity, and, in order equitably to distribute returns, it is necessary that careful records should be kept by the central or affiliated association of the quantity of wool in each grade supplied by each individual.

Grading is carried out on generally similar lines by all these organizations, the primary considerations being the fineness of the fibre, the length of staple* and the condition of the fleece. Naturally, the number of grade categories depends mainly on the range of

* Wools are broadly divided into "clothing" and "combing," according to whether the staple length is suitable for the woollen or the worsted industry.

qualities handled by the organization. The grades which have been adopted by these organizations are comparable to those adopted by the staplers and wool merchants in this country in that they are known to buyers and their uniformity is maintained from year to year. When the usual grades are not suited to the requirements of the purchaser, a special grade is sometimes set up, or selections from the ordinary grades are made to meet them.

Producers both in Canada and the United States owe much to official guidance and assistance. In Canada, growers' associations have availed themselves of the services of the official graders, and a comprehensive schedule has been drafted which embraces the qualities of wool grown in the Dominion. In the United States, official grades for wool have been promulgated on the basis of the Bradford count system.* These grades, however, only take into account the single factor of fineness of fibre and are therefore no more than a guide to the graders, who, in practice, have many other factors to take into consideration (see page 110). Nevertheless, they have been of value in rationalizing the method of grading throughout the country.

(c) **Selling.**—As already indicated, the North American wool co-operatives sell directly by private treaty, chiefly in the consuming markets and only to a very limited extent to foreign buyers. Thus, they perform the functions of the specialist wool merchant in this country, linking up the producer with the wool industry. Sales are made at first by inspection of samples or bulk; when the manufacturer gains confidence in the consistency of grading, sales are conducted on the "repeat order" basis. The large organizations have consolidated their position by having their own sales offices, agents and warehouses in the chief textile cities. Transactions abroad are usually effected through agents.

The tendency to centralize sales activities is most marked. Before the formation of organizations operating on a nationwide scale, many of the smaller co-operatives had already entrusted their selling to larger associations. To-day, in both Canada and the United States, there is a single organization capable of selling all the wool that is marketed co-operatively.

(d) **Pooling of Returns.**—Except where clips are sold "in original bags"—i.e., without grading by the association—all the returns on wool sold co-operatively are pooled. This is a direct corollary of the bulking of individual clips. Once a grower's produce has lost its identity, the only feasible basis of payment is the average price received during the season (or other pool period) for the grades into which his wool was placed. This principle is adopted by the North American co-operatives, as it is by the English wool societies (Chapter V). In the case of the larger co-

* See Appendix F.

operatives, however, a modification of the pooling principle is found. The wool handled by these organizations is drawn from a wide area, over which breeds, systems of sheep farming and shearing periods widely differ and climatic and soil conditions are sufficiently varied to cause considerable differences in the quality and condition of the wool. Under these conditions, it is convenient to sub-divide the wool on a broad territorial basis and to pool, separately the returns from the sale of each area's wool. Thus, Canadian Co-operative Wool Growers operates three major pools, and the larger organizations supplying the National Wool Marketing Corporation in the United States operate as many as a dozen pools. Since the date of shearing and the rate of industrial absorption of the wool in the different pools vary, so also must the periods of the year during which the pools remain open.

The pooling of returns is facilitated by the fact that the central selling associations do not pay freight costs, either from the farm to the depots or from the depot to the buyer.

(e) **Credit.**—The credit service provided by the co-operatives embraces both production and marketing credit. This last, both in Canada and the United States, is by far the more important.

Production credit, which is more a feature of American than of Canadian co-operatives, takes two forms. In the western States, where the pastoralist's income is largely dependent on returns from wool, some marketing organizations provide growers with "long period" production credit—up to 18 or 20 months—with which to purchase "fall" ewes, to carry sheep stock over the feeding period and also to purchase dairy stock. These advances are secured through a chattel mortgage on the stock, which the grower takes up with the association or direct with a bank; in the latter case, it must be registered through the association.

Much more general, however, is the short-period, pre-shearing advance, made up to a maximum of six months prior to the receipt of the wool. The security for these loans generally takes the form of a chattel mortgage on the wool, though the supply contract between the grower and the association is often regarded as adequate security.

Production credit has now become a regular feature of wool marketing organization in the United States, but it should be regarded as extraneous rather than essential to the system of organized wool marketing. It is probable that some such method of combating the practice of wool merchants of making advances to the grower while the wool was actually on the sheep's back and thus securing the supplies was a practical necessity, if support was to be won from those whose financial position was weak. In this respect, it may be regarded as synonymous with the credit given by broking houses in Australia before the delivery of wool. But it is important that a clear line of demarcation should be drawn between the purpose of production credit and that of the marketing

credit required to meet the special circumstances of a seasonally produced commodity which must be realized over a considerable period of time.

The grower receives his marketing credit as an advance payment, either directly the wool has been lodged with the local association or against shipping documents given by the railways. Both in Canada and the United States, the advance is made by the local association, which may make its own arrangements for securing credit funds or may secure them through the medium of the central association. In the latter case—and it would appear that this procedure is now becoming general—the central body decides the maximum extent of the advances which may be made on each quality of wool.

The marketing credit obtained by wool marketing organizations in both countries is secured on the wool itself, which is pledged to the banks, although the actual machinery used differs somewhat in the two countries. In Canada, the commercial banks give ample credit accommodation to Canadian Co-operative Wool Growers and its affiliated associations on the security of bills of lading or warehouse receipts. The co-operatives in the United States have been assisted in the matter of marketing credit by the Federal Warehouse Act, by the Intermediate Credit Banks and, later, by the National Wool Marketing Corporation in conjunction with the Federal Farm Board. Most of the warehouses leased or owned by the producers' associations are registered under the Act, and warehouse receipts issued by them are taken as collateral by the Intermediate Credit Banks, which make advances to the associations, these in turn passing them on to the individual growers at the same rate of interest. As suggested on page 92, indirect State aid in recent years have probably resulted in advances being greater than have been commercially justifiable.

(f) **Miscellaneous Services.**—In addition to selling wool, some of the organizations have done some processing, such as scouring and carbonizing, and the National Wool Marketing Corporation is going as far as to have tops made on commission. Associations generally have been active in educating their members in the production and preparation of wool. In this connexion, the issue of periodical bulletins has proved helpful. Other services have been the joint purchase of production requisites and, by some associations, of manufactured clothing, and participation in publicity campaigns for wool products.

The large-scale wool co-operatives of North America have accomplished a real improvement in the marketing of wool. The grading system enables the producer to be paid on a quality basis. This, together with the field services and educational activities of the associations, has had a salutary effect on the standard of production and get-up of the clip and on the attitude of producers

towards organized marketing and its problems. The credit and educational services, together with the collective purchase of pastoral requisites, has also helped to make the sheep farmer a more efficient producer. Indirectly, too, his returns have been increased by organized propaganda to stimulate the demand for wool products.

Manufacturers have also benefited directly by the activities of the associations. The wool merchant topmaker has never occupied in America such a pivotal position as in this country, and, for this reason, the organized assembly of the clip and its classification into recognized grades should be of particular value to manufacturers in enabling them to secure their raw material at less expense and trouble than formerly. Losses in manufacture should be minimized by the improvements in the quality and presentation of the fleece.

For these reasons, the manufacturers have generally adopted a friendly attitude towards the large-scale wool co-operatives. They regard them as partners who can give valuable assistance in meeting some of the problems facing the wool textile industry. In particular, it is recognized that the concentration of supplies into a few large units can result in a real service to the manufacturing industry through the orderly feeding of the product on to the market.

PART IV.—RE-ORGANIZATION IN ENGLAND AND WALES.

CHAPTER X.—MARKETING SERVICES.

(i) Introductory.

The survey of marketing methods in Part II of this Report has shown that in the prevalent system of marketing wool in this country there are definite weaknesses associated with the maladjustment of marketing methods to production conditions. Chief among these are the bad get-up of the clip, the weak selling position of the producer and the waste involved in assembly.

The analysis of organized marketing in the southern Dominions and North America given in Part III shows how two distinct systems, based on different production and marketing conditions, have been established to meet the market demand for large uniform lots. In the southern Dominions, the central auction system is undergoing modification to cope with the growing problem of small mixed clips. These clips are now classed and bulked at the broker's premises before sale. The willingness with which producers entrust bulk-classing and pooling to brokers is largely attributable to the fact that the auction system and brokers' practices are closely regulated in the interests of growers, brokers and buyers.

Where, however, as in North America, there is no central auction and no strictly regulated brokerage system, the producer-controlled grade pool has emerged as the only type of organization which can meet the needs of the consuming industry for large uniform supplies and at the same time ensure, for the producer, payment on a quality basis and adequate competition.

Fundamentally, in spite of wide differences in the method of control and sale, the same principle of organization lies behind the bulk-classing of wool at brokers' premises in the southern Dominions and the bulking and grading of wool by co-operative societies in North America. The small mixed clip loses its identity; direct control of the preparation of the wool for market and of its sale passes from the individual producer to the organized producer, or to a broker whose practices are regulated.

If overseas experience is considered in relation to conditions in this country, it is clear that the principle which lies behind the grading and bulking adopted by the English wool co-operative societies is essentially sound, whatever mistakes may have been made in its practical application. So long as production conditions remain as they are, permanent improvement in the marketing of home-grown wools can only be achieved by the extension of this

principle, whereby the producer surrenders, to an organization responsible for the physical handling and sale of wool, the right to determine the form, time and place of sale. The most promising type of collective action is the producer-controlled organization operating a grade pool. Given the concept of the grade pool as the objective of organization, it is necessary to consider in broad outline the marketing services which are associated with it.

(ii) Assembly.

Owing to the influence of varying physical conditions in different parts of the country upon the number and breed of sheep in any area, it is possible only to lay down the broad principles to be observed in organizing the assembly of the clip. In particular, it is impossible to make specific recommendations as to the turnover which can be most usefully handled at one depot, or the size of the area from which wool should be drawn. In general terms, however, it can be said that in planning an assembly unit, it is necessary to take into consideration the nature and extent of the transport facilities and the density and homogeneity of the sheep population within the area of supply. Only after the most careful consideration has been given to these factors can the size of depot be decided upon. It may, in one instance, be preferable to restrict the area of operation and thus avoid high transport costs and great diversity of breed ; in another instance, a slight increase in the area of operation beyond that at first contemplated may greatly increase turnover and thus reduce unit costs.

Once the area of operation has been decided upon and provision has been made for handling the wool which it is estimated can be drawn from that area, it is of great importance that the operations of the assembly unit should be confined to exploiting the area in the most efficient manner. As is pointed out in Chapter XI, this becomes a relatively simple matter if organization is based on the Agricultural Marketing Act. If, on the other hand, organization is proceeding upon a purely voluntary basis, the difficulties of judging the amount of support likely to be obtained and of retaining that support from year to year are very considerable, and if the volume of wool necessary to ensure the efficient working of the depot is not forthcoming, the temptation to extend the area of operation will become increasingly difficult to resist.

The danger then arises that, by increasing transport and other costs, or by greatly adding to the diversity of the types of wool handled, any advantage gained by increased turnover will be more than off-set by disadvantages in other directions. Of the various items which together make up handling costs per unit of wool, only standing charges, such as rent, rates, depreciation, maintenance of plant and salary of the permanent staff, can be reduced by increasing the turnover, and these in the aggregate do not account for

a high proportion of total costs. Such costs as bank interest on advances, transport into the depot, grading and selling costs, are all proportionate or almost so to the amount of wool handled. The extent, therefore, to which increased turnover can be expected to reduce handling costs is limited.

The position may perhaps be summed up by saying that if the economic area of operation has been correctly judged in the first place, efficiency depends upon increasing the volume of wool obtained from within that area rather than in looking farther afield to make up any deficiency.

(iii) Preparation for Market.

(a) **By the Producer.**—If full advantage is to be taken by the producer of the services of his marketing organization, it is essential that care should be taken on the farm in preparing the fleece for market. Tar and paint must not be used for marking sheep, as these directly affect the value of the fleece. Great care should be exercised in selecting suitable dip, as otherwise harm may be done to the wool. It is advisable not to use bloom powders, but, if they are used, care must be taken that they do not contain dye which will not scour out.*

Daggings and claggs should be clipped from the fleece before shearing, and, if sheep are washed,† clipping should precede washing; in any case, the daggings and claggs must be bagged and not rolled with the fleeces. Sheep, after washing, should not be shorn until the wool is quite dry, but shearing should not be postponed more than 10 days, as otherwise the rise of the yolk is sufficient to cause the wool to be classed as greasy. Shearing should take place in a clean spot, preferably on a wooden floor or bench. Precautions should be taken to see that straw and other vegetable matter do not get into the fleece, as these must later be picked out by hand. After shearing, the fleece should be neatly rolled and tied up with the neck end or with paper twine. Wool should be stored in a dry, clean place and, when packed, care should again be taken to see that dirt does not get into the fleeces. Binder twine should never be used for sewing up sheets, as it is liable to get into the wool and ruin the finished cloth.

(b) **Some Aspects of Wool Grading.**—The National Mark Scheme, with its standard grades for agricultural produce, accompanied in many cases by standard packs and labels, has been successful in providing a background for the development of orderly marketing

* It is probable that a producers' organization would supply marking fluid, dip, etc., of a suitable kind, or would assist producers by advice on the subject. The marking fluid originally prepared by the Woollen and Worsted Industries Research Association and now obtainable commercially does not damage the fleece.

† See page 47.

for many products, and it is necessary to consider to what extent standardization, which has thus come to be regarded as the basis of greater efficiency in agricultural marketing, is applicable in the case of fleece wool.

There are three main difficulties associated with the definition of standard grades for wool. The first is the number of factors which must be considered in judging a fleece. British wool is graded primarily on the basis of breed. Breed, as such, is, however, regarded by the grader as a guide rather than as a fundamental classification and fleeces from one breed may, on occasion, be graded with those of another if the quality of the individual fleece justifies it.* Besides breed, two other factors are invariably taken into account, the first being whether the wool is washed or unwashed, the second being age or sex. In addition to these primary subdivisions, a number of factors of a more technical character must be taken into account in grading a parcel of wool. The following are some of these factors :—

1. Yield of clean-scoured wool—i.e., the weight of wool that is to be expected after scouring.
2. Tear—i.e., the relation of "top" to "noil" after combing.
3. Count—i.e. fineness of fibre.
4. Kemp and grey fibres.
5. Length, strength and uniformity of staple.
6. Handle—i.e. softness, elasticity, "quality."
7. Felting quality—i.e. the property possessed by some wools, which results in closely interlocking fibres.
8. Lustre.
9. Crimp—i.e. fuzziness.

It is not suggested that in practice each, or even the majority, of these factors is taken into account in grading wool. In fact, a process of averaging is adopted. Broadly, the grader must decide how far the fleece he has under consideration is "true to type—" how far, that is to say, the aggregate of qualities, which he has rapidly estimated in his handling of the fleece, is that which he has learnt to associate with the breed which he is grading.

Examination of the foregoing schedule of technical factors points to the second difficulty in the definition of standard grades for raw wool—that of closely measuring these factors. It must be emphasized that only two of the nine qualities—viz. the yield of clean-scoured wool† and tear—are subject to close measurement. Even these can only be ascertained after the wool has been scoured or combed ; in raw wool, they must be estimated.

* For example, Kerry Hill may be regarded as Shropshire or vice versa.

† A method of sampling has been evolved by the Bradford Conditioning House for estimating the yield of clean-scoured wool. It is, however, a laboratory method, suitable mainly for such purposes as ascertaining whether a parcel of wool which has been sold on a basis of guaranteed yield is up to description. It is not used in the daily round of buying and selling.

The remaining qualities are essentially matters for the judgment of the individual grader and no mechanical or analytical test has been devised to measure them commercially. Grading decisions are based on touch and appearance and the grader's knowledge of wool.

The third difficulty is that the importance which should be given in grading to the various quality factors, both individually and in combination, differs according to the breed or type of sheep and the use for which a particular parcel of wool is required. Thus, though fineness of count is, on the whole, the most important factor in determining wool values, yet buyers would not seek this quality to the same extent in all breeds but in some would rather look for the qualities of handle, lustre or strength of staple. Again, the presence of a small proportion of kemp might not be a defect for certain purposes, whereas it would render the wool quite unsuitable for the manufacture of a fabric that had to be dyed. In view of these variations, it is clear, in the first place, that in an attempt to draw up a schedule of grades for the home clip, each breed would have to be considered separately and the schedule would have to reflect the aggregate of the qualities normally associated with the breed in question. In the second place, if the grades were to meet the needs of the industry, they would have to cater for the whole range of combinations of qualities which constitutes industrial demand for wool.

It must be concluded, therefore, that the definition and maintenance of standard grades for commercial use with wool is impracticable because of the variability of the product and of demand.

(c) **Grading Service of Producers' Organizations.**—Though the definition of standard grades for fleece wool is not possible, grading—that is, the preparation of wool for sale by placing like fleeces with like—is one of the most important of the functions of a wool marketing organization. Not only does industry require large uniform lots, thus enabling the kind of wool required to be obtained easily in the necessary quantity, but, in actual practice, to make a fair valuation of a parcel of wool containing several qualities of fleeces is a virtual impossibility. Thus, without grading, growers can neither obtain maximum competition for their wool nor ensure payment up to its full value. Under the conditions of production prevailing in Great Britain, if wool, grown in small, mixed flocks, is to be graded so as to meet the demands of industry for large uniform lots, each producer's consignment must be bulked and its identity lost in grade pools.

Whether wool is sold by public auction or by private treaty, much of it will pass into the hands of the merchant top-maker, who may resell it either in the fleece or as semi-processed wool. Nevertheless, the grading technique to be adopted by a producers'

organization must be closely associated with the system of selling which it adopts.*

Grading for sale at public auction, where purchases are made after the inspection of bulk or sample, becomes in essentials the same as classification (see page 54). What is required by the purchaser is uniformity of quality and condition within each lot of wool offered. If allowance is made for the fact that wool from some breeds of sheep shows more variation in quality and can therefore be usefully sub-divided into a larger number of grades than others, the closeness and fineness of grading depends upon the volume of wool handled and upon whether it is considered that competition for the wool, taken as a whole, will be encouraged or reduced by closer grading. Thus, of two organizations handling wool of the same type, one handling twice the volume might, with advantage, adopt, say, 25 grades compared with the other's 15. It is likely that an organization handling about the same volume and qualities of wool from year to year would, by trial and error, arrive at the optimum number of grades to be maintained each year. In so far as these grades became known to buyers, they would tend to have a commercial value, but an organization selling by auction would probably change its grading periodically to meet short-period changes in demand and variations in the volume and quality of its own supplies.

An organization attempting to supply manufacturers directly must follow a different grading policy. In this case, a specific volume and quality of wool must be related to the specific requirements of customers. Generally, the deciding factors in making up the grades would be the needs of individual buyers rather than the volume of wool handled by the organization. There are, in practice, two stages in the adaptation of wool for sale to consumers by private treaty. There is a preliminary process of bulking the fleeces in broad grades which would be maintained from year to year. A part—perhaps a major part—of the wool might be sold direct to manufacturers without further classification. Often, however, in order to meet the requirements of customers, there must be a further process of selection from the broad grades or of discarding individual fleeces with certain characteristics. Thus, the closeness of grading in the first instance may be greater or smaller than in grading for sale by public auction, but the eventual range of selected lots may be very much greater.

Since success in private-treaty selling largely depends upon building up a clientele of satisfied customers, and since business is greatly facilitated by repeat orders, it is essential that, in grading for private-treaty sales, grades should be constant from season to

* Whatever the method of sale, an organization should systematically check the get-up of each consignor's clip before it is merged in the grade pool, and penalizes the careless packer. Only thus can the organization and the careful wool grower be safeguarded against the consequences of carelessness or dishonesty on the part, perhaps, of a small minority of suppliers.

season. Moreover, in order to meet a wide range of requirements and to avoid difficulty in the disposal of lower-grade wools, an organization dealing in the private-treaty market must control a large volume of wool and secure a wide range of buyers.

(iv) Sales Methods.

The sales method to be adopted by a producers' organization requires to be examined both from the point of view of its probable efficiency as a method of disposing of the clip, having regard to the relative importance of the home and export demand and of its influence on the structure of organization and on the handling and preparation of the wool for sale.

In planning a sales policy, the organization needs to view its supplies in their correct perspective in relation to alternative supplies open to buyers. Since the wool produced in this country is all "crossbred" or carpet wool of varying quality, and is only a relatively insignificant proportion of total world supplies, it follows that nothing that can be done by a producers' organization in this country, acting on its own, will affect the *price movement in consuming centres* for home-grown wool. It is true that organization, by widening the range of demand for home-grown wools, may slightly increase their price in relation to other crossbreds; but the margin of such a possible increase must, in any case, be small, and will not alter the fact that the general price level of home crossbred wools is determined by that of imported merinos. In view of the international character of the factors determining wool prices, an organization selling home-grown wool, whatever the sales method adopted, cannot influence market prices by speculative tactics, such as carrying over stocks of wool from year to year. Increased returns to producers in this country are to be sought by greater efficiency in the production and presentation of the clip, by economies in its assembly and transport, and by offering it in the form and place that will attract the maximum competition.

Three methods of sale open to organizations operating on a grade pool basis need to be considered, viz. :—

- (1) Sale at a central auction solely;
- (2) Sale by private treaty solely;
- (3) Sale by private treaty or at a central auction as commercial conditions dictate—a dual system.

(a) **Sale at a Central Auction.**—The question whether a central auction offers the best means of selling the home clip is closely associated with the position of London as an international market for wool* (Fig. 22.) The importance of the London Wool

* For a description of the organization of the London Wool Exchange see Economic Series No. 7, p. 34, and Economic Series No. 26, p. 180.

Exchange in relation to the producer in this country, lies in its unique position as a source of supply of raw material to manufacturers and merchants, not only in this country but also in European countries and in America. No market outside the primary producing countries can compare with it in importance.

It is true that the volume of wool handled in London has shown a big decrease during the present century. To-day, between 600,000 and 700,000 bales of wool are sold in London during the twelve months, where something like twice that amount was sold 30 years ago. But, even so, only Sydney can show a larger turnover. The fact that London no longer holds the same position as formerly as a primary market for producers in the Dominions can hardly be held to affect its potential importance as an outlet for the English clip. That importance rests upon the nature of the competition in London and not upon the volume of supplies relative to the amounts of raw wool marketed in primary producing countries. It is in its proximity to Bradford and to the great European markets that the strength of this market lies; in fact, the volume of sales to European and American buyers in recent years has exceeded those to the home industry (see Table XIV). The significance of this to the home producer will be appreciated when it is realized that, on an average, 40 per cent. of the home clip is exported.

Apart from the international character of the demand, London offers to the small manufacturer, particularly in the woollen trade, an opportunity of obtaining his supplies at public auction. Many firms which are prevented by financial reasons from purchasing in primary markets overseas make regular use of the London market. There is, therefore, an important "spot" demand, wool being bought in considerable quantities to go straight into industry. This "spot" demand is encouraged by the fact that sales are normally spread over six series each year and that purchasers do not need to buy and hold a long time ahead of requirements. All classes of buyers—merchants, large manufacturers and small manufacturers—use the London market from time to time.

Hitherto, it has not been possible to exploit to the full the possibilities of the London market for English wools. The weakness has lain in the fact that only a negligible part of the clip of this country has reached the London market, and that staplers and merchants have been able to buy the bulk of their requirements at local auction or by private treaty. In such circumstances, maximum competition can never be realized. It was pointed out in Chapter VI that the purchase of only a small proportion of the Australian clip by private treaty endangers the system, and that the prevalence of a dual system in South Africa has been severely condemned by the Wool Council. It is certain that, until a greater proportion of English wools is sold in London, the benefits of competitive demand will only partly be realized. Nor have producers in this country exercised any control over the London

Auction Sales comparable with that of the Central Wool Committee in Australia. The kind of co-operation between brokers and producers which is a feature of wool marketing in the Dominions cannot be effected unless producers are strongly organized.

Besides the London Wool Exchange, an important central auction exists at Liverpool. It operates on broadly the same basis as the London Wool Exchange, sales being held eight times a year. The supplies which find their way to this market are, however, more specialized, being confined chiefly to South American and East Indian wools, a large proportion of which are carpet wools. For certain classes of mountain wools grown in this country, it is, therefore, possible that maximum competition, as regards both home and export buyers, might be secured by cultivating this market.

It is sometimes argued that the cost of selling in London, involving as it does the transport of a 25 per cent. sample, the insurance and warehousing of the wool and the auctioneer's fee, is excessive. That there are grounds for this criticism is not denied, but it must be emphasized that the primary objective of selling at public auction is to secure maximum competition and that this is certainly forthcoming in London. As yet, there are insufficient data for comparing costs in that market with those of alternative methods, and until comparative figures are available, not only for costs of selling but also for *prices received*, comparisons must be of doubtful value. Moreover, it is likely that, by concerted action (see Chapter XI), producer-organizations could effect a substantial reduction in the costs of selling at central auctions and introduce still greater flexibility into the system. Given these developments, it is likely that much of the criticism at present levelled against the system would lose its force.

It has been urged that, to avoid the costs of selling in established markets, organized producers should sell their graded wool by auction direct from their warehouses in producing areas. Bearing in mind the vital necessity of ensuring competition, it is suggested that the principle of trying to draw buyers to relatively small auctions, instead of concentrating supplies upon large ones, is bad in theory. It is certainly arguable that, for certain classes of speciality wools, demand is already sufficient to ensure a large enough attendance of buyers at ex-depot sales; and that any possible decline in competition as compared with London would be more than offset by decreased expenses. But, firstly, such a line of reasoning overlooks the fact that if the auction system is to be developed in this country, its efficiency will be closely linked with its capacity to attract international competition and will depend upon widening the range of demand for English wools. Secondly, a system of ex-depot sales would emphasize what is already one of the weaknesses of the auction method—namely, its tendency to inflexibility; for, if a sufficient number of buyers,

both from this country and abroad, are to be attracted, all sales would have to take place during a few weeks and all wool at each depot would have to be sold at one time in order to suit the convenience of buyers and to ensure adequate volume.

From the standpoint of producer-organization, the method of selling at public auction has considerable advantages. In the first place, there is a definite limit to the organization's responsibilities, and its activities are mainly directed towards ensuring efficient assembly, grading and get-up in order to attract the maximum competition. Moreover, it can estimate within reasonable limits what the costs of selling will be. These are important considerations, particularly for the small-scale organization.

(b) **Private Treaty Sales.**—As an alternative to the central auction method of selling, producers operating a grade pool might sell their wool by private treaty. The existence of a speciality demand for some wools, the proximity of certain wool-growing areas to wool-consuming centres or to ports of shipment and their long distance from London suggest the consideration of this alternative.

Producers generally are prone to think that direct sale to the users of wool is both practicable and desirable, but whatever the method of sale, almost all the wool for the worsted industry and a large proportion of the woollen industry's raw material must be handled by a specialist before reaching the spinner. This specialist, the wool merchant topmaker, combines the functions of processing wool and dealing in by-products, such as noils, with the purchase and sale of home and imported fleeces. Private-treaty sales might be made either to this intermediary or to the ultimate consumer, but there are a large number of wool consumers who cannot buy direct from a producers' organization unless it performs the processing and other functions which are to-day carried out by the merchant topmaker.

The theoretical advantage of private-treaty sale is that it is more flexible than the auction system—supplies can be fed on to the market as and when required. But, in order to be able to do this, an organization must be prepared to sell to users at any time the quantities and qualities of wool they require. It must, therefore, control continuous supplies of wool of the qualities handled, must know the particular requirements of individual clients, and must have the technical ability to select wool to meet these requirements. Only thus can it satisfy selective demands similar to those met by the established stapler and reduce selling costs by conducting an increasing proportion of its trade on the "repeat order" basis.

Furthermore, this method of sale leaves the control of preparation for market and of selling in the same hands; it is not possible, as in the case of auction selling, to rely on the "external" advice

of the broker. Since, in private-treaty sale, the price depends on the skill of the seller in pitting his knowledge, experience and business acumen against those of the buyer, success would be largely dependent on the efficiency of the sales section of the organization. It would also be necessary for the organization carefully to study conditions in the raw material and consuming markets at home and overseas, with a view to deciding when and where to sell, and to modifying its methods of preparing the clip as required to meet changes in demand. Wide technical and commercial knowledge and extensive contacts with consumers would be necessary to secure maximum returns on the whole supplies handled, good and poor quality alike.

Altogether, it is clear that the responsibilities of an organization selling by private treaty in consuming centres would be greater, and that, consequently, its business structure must be more complex than that of an organization selling its wool at central auctions. Producers may well consider whether the former type of organization, involving as it does a greater capital outlay and risk, should be established without some guarantee of supplies. Such a guarantee might be provided by the use of supply-contracts. Alternatively, if producers chose to organize under the Agricultural Marketing Act, they could secure both continuity and volume of supplies to their organizations.

(c) **Dual Selling.**—An organization commanding a large proportion of the home clip might well consider the operation of a dual selling system, combining selling at central auction with direct sale by private treaty.* While continuing to use the central auction, it would be in a position to make up special parcels, graded closely to manufacturers' requirements, to meet speciality demands, and to enter into forward contracts throughout the year. An organization operating such a system would need to be in close and intimate touch with consuming centres, both in this country and abroad, either through its own officers or through agents, and it is probable that, at least in the more important manufacturing centres, it would have to hold supplies either for sampling purposes or in bulk. Provided it possessed such facilities, however, it should be in a position to take immediate advantage of any favourable change in market conditions instead of being obliged to wait until the date of an auction before it could sell, and this additional flexibility should benefit both the producer and consumer of wool.

It may be remarked that a dual system† has been condemned both in South Africa and Australasia, and that every endeavour has been made to ensure that all wool is sold at public auction. No parallel, however, can be drawn between conditions in the

* See Chapter VII.

† On occasion, of course, any organization might find it necessary to deviate from its normal selling method.

Southern Hemisphere, where sales by private treaty have been rightly held to have weakened the auction system, and the development which it is envisaged might take place here. In primary producing countries, private-treaty transactions are uncontrolled, and the efficiency of the auction is menaced if the buyer has freedom to turn away from it and to secure his supplies by private bargaining with the broker or producer. The object of the seller in such a case is to secure the highest price possible for a given lot of wool without regard to the possible effect of his action upon the market as a whole. The discussion of dual selling as a possibility for this country pre-supposes a single organization deciding the time and terms of sale, both by auction and by private treaty. In its endeavour to secure the maximum net returns for the home clip as a whole, such an organization would find the method of sale normally best suited to the various types of wool. In so far as particular classes of wool were usually sold by one method, the existence of dual selling need not involve any weakening of the central auction. On the other hand, even with centralized control, if wool normally sold by auction were offered for sale by private treaty, the effect might well be harmful to the central auction system. The controlling organization would have to measure carefully the effect of changed selling policies on the efficacy of each method of selling, and experience alone would show whether the theoretical advantages of flexibility would in practice be secured to the producing and consuming industries.

(v) Processing.

Hitherto, it has been assumed that the producers' organization would not break up the fleece, or do any processing other than grading. At a later stage in organization, however, it is possible that organized producers might undertake some processing functions. For example, subsequent marketing costs might be reduced and returns increased if the sorting of certain types of wool* were done in producing areas and the wool sold as matchings. Similarly, transport costs, particularly in the export trade, could be reduced by scouring the wool before dispatch. The scouring of locks and daggings might well lead to increased returns.

Finally, there is the possibility that a large-scale organization might undertake some processing through ordinary commercial channels and with the co-operation of the trade. The advantages claimed in the United States for a system under which the producer can carry out a part of his dealings in combed wool have been clearly set forth (see page 91) and need no further elaboration here. Whatever the ultimate developments in this direction, it is urged that producers must first of all concentrate on the efficient assembly of the clip and its preparation for market.

* e.g. Welsh mountain wools.

(vi) Credit.

(a) Production Credit.—Production credit has never assumed the importance in this country that attaches to it in the Dominions and in the United States. This is accounted for by the prevalent mixed-farming system, under which the sale of produce of one form or another is always going on, and by the fact that wool is only a subsidiary source of income even to the specialist sheep farmer.

It is possible, nevertheless, that circumstances might arise which would make it advisable for marketing organizations to provide production credit, particularly in those areas where it has been the custom for farmers to depend largely upon merchants for credit. In the case of a voluntary organization, it is possible that supply-contracts, under which members would pledge themselves to sell wool to the organization, would be regarded by the banks as sufficient security for loans to the organization with which credit could be provided. There is little doubt, however, that facilities would be much more readily obtainable by an organization incorporated under the Agricultural Marketing Act. A marketing board can make advances to growers on produce in the course of production. The security for such credit might be forthcoming, either from the guarantee that the wool would be marketed only through the board or from the contingent limited liability of producers provided for in the case of the winding-up of a board. On the other hand, individual producers might secure an advance direct from the bank on the security of an agricultural charge, under Part II of the Agricultural Credits Act, 1928, and the collective guarantee of a marketing board for the repayment of advances secured in this way would then enable the registered producer to obtain the most advantageous terms.

(b) Marketing Credit.—From the standpoint of the producer, the chief advantages of the grade pool for wool are that he is paid on the basis of the different grades sent in by him and that his organization performs the marketing services on his behalf on a cost basis—allowing, of course, for the building-up of adequate reserves. The organization cannot therefore make final settlement with the producer at the time the wool is delivered; time is required for preparing the wool for market. Some wool may be sold in the early autumn of the same year; some may be carried over to the new year; while, in exceptional circumstances, part may not be sold before the next shearing. Even when all the season's sales are made, some little time must elapse before the average price for each grade can be ascertained, the costs of the season's operations calculated, and the net balance apportioned among suppliers.

A wool marketing organization which replaces a system under which producers can obtain cash for their wool at any time after shearing, as is the case at present, must be in a position to offer

good credit facilities. These would take the form of advance payments, based on the ascertained quantity and quality of wool delivered by the grower. Experience in recent years, however, has greatly emphasized the need for caution in fixing these advance payments owing to the impossibility of producer-control over the course of wool prices.

In view of the durable nature of wool, it does not appear likely that a producers' organization would meet with any difficulty in raising an overdraft from the commercial banks against the value of its wool, provided that it pursued a conservative policy in making its advances. Nor does it appear probable that producers would wish to turn to other sources of assistance*. In the past, however, it has been usual for the banks to require collateral security in the form of personal or joint guarantees—a system which places upon the shoulders of a few public-spirited individuals a responsibility which should be shared by all. Several methods suggest themselves for overcoming this difficulty. For example, the practice of one existing society might be followed, that is to say, the overdraft, or a portion of it, might be insured. Alternatively, the organization might accept only such advances as could be obtained on the security of the wool itself, backed possibly by a reserve fund built up for this special purpose. Finally, by organization under the Agricultural Marketing Act, the need for private guarantors or other special collateral would disappear, for each producer would himself be made a statutory guarantor up to a proportion of his interest.

(vii) Other Services.

There are other directions in which a producers' organization could contribute to the welfare of the industry. There is much scope for the increase of scientific knowledge in the breeding and management of sheep, particularly in regard to breeding for wool and mutton production. Organized producers could devote funds to these and allied purposes, and assist in the dissemination among farmers of knowledge of production and marketing and of supplies and prices. Similarly, much could be done to instruct farmers in the methods of handling sheep and fleeces so as to ensure that the clip is properly got up, and, having secured the production of a saleable and reliable article of commerce, to make its existence known to potential buyers. An organization could also purchase production requisites on behalf of its growers, and, if founded on a

* An organization selling to manufacturers and holding stocks all the year round would need carefully to plan its financial arrangements. For example, it might be advisable for it to cover part, at least, of its normal holding with its own capital, relying at the same time on bank assistance to meet the period when its seasonal commitments are heavy.

national basis, could participate in propaganda for the more extended use of wool fabrics.

CHAPTER XI.—A PLAN OF DEVELOPMENT.

In considering a tentative plan for the improved marketing of wool in this country, two broad lines of development suggest themselves—on the one hand, the progressive development and improvement of the existing system of voluntary co-operative societies* and its extension to new areas, and, on the other, the establishment by wool growers of boards, under the Agricultural Marketing Act, 1931, in which would be vested the marketing of the wool. In the last case, there is machinery whereby existing wool co-operative societies can become reconstituted as statutory boards under the Act.

(i) Voluntary or Compulsory Organization.

Whether organization is to proceed upon a voluntary or a compulsory basis is a matter for decision by producers themselves.

In attempting to assess the respective advantages of the two methods, it must be pointed out that in wool marketing there is no surplus to consider, and that the price of home-grown wool in consuming centres must always depend upon that of imported supplies. From a broad economic standpoint, therefore, there is no fundamental need to proceed upon a compulsory or a national basis. A voluntary organization, efficiently performing the basic marketing services, could proceed with confidence in so far as the competition of supplies not handled by the organization need not, as in the case of a "surplus" commodity, have the effect of placing a premium upon marketing outside the organization and thus vitiate its policy. Experience both in this country and abroad leaves no reason to suppose that development upon a voluntary basis would not meet with a measure, and perhaps a very considerable measure, of success.

On the other hand, voluntary organizations would continue to be faced with the difficulties which have faced wool selling societies in the past. In view of the tendency of farmers to regard wool as a by-product and their willingness to accept a flat-rate price at the time of delivery, it is at least probable that progress would be slow and that the unit of organization would remain small. The comparatively rapid development of voluntary

* Proposals have been put forward for amalgamating in one federation the English and Scottish wool marketing co-operatives; these proposals have been discussed by the societies concerned in conjunction with the National Farmers' Union, but are now in abeyance.

organization in South Africa and North America has largely been made possible by the contract system under which volume and continuity of supplies have been assured.

Apart from the rate of progress, the relative efficiency of a compulsory or a voluntary system as an instrument for the assembly and sale of the clip should be the determining factor.

In promoting a scheme under the Agricultural Marketing Act for a particular area, producers could plan their organization with definite knowledge of the number and location of wool growers in the area and with a very accurate forecast of the volume and quality of wool to be handled. Decisions as to the extent of the capital expenditure to be incurred, as to the number, size and location of depots, and as to the provision of staff and equipment, would follow the vote of producers, which, if in support of the scheme, would at the same time give the organization a definite guarantee of supplies. Thus, in any area, the organization of assembly would be adjusted to the territorial distribution and the volume of wool to be handled. By co-ordinated effort between area boards, a planned system of assembly for the whole country can be envisaged. Since the ultimate success of a wool marketing organization largely depends on the efficient assembly of the clip, it may be expected that a depot organized under the Act would benefit from its ability to draw its supplies in larger quantity from a more compact area than is possible in the case of a voluntary organization.

Selling strength would also be greatly enhanced. A statutory board, if selling by private treaty in consuming centres, would have that guarantee of continuity of supplies which is necessary to enable it to maintain its grades and to make forward contracts. If selling by public auction, it would be assured that, so far as its own area and those of similar boards were concerned, buyers could not meet their requirements by making private purchases—a most important aspect of the public-auction system, as experience in the Dominions has shown.

Finally, with the assistance of the Act, an organization would be in a strong position to obtain external financial assistance, both when starting operations and subsequently. In regard to subsequent commitments, a board could obtain funds by a levy payable on an equitable basis by all registered producers.* Being able to rely definitely on supplies, a board could offer greater security to the banks; credit for advance payments could therefore be obtained on more favourable terms and without the need for personal guarantees. The decisions of the board in the matter of advance payments could be based solely on world market prospects: they would not be prejudiced by the prices quoted for outright purchase by competitive buyers.

* A levy of one penny per fleece on the clip of the country might be expected to realise about £30,000.

(ii) Regional Organization.

Whatever the basis of organization, and however comprehensive the form which it might eventually take in this country, it seems desirable that, in the first instance, development should proceed through the establishment of grade pools operating on a regional basis. This is in keeping with overseas experience and would fit the conditions of production and marketing here. By reason of the extreme admixture of breeds, the varying density of sheep population, the diverse topographical conditions and the large number of sales-outlets at home and abroad, the development of a national wool marketing organization capable of dealing with so much complex detail must call for careful planning, based on actual experience of operation on a more limited scale. The advantages of national organization are not so markedly greater than those of regional organization as to justify a difficult experiment of this nature until the ground has been better prepared than it is to-day.

While regional organizations would all adopt the same broad principles of collective assembly, preparation for market and sale of wool and of payment to the grower on a quality basis, they would necessarily differ in some respects. Variations in the quality of, and demand for, different types of wool might call for diversity in the methods of preparation and selling. The size of the organization, its capital outlay and the area of its operations would have to be adapted to physical conditions and to the density and homogeneity of the sheep population. Thus, in Wales, where the uniformity of breed is such as to suggest at first sight an organization embracing the whole Principality, careful consideration of topographical conditions and transport facilities to home consuming markets and ports might point to the necessity for decentralization. For reasons such as these, it is impossible to state the optimum size of organization for a particular area or the most desirable number of organizations for the whole country. On quite general grounds, it can be suggested that between eight and twelve organizations would be sufficient for handling the home clip.

(iii) Federation.

For the attainment of their common objective and the solution of their common problem, regional organizations would feel the necessity for joint action in certain matters. It is suggested that the machinery for joint action might at first take the form of a non-trading federation controlled by the regional boards.

One task of such a federation might be to co-ordinate regional schemes so as to ensure that the country was adequately covered. The areas of operation of regional schemes and the number and

allocation of collecting and grading depots should be so planned that one regional scheme could be merged with another as opportunity and economic conditions determined.

The federation would also be specially concerned to secure co-ordination between the regional units in the matter of preparation for sale and selling. Furthermore, especially as the volume of wool handled by the boards increased, serious results might follow the pursuit of a separatist sales policy on the part of independent regional organizations. The chief problem of the federation would be to secure an orderly flow of the home clip as a whole to home and overseas markets. The first step in securing this objective would be for the organizations selling at central auctions to entrust the federation with the preparation of selling programmes in consultation with brokers and buyers. With power to fix the dates of selling and the volume of wool to be offered by each unit at each sale, and to suspend the sales altogether if this were thought desirable, the federation could greatly increase the efficiency of the central auction system in this country. The auction-sales committee of the federation would, however, need to work very closely with any organizations selling by private treaty.

A federation of regional organizations would find considerable opportunity of influencing the costs of marketing and the business efficiency of its constituents, more particularly if the local units had the guarantee of supplies ensured by the Agricultural Marketing Act. Joint agreements with railways and other transport agencies, or with bankers and insurance companies, should result in economies whatever the methods of selling adopted by the regional organizations. Collective bargaining with brokers and warehousing companies, and negotiations with the British Wool Federation as to grading or as to the size of selling samples, would also contribute to greater efficiency.

Other services of a more general nature could also be undertaken. The federation could organize the joint purchase of equipment and sheep requisites. It could operate a market intelligence service keeping its constituents advised as to wool supplies, stocks and prices, and changes in demand. By analysing the methods and experience of the regional organizations, the federation could advise them in matters of policy and detailed practice, and, incidentally, collect information which would form a basis for a fuller degree of centralization.

Matters affecting the industry as a whole, in particular the encouragement of wool research, the education of producers and publicity for home-grown wool, could well be left to the federation.

(iv) Centralized Organization.

The transformation of a non-trading federation of regional units into a centralized organization having full control over the assembly, preparation for market and sale of the wool can be

viewed as a further stage in development. Experience would indicate the difficulties of securing a co-ordinated sales policy through a non-trading federation and would, at the same time, provide the basis for central sales control. The stage would then be reached when the regional organizations, whatever their methods of sale, might have to endow a central organization with control over all stages of marketing.

Assuming that it controlled a large proportion of the home clip, the central organization would be in a strong position. By its control over assembly and preparation for market, it could ensure the optimum degree of uniformity and flexibility in grading. It could develop the technique of preparation and the channel of distribution best suited to each breed or type of wool. It could decide whether wool was best sold at central auction by private treaty, on forward contract, or by a combination of these methods (see Chapter X).

Having established its position on the selling side and gained experience in the different channels of distribution, the central organization would be able to decide what economies, if any, could be derived from sorting, scouring or further adapting the wool for manufacture while it was still under the control of organized producers.

Although centralization would involve the complete structural merger of the regional organizations and the transfer of statutory power to the central board, much of the administration could be decentralized if the efficiency of the regional units justified it. Under the direct control of the central organization, the regional units could continue to supervise the assembly and preparation of the clip and to make advances and final payments to growers. Moreover, a group of regional committees would be necessary for the election of the central directorate and for advising it on matters of policy which particularly affected producers.

A central organization constituted under the Agricultural Marketing Act would be in a strong position to make overall arrangements for transport, credit, insurance and other services. Experience might show, for example, that the most economic method of assembling wool would be a system whereby the railway companies agreed to accept, weigh and store wool at country railway warehouses until it could conveniently be dispatched in bulk to central warehouses for preparation and sale.

A central organization of this type would have great responsibilities, especially if it commanded a very considerable proportion of the country's clip. In view of the vital necessity of sound management, the organization would need the service of first-rate business men, a comprehensive intelligence service and wide commercial connexions. Representatives or sales branches and

accommodation for the display of samples at the chief consuming centres and central markets, both at home and abroad, would also be needed.

The suggestions put forward above must be regarded as no more than a very tentative ground-plan of development. The broad principle of collective sale of graded wools by producers is one which overseas experience and conditions in this country can be held to have established as fundamental to efficient marketing of wool in England and Wales. But the organization which will eventually put that principle into practice in terms of the country as a whole must be of organic growth and subject to modification and revision in the light of experience.

Markets Division,

Ministry of Agriculture and Fisheries,

May, 1932.

**NOTE.—For a list of other Reports in this Series, see
inside of front cover.**

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TABLE I.—*Sheep Population in England and Wales in the Years 1926-31* and the Average Population during the period 1926-30 compared with the period 1909-13.*

	England.				Wales.			
	Ewes kept for breeding.	Other sheep over 1 year.†	Under 1 year.	Total.	Ewes kept for breeding.	Other sheep over 1 year.	Under 1 year.	Total.
1926	4,935,551	2,240,629	5,545,312	12,721,492	1,819,285	650,060	1,667,848	4,137,193
1927	5,076,437	2,176,411	5,587,796	12,840,644	1,885,705	645,222	1,700,704	4,231,631
1928	5,021,807	1,942,583	5,434,736	12,399,126	1,825,105	628,185	1,547,194	4,000,484
1929	4,905,225	1,882,300	5,372,562	12,160,087	1,812,033	571,671	1,561,662	3,945,366
1930	4,933,363	1,838,059	5,442,016	12,213,438	1,877,364	567,772	1,657,269	4,102,405
1931	5,295,140	2,195,173	5,937,214	13,427,527	1,967,374	588,655	1,765,684	4,321,713
Average 1926-30	4,974,477	2,015,996	5,476,484	12,466,957	1,843,898	612,582	1,626,935	4,083,415
„ 1909-13	5,843,999	3,163,569	6,342,189	15,349,757	1,509,799	794,485	1,298,510	3,602,794
1926-30 Increase or Decrease as compared with 1909-13 <i>Per cent.</i>	-14.9	-36.3	-13.6	-18.8	+22.1	-22.9	+25.3	+13.3

* As on June 4th in each year.

† Includes ram lambs.

TABLE II.—*World Wool Production (on a greasy basis) in the Years 1924 and 1929.**

(a) Principal Wool Producing Countries :

	1924.	1929.
	Million lb.	
AUSTRALASIA: Australia	776.9	937.6
New Zealand	254.0	272.0
UNION OF SOUTH AFRICA	176.0	309.0
UNITED STATES OF AMERICA	295.5	400.3
SOUTH AMERICA: Argentina	307.0	311.0
Uruguay	97.0	150.0
EUROPE: Soviet Union†	247.0	378.3
United Kingdom	106.1	121.9
Total	2,259.5	2,880.1

(b) Countries normally producing between 10 and 100 million lb. :

NORTH AMERICA: Canada	15.1	20.3
SOUTH AMERICA: Brazil	26.0	31.0
Chile	24.8	27.1
Peru	15.0	15.0
EUROPE: Bulgaria	21.6	21.2
France	44.1	46.1
Germany	53.1	32.0
Greece	12.6	12.1
Hungary	14.9	13.0
Irish Free State	13.8	15.5
Italy	35.3	30.9
Roumania... ..	60.0	54.7
Spain	79.8	83.3
Yugoslavia	27.8	29.1
ASIA: Afghanistan	15.0	15.0
China and Dependencies‡	71.3	81.4
India‡... ..	52.8	50.4
Iraq	18.2	18.6
Persia	50.0	50.0
Turkey	28.0	27.8
AFRICA: Algeria	38.1	47.2
Basutoland	11.6	12.9
French Morocco	22.2	23.9
OTHER COUNTRIES	96.4	98.4
Total	847.5	859.9
Total World Production	3,107.0	3,737.0

* As estimated by the Empire Marketing Board.

† Including Soviet Republic in Asia.

‡ Exports of home-grown wool only.

TABLE III.—Average Annual Quantities of Wool (on a greasy basis) Exported by various Countries during 1925-9, and Countries of Destination.

Importing Country.	Exporting Country.					
	Australia.	South Africa.	New Zealand.	British India.	Argentine.	Uruguay.*
	Millions of lb.					
United Kingdom	263.5	108.7	182.5	43.0	58.6	16.3
Germany	87.6	45.0	12.6	0.2†	76.2	33.5
Belgium	80.8	22.9	—	1.0‡	33.4	9.6
France	181.1	52.9	17.9	0.4	67.9	21.1
Italy	34.0	9.9	—	—	21.5	10.4
Japan	81.5	—	4.4	—	—	—
U.S.A.	39.0	7.7	10.2	5.2	34.2	19.2
Other countries ...	13.8	3.8	15.2	0.4§	12.8	8.0
Total average annual exports	781.3	250.9	242.8	50.2	304.6	118.1

* Average 1924-8.

† Average 1925 and 1927-9 (4 years).

‡ Average 1927-9 (3 years).

§ Average 1925-8 (4 years).

TABLE IV.—*Estimated Production of Wool in the United Kingdom in the Years 1926-31.*

	Fleece Wool.		Skin Wool.
	Washed.	Unwashed.	
1926 :	Thousands of lb.		
England and Wales ...	32,000	23,000	17,500
Scotland	5,300	14,900	6,700
Northern Ireland ...	—	1,540	404*
Total	37,300	39,440	24,604
1927 :			
England and Wales ...	33,000	23,000	20,250
Scotland	5,600	15,600	6,300
Northern Ireland ...	—	1,745	458*
Total	38,600	40,345	27,008
1928 :			
England and Wales ...	31,000	22,000	22,500
Scotland	5,600	15,700	7,100
Northern Ireland ...	—	1,815	476*
Total	36,600	39,515	30,076
1929 :			
England and Wales ...	31,000	22,000	21,000
Scotland	5,600	15,700	7,300
Northern Ireland ...	—	1,904	500*
Total	36,600	39,604	28,800
1930 :			
England and Wales ...	31,000	22,000	19,750
Scotland	5,700	15,800	7,200
Northern Ireland ...	—	2,049	538*
Total	36,700	39,849	27,488
1931† :			
England and Wales ...	34,000	24,000	17,600
Scotland	5,800	16,200	7,100
Northern Ireland ...	—	2,175	571*
Total	39,800	42,375	25,271
Average 1926-30 :			
England and Wales ...	31,600	22,400	20,200
Scotland	5,560	15,540	6,920
Northern Ireland ...	—	1,811	475*
Total	37,160	39,751	27,595

* Estimated, as no statistics are available for these years. The figures shown have been based on the same proportion as was the production of skin wool to fleece wool in 1925.

† These estimates are provisional pending the results of the Census of Production, 1931.

TABLE V.—Exports of British Sheep and Lambs' Wool from the United Kingdom in the Years 1926-30.
(000 lb.)

Destination.	1926.			1927.			1928.			1929.			1930.			Average 1926-30.		
	Greasy	Scoured or Washed	Pulled and Sliped.	Greasy	Scoured or Washed	Pulled and Sliped.	Greasy	Scoured or Washed	Pulled and Sliped.	Greasy	Scoured or Washed	Pulled and Sliped.	Greasy	Scoured or Washed	Pulled and Sliped.	Greasy	Scoured or Washed	Pulled and Sliped.
Germany	2,448	2,188	(a)	4,101	3,315	(a)	2,565	2,646	(a)	2,986	2,508	(a)	1,043	1,774	(a)	2,629	2,588	(a)
Belgium	1,601	1,792	(a)	2,807	1,743	(a)	2,218	1,477	(a)	1,929	1,216	(a)	1,935	1,107	(a)	2,043	1,467	(a)
France	809	306	(a)	1,807	786	(a)	1,298	1,109	(a)	1,100	514	(a)	923	351	(a)	1,107	675	(a)
Italy	2,580	157	(a)	2,356	303	(a)	3,456	258	(a)	3,020	455	(a)	3,808	524	(a)	3,044	340	(a)
U.S.A.	13,937	7,399	4,425	10,409	6,305	4,925	10,257	3,789	3,282	11,050	5,138	2,762	4,996	1,009	979	10,130	4,844	3,275
Other Foreign Countries	1,829	2,858	97	2,096	3,059	111	1,021	2,594	159	1,031	2,319	596	1,144	3,088	99	1,424	2,884	212
Total Foreign Countries	23,004	16,010	4,522	23,376	16,020	5,036	20,812	11,853	3,440	20,316	12,648	3,358	13,899	8,457	1,078	20,362	12,706	3,487
Canada	284	933	206	422	1,078	625	337	1,124	1,062	175	1,511	492	140	399	317	271	1,009	540
Other British Countries	1,166	489	92	1,252	427	70	325	459	69	429	339	10	151	249	38	655	392	56
Total British Countries	1,450	1,422	298	1,674	1,505	695	662	1,583	1,131	604	1,850	502	291	648	355	936	1,401	596
Grand Total	24,454	16,432	4,820	25,050	17,525	5,731	21,474	13,436	4,571	21,420	14,498	3,860	14,190	9,105	1,433	21,318	14,199	4,083

(a) Exports, if any, included in "Other Foreign Countries."

TABLE VI.—*Estimated Quantities of Home-Produced Wool (on a greasy basis) retained in the United Kingdom in the Years 1926-30.*

Year.	Home Production.	Exports.	Retained.
		Millions of lb.	
1926	117.0	55.5	61.5
1927	122.7	59.0	63.7
1928	123.5	47.8	75.7
1929	121.0	48.2	73.7
1930	120.6	29.8	90.8
Average 1926-30 ...	121.1	48.1	73.1

NOTE.—*Method of Calculation of Supplies on a Greasy Basis :*

Home-grown wool.—5 lb. of washed wool are reckoned to be equal in weight to 6 lb. of unwashed ; 3 lb. of skin wool are reckoned as 4 lb. of greasy fleece wool. In estimating the exports of home-grown wool, 2 lb. of "scoured or washed" wool are reckoned as equivalent to 3 lb. of greasy wool.

Imported supplies.—In the calculation of supplies imported and re-exported, 1 lb. of "scoured or washed" wool is reckoned as equivalent to 2 lb. of greasy wool, and 3 lb. of "pulled and slipped" wool as 4 lb. of greasy wool.

See Committee on Industry and Trade, Survey of Textile Industries, Part III, p. 239.

TABLE VII.—Imports of Sheep and Lambs' Wool into the United Kingdom in the Years 1926-30, distinguishing the principal Sources of Supply.

Whence consigned.	1926.						1927.						1928.					
	Merino.			Crossbred and Other Sorts.			Merino.			Crossbred and Other Sorts.			Merino.			Crossbred and Other Sorts.		
	Greasy	Scoured or Washed	Pulled and Slipped	Greasy	Scoured or Washed	Pulled and Slipped	Greasy	Scoured or Washed	Pulled and Slipped	Greasy	Scoured or Washed	Pulled and Slipped	Greasy	Scoured or Washed	Pulled and Slipped	Greasy	Scoured or Washed	Pulled and Slipped
France	835	4,239	5	5,332	3,536	30	367	5,586	498	6,041	7,580	17	452	6,331	2,455	5,756	5,586	50
Chile	84	—	—	25,318	166	874	185	—	—	27,123	265	—	81	—	—	24,190	175	945
Uruguay	1,808	69	—	7,345	182	41	1,647	—	—	15,647	180	77	1,776	6	—	25,365	142	70
Argentina	2,646	—	—	49,871	371	1,097	1,467	62	—	68,131	718	1,097	803	23	—	45,233	903	2,414
Other Foreign Countries	1,103	499	20	7,348	6,838	86	1,289	352	—	10,414	8,270	324	2,174	394	5	8,485	7,621	369
Total—Foreign Countries	5,478	4,807	25	95,214	11,003	2,128	4,855	6,000	498	127,956	17,018	2,115	5,286	6,754	2,400	109,029	14,427	3,848
South Africa	135764	4,260	—	7,288	430	—	150999	4,284	—	8,441	219	—	156645	4,469	—	1,173	168	—
British India	—	—	—	10,300	31,093	—	—	—	—	9,060	46,021	—	—	—	—	3,069	51,973	—
Australia	159184	8,132	29	124363	12,699	7	126633	10,248	—	92,947	7,769	137	143857	8,138	46	66,953	3,918	18
New Zealand	11,039	379	2	144031	27,669	1,068	18,451	680	83	144040	26,916	2,259	15,383	194	—	141553	19,249	5,925
Falkland Isles	—	—	—	2,722	—	—	—	—	—	8,545	—	—	—	—	—	3,074	—	—
Irish Free State	—	—	—	5,150	4,166	—	—	—	—	6,258	5,642	—	—	—	—	5,795	3,832	—
Other British Countries	588	57	7	2,002	238	27	774	47	—	3,006	129	80	1,041	121	2	807	116	31
Total British Countries	306576	12,828	38	296562	76,293	1,102	296757	15,259	83	262287	86,690	2,476	316826	12,922	48	222424	79,255	5,974
Grand Total	312051	17,635	63	391076	87,386	3,230	301612	21,259	581	390243	103,708	4,591	322112	18,676	2,508	331453	93,682	9,822
	1929.						1930.						Average 1926-30.					
France	795	10,718	5	2,812	4,513	39	1,105	10,821	—	542	3,210	59	611	7,589	593	4,217	4,385	39
Chile	109	—	—	15,848	—	1	237	—	—	29,505	143	222	139	—	—	24,394	150	408
Uruguay	554	6	323	7,835	80	382	2,519	4	533	27,181	167	873	1,641	17	171	16,075	140	289
Argentina	541	17	279	44,307	1,469	4,641	795	45	257	53,831	1,049	4,139	1,258	29	107	52,275	902	2,798
Other Foreign Countries	3,432	377	—	7,185	8,051	428	1,875	164	279	3,962	5,209	505	1,975	357	61	7,479	7,318	342
Total Foreign Countries	5,471	11,118	607	77,982	14,063	5,491	6,531	11,034	1,069	115,021	9,778	5,797	5,524	7,942	932	105,040	13,395	3,876
South Africa	159900	6,534	—	962	24	—	152408	4,914	—	713	188	—	151123	4,892	—	2,716	202	—
British India	—	—	—	4,045	49,669	—	—	—	—	2,600	31,445	—	—	—	—	5,813	42,040	—
Australia	194206	11,205	139	60,209	3,936	113	182682	12,234	14	56,389	5,720	—	161292	9,992	45	80,190	6,807	55
New Zealand	19,818	180	—	148078	21,439	6,470	16,632	—	—	126692	22,106	9,286	16,264	287	17	140479	23,476	4,992
Falkland Isles	—	—	—	1,891	—	—	—	—	—	1,443	—	—	—	—	—	2,535	—	—
Irish Free State	—	—	—	5,375	3,540	—	—	—	—	3,312	2,326	—	—	—	—	5,179	3,903	—
Other British Countries	1,547	6	3	875	89	188	540	26	41	1,137	62	212	890	51	11	1,565	126	108
Total British Countries	376466	17,925	142	219525	78,706	0,777	352268	17,174	55	192246	61,827	9,447	320578	15,223	73	238477	76,554	5,155
Grand Total	380937	29,043	749	207507	93,369	12,268	358799	28,208	1,124	307307	71,605	15,244	335102	23,164	1,005	343517	89,949	9,031

(NOTE.—In certain cases where the quantities are small the figures for imports from the countries specified above are not available and have therefore been included in "Other Foreign Countries" or "Other British Countries".)

TABLE VIII.—Exports from the United Kingdom of Imported Sheep and Lambs' Wool (Untreated in United Kingdom) in the Years 1926-30 and Countries of Destination.

(000 lb.)

Destination.	1926.						1927.						1928.					
	Merino.			Crossbred and Other Sorts.			Merino.			Crossbred and Other Sorts.			Merino.			Crossbred and Other Sorts.		
	Greasy	Scoured or Washed	Pulled and Sliped	Greasy	Scoured or Washed	Pulled and Sliped	Greasy	Scoured or Washed	Pulled and Sliped	Greasy	Scoured or Washed	Pulled and Sliped	Greasy	Scoured or Washed	Pulled and Sliped	Greasy	Scoured or Washed	Pulled and Sliped
Germany	42,166	5,621	4	40,498	5,320	352	56,353	4,995	35	4,592	6,614	479	55,926	4,627	48	52,940	5,029	268
Netherlands	547	275	99	2,716	1,837	493	1,508	418	2	4,102	1,704	59	363	335	6	3,963	1,026	45
Belgium	23,563	725	—	18,250	2,907	240	30,598	2,084	—	13,167	3,233	864	39,599	2,074	—	14,582	2,340	214
France	64,384	1,833	6	48,059	9,409	342	60,000	1,560	5	36,677	7,927	823	56,601	1,693	1	40,450	9,997	1,233
U.S.A.	1,679	75	49	18,749	20,224	1,045	1,134	70	106	18,184	22,283	650	120	222	138	13,359	18,669	1,654
Other Foreign Countries	2,926	1,362	40	13,883	4,361	—	5,874	1,548	—	9,602	2,823	80	3,199	287	4	3,900	1,386	97
Total Foreign Countries	185805	9,891	198	142145	45,058	2,472	155267	10,670	148	130328	44,584	2,961	155808	9,238	197	129199	38,447	3,511
Canada	298	142	245	602	740	440	53	235	297	288	448	597	22	394	311	412	542	184
Other British Countries	99	38	15	375	188	124	36	29	4	66	278	160	1	62	11	63	320	90
Total British Countries	397	180	260	977	928	564	89	264	301	354	726	757	23	456	322	475	862	274
Grand Total	185702	10,071	458	143122	45,986	3,036	155356	10,934	449	130682	45,310	3,718	155831	9,694	519	129674	39,309	3,785
	1929.						1930.						Average 1926-30.					
Germany	44,829	3,901	7	52,805	6,108	125	37,107	5,649	22	50,032	5,226	149	47,176	4,959	23	49,871	5,859	275
Netherlands	1,767	396	2	4,487	954	68	2,059	465	1	5,267	779	89	1,257	377	22	4,108	1,262	149
Belgium	30,006	1,240	—	14,273	2,255	364	20,936	1,492	—	14,236	2,127	172	31,340	1,631	—	14,902	2,572	368
France	66,190	1,178	55	40,100	8,695	521	72,204	990	—	31,237	7,506	466	63,868	1,451	13	39,305	8,707	677
U.S.A.	3,267	143	100	8,241	20,177	1,677	1,722	97	45	4,946	6,850	435	1,584	121	98	12,697	17,641	1,073
Other Foreign Countries	1,846	293	4	5,648	1,647	157	2,540	132	5	4,222	1,208	53	3,237	724	11	7,431	2,265	77
Total Foreign Countries	153404	7,191	168	124964	39,740	2,802	142623	8,825	73	109942	23,699	1,355	148482	9,163	167	127314	38,306	2,620
Canada	279	262	217	827	328	202	168	362	73	222	290	205	164	277	220	370	470	326
Other British Countries	244	19	4	210	142	180	22	6	2	67	220	98	80	81	7	156	229	120
Total British Countries	523	281	221	587	470	382	190	358	75	289	510	303	244	308	236	526	699	446
Grand Total	163927	7,472	389	125491	40,210	3,184	142813	9,183	148	110231	24,206	1,658	148726	9,471	393	127840	39,005	3,066

Tables.

TABLE IX.—Exports from the United Kingdom of Imported Sheep and Lambs' Wool (treated in the United Kingdom) in the Years 1926-30.
(000 lb.)

Destination.	1926.		1927.		1928.		1929.		1930.		Average 1926-30.	
	Scoured or Washed.	Pulled, Sliped, etc.	Scoured or Washed.	Pulled, Sliped, etc.	Scoured or Washed.	Pulled, Sliped, etc.	Scoured or Washed.	Pulled, Sliped, etc.	Scoured or Washed.	Pulled, Sliped, etc.	Scoured or Washed.	Pulled, Sliped, etc.
Germany ...	1,980	—	5,934	—	4,442	—	4,462	—	2,901	—	3,944	—
Other Foreign Countries	5,921	—	7,139	—	3,387	—	7,034	—	4,587	—	5,613	—
Total Foreign Countries	7,901	572	13,073	214	7,829	126	11,496	154	7,488	48	9,557	223
Total British Countries	188	28	387	42	509	63	502	53	318	79	381	53
Grand Total	8,089	600	13,460	256	8,338	189	11,998	207	7,806	127	9,938	276

TABLE X.—*Estimated Quantities of Imported Wool (on a greasy basis) retained in the United Kingdom in the Years 1926–30.*

Year.	Imports.	Re-exports.	Retained.
	Million lb.		
1926	917.6	(a) 17.0 (b) 395.6	505.0
1927	948.7	(a) 27.3 (b) 404.1	517.3
1928	896.7	(a) 16.9 (b) 389.2	490.6
1929	940.6	(a) 24.3 (b) 379.5	536.8
1930	887.5	(a) 15.8 (b) 322.2	549.5
Average 1926–30 ...	918.2	(a) 20.3 (b) 378.1	519.8

(a) Treated in United Kingdom.

(b) Untreated.

TABLE XI.—*Estimated Total Quantities of Wool (on a greasy basis) retained in the United Kingdom in the Years 1926–30.*

Year.	Home-grown.	Imported.	Total.
	Million lb.		
1926	61.5	505.0	566.5
1927	63.7	517.3	581.0
1928	75.7	490.6	566.3
1929	73.7	536.8	610.5
1930	90.8	549.5	640.3
Average 1926–30 ...	73.1	519.8	592.9

TABLE XII.—Bradford Monthly Prices* of Home-grown and Imported Wools during the Years 1926-31.

(Prices for home wools are for good, well-classed, selected and well-washed fleeces.)

Month.	64's Tops Warp Merino.	44's Carded Colonial Crossbred	Lincoln Hogs.	Best Kent Tegs.	South- down Tegs and Ewes.	Welsh fleeces selected.
1926 :	d.	d.	d.	d.	d.	d.
January ...	49	22	18	18	23½	12½
February ...	48½	21	17½	17½	23	12
March ...	49	21½	17½	17½	22½	11½
April ...	49	20½	16	16½	21	11
May ...	49	20	15½	16	20	10½
June ...	49½	20	15½	15½	19½	10
July ...	49½	20	15½	15½	21	10½
August ...	50	21	15½	16	21	11½
September	50	21½	16	17	22	12
October ...	48	21	15½	17	21	12½
November	47	20	15½	17	21	12½
December...	46	20½	15½	16	21	12½
Average ...	48½	20½	16	16½	21½	11½
1927 :						
January ...	47	20	15½	16½	21	12½
February ...	48½	20	16	16½	21	12½
March ...	49½	23	16½	16½	21½	12½
April ...	48½	20½	16	16½	21½	12
May ...	48½	20½	16	16	20½	11½
June ...	50	20½	16½	16½	21½	11½
July ...	50	21	16½	16½	26	12½
August ...	50½	20½	16½	17½	27	13½
September	51½	21½	17	17½	26½	13½
October ...	52	22	17½	17½	27	14½
November	54	23½	17½	18½	28½	15
December...	53	22½	17½	19	28½	15
Average ...	50½	21½	16½	17	24½	13
1928 :						
January ...	54½	24	18½	19½	28½	15½
February ...	56	25	18½	21	28½	15½
March ...	56	26	19	22	29	16
April ...	55½	26	18½	22	29	16
May ...	55½	25½	18	21	27½	15
June ...	54½	25½	19	22	28½	15
July ...	54	25	19	22½	28½	16½
August ...	52	24½	19	23	29½	17
September	48½	24	18½	22	28½	16
October ...	48	21½	17½	21	27½	15
November	48	23½	18	22½	27½	16
December...	47½	23	18	22½	27½	16
Average ...	52½	24½	18½	21½	28½	15½

TABLE XII.—continued.

Month.	64's Tops Warp Merino.	44's Carded Colonial Crossbred	Lincoln Hogs.	Best Kent Tegs.	South- down Tegs and Ewes.	Welsh fleeces selected.
1929:	d.	d.	d.	d.	d.	d.
January ...	47	23½	18	22½	27½	16
February ...	44½	22½	17½	21½	26½	15½
March ...	44½	22½	17½	21½	26½	15½
April ...	43½	23	17½	21½	26	15½
May ...	42	23	16½	20	24	14½
June ...	40½	22½	16½	19½	21½	14
July ...	39½	21½	16	18½	23	13½
August ...	37½	21	16	18½	23	14
September ...	32½	21	16	18	24	14
October ...	35½	20	16	17½	23	13½
November ...	34½	20½	16	17½	23	13½
December...	32	18	16	16½	23	13½
Average ...	39½	21½	16½	19½	24½	14½
1930:						
January ...	28½	15	13½	15½	18½	12
February ...	28	15	13½	14½	18½	12
March ...	26	14½	12½	14	17	11
April ...	27½	15	12½	13½	15½	11
May ...	29	16	12	12½	15½	10½
June ...	27½	15½	11½	12	15½	10½
July ...	27½	14½	11	11½	16½	10
August ...	27½	14½	10½	11	16½	9½
September ...	26½	13½	10½	11	15½	9
October ...	24	11½	9½	10	14	8
November ...	23½	10½	9	9½	14½	7½
December...	22	10	9	9½	14	7
Average ...	26½	13½	11½	12	16	9½
1931:						
January ...	22½	9½	8½	8½	12	6
February ...	23½	10½	8½	8½	12½	6
March ...	26½	12½	10	9½	13½	7½
April ...	25½	11	9½	9	12½	7
May ...	24	10½	8	8	11½	6½
June ...	23	10	7½	7	10	5½
July ...	23½	10	7½	7½	12	6½
August ...	23	9½	7½	7½	12	6½
September ...	24	10½	8½	7½	12	6½
October ...	26½	11	8½	8	13	6½
November ...	25	11½	8½	8½	14	7
December...	23½	10½	8	8½	13½	7
Average ...	24½	10½	8½	8½	12½	6½

* As published by "The Wool Record and Textile World."

TABLE XIII.—Average Annual Consumption of Wool, by Grades, in the United States during the periods 1923-5 and 1928-30.*

Grades.	1923-5.		1928-30.	
	Quantity.	Per cent. of Total.	Quantity.	Per cent. of Total.
Fine, 64's, 70's, 80's :	000 lb.		000 lb.	
Domestic Combing ...	48,071	9.87	97,780	21.59
Foreign Combing ...	37,267	7.67	15,669	3.46
Domestic Clothing ...	16,889	3.47	16,698	3.69
Foreign Clothing ...	4,633	0.95	1,716	0.38
‡ Blood, 58's, 60's :				
Domestic Combing ...	32,297	6.63	39,679	8.76
Foreign Combing ...	12,829	2.63	7,480	1.65
Domestic Clothing ...	10,943	2.25	12,455	2.75
Foreign Clothing ...	1,915	0.39	567	0.13
‡ Blood, 56's :				
Domestic Combing ...	27,907	5.73	29,692	6.55
Foreign Combing ...	19,883	4.09	8,494	1.88
Domestic Clothing ...	21,636	4.44	17,732	3.91
Foreign Clothing ...	4,891	1.00	1,467	0.32
‡ Blood, 48's, 50's :				
Domestic Combing ...	32,773	6.73	29,491	6.51
Foreign Combing ...	34,715	7.15	9,242	2.04
Domestic Clothing ...	13,315	2.73	10,570	2.33
Foreign Clothing ...	8,940	1.84	3,760	0.83
Low or Lincoln :				
Domestic Combing ...	5,297	1.09	5,640	1.25
Foreign Combing ...	11,977	2.46	14,860	3.28
Domestic Clothing ...	3,656	0.75	3,127	0.69
Foreign Clothing ...	1,936	0.40	1,256	0.28
Carpet :				
Foreign Combing ...	63,729	13.11	39,236	8.66
Foreign Filling ...	71,063	14.62	86,361	19.06
Total : Domestic ...	212,784	43.69	262,864	58.03
Foreign... ..	273,778	56.31	190,108	41.97
Grand Total ...	486,562	100.00	452,972	100.00

* Based on figures given in the "Bulletin of the National Association of Wool Manufacturers" (Mass., U.S.A.), April, 1931.

TABLE XIV.—Quantities of Wool sold at London Wool Auctions in the Years 1926-31.*

Year.	Disposal.			Total.
	Home Market.	Continent.	U.S.A.	
	000 bales.	000 bales.	000 bales.	000 bales.
1926	314	384	14	712
1927	293	348	15	656
1928	209	320	11½	540½
1929	232	306	11	549
1930	289	354½	8	651½
1931	411½	332½	9	753

* Figures furnished by "Weekly Wool Chart and Private Business Report," Bradford.

APPENDIX A.

THE MARKETING OF SKIN WOOLS.

As shown in Table IV (page 131), the average annual production of skin wool in England and Wales is just over 20 million lb., or about 30 per cent. of the average aggregate production of wool. The farmer is not directly concerned with the marketing of this very substantial volume of wool, since it is a by-product of the slaughtering industry. Nevertheless, the efficiency with which skin wool is marketed is of importance to the farmer from two standpoints. The returns which the butcher gets from skins partly determine the price paid for the live animal. Moreover, the available volume and relative cost of skin wool to the consuming industry has a direct bearing on the demand for fleece wool. Skin wool has a wide range of uses: it may be sufficiently long for blending in a top, though normally it is used for blending with fleece wool and waste in the blanket trade and in sections of the woollen trade, and therefore can be an effective substitute for fleece wool.

The separation of the wool from the skin is done by fellmongers. Although some of the fellmongers sell in bulk to a wool merchant or a firm specializing in the sale of skin wool, the majority of them classify the skin wool and sell by private treaty to manufacturers. In the grading of skin wool, breed is largely obscured, since the wool does not come off in one piece and graded skin wool more resembles matchings than graded fleece wool. The buyer bases his valuation on length and fineness of staple, softness of handle and colour. In grading, it is usual to keep lamb, hog and ewe wool separate, and subdivide further into pick, super and fine under such broad classification as Down, Northern Counties, Midland Counties, etc.

Much of the west of England skin wool is sold at fairs held in March and September at Bristol. Fellmongers bring in samples, on the basis of which offers are made by brokers and merchants. Where a good connexion between buyer and seller has been established, sale may be done on sample. Thus, a number of fellmongers in the north of England are members of the Bradford Wool Exchange and conduct their sales by sample. In general, however, the great variation in the get-up of the wool, taken in conjunction with variety in quality and length of staple, tend to promote private dealings on an inspection basis rather than on sample. Usually, buyers visit the fellmonger's yard and come to terms after the wool has been examined.

Although the marketing of skin wool at present is not within the scope of producer-controlled marketing in this country, the position would be different if slaughtering were centralized. Bulk handling at central abattoirs would enable the most modern methods of processing skins to be introduced, and the employment of expert graders and salesmen would be economic in view of the large volume of supplies available at one centre.

APPENDIX B.

REGULATIONS FOR THE EXPORT OF WOOL FROM THE UNION OF SOUTH AFRICA.

Regulations for the Export of Wool, 15th August, 1930. (Issued under the Agricultural Products Export Act, 1917, the Agricultural Produce Grading Act, 1922, and the Agricultural Industries Advancement Act, 1925.)

1. From and after the 1st of October, 1930, wool intended for export shall be subject to inspection as hereinafter provided.

2. (a) On every bale or package of wool exported from the Union on and after the 1st of October, 1930, an inspection fee of one halfpenny ($\frac{1}{2}$ d.) shall be paid by the owner or consignor of such wool.

(b) Any such fee shall be paid at the time of export to the Railways and Harbours Administration by the consignor, who shall have the right of recovery from the original owner or producer concerned.

3. Any inspector, appointed for the purposes of these regulations, shall have the right of free access to premises in which wool intended for export is stored and to open the number of bales necessary for purposes of inspection.

4. (a) All wool exported from the Union of South Africa shall be contained in the jute pack, known as "The 11 $\frac{1}{4}$ -lb. pack (nominal)."

(b) Each such pack shall be legibly marked with the name and address of the consignor.

5. Only blue tinted sewing twine or metal clips shall be used for the sewing up of bales, or any cuts or holes which have been made in bales.

Where this regulation has not been complied with, the inspector shall insist on all sewing twine being carefully removed and bales re-sewn in the prescribed manner at the expense of the owner or the consignor or his agent,

6. (a) All bales of wool which contain unskirted fleeces must be distinctly and legibly marked "Unskirted." For purposes of this regulation, "unskirted fleeces" will mean fleeces from which the bellies and locks and pieces have not been removed.

(b) All bales of "Outsortings" (Bellies, Pieces and Locks) must be distinctly and legibly marked according to contents with the following marks: CBP or KPS, BP or PS and LOX.

7. Any re-marking necessitated by non-observance of the regulations shall be done by the owner, consignor or his agent at his own expense.

8. (a) The inspector shall reject any bales of wool which contain foreign matter introduced into the wool during or subsequent to shearing. Such bales may, after repacking and removal of such foreign matter, again be submitted for inspection.

(b) Any repacking consequent upon such rejection shall be done by the owner or consignor or his agent at his own expense.

9. All markings on bales in terms of these regulations shall be placed together on the front of the bale, and shall consist of letters not less than one inch in height.

APPENDIX C.

RECOMMENDATIONS OF THE SOUTH AFRICAN WOOL COUNCIL,
1930.*

Your Committee is convinced and strongly feels that the lack of uniformity of marketing methods to-day found in the various markets is extremely disadvantageous to the wool industry.

1. For these reasons your Committee recommends that, with the sanction of the Minister of Agriculture, the Wool Trade be notified that uniformity of marketing methods, incorporating the system detailed in recommendations 2 and 4 below, is highly desirable in the interests of the most efficient marketing of our wool, and that all efforts should be made to attain this within a period of twelve months.

2. Your Committee recommends that the system by which wool should be marketed should be :—

That all wool must be offered for sale by public auction at least once, and if withdrawn from sale under reserve, it should be free to be sold out of hand, but that special machinery should be established which can function in abnormal times or when certain circumstances necessitate it in the interests of the industry.

3. Your Committee recommends that the Wool Council should issue an authoritative and strong recommendation to wool producers to support sales by public auction, by instructing their broker to sell their wool by that system.

4. Your Committee further recommends that steps should be taken in collaboration with the trade to inaugurate a system of public records. Under this system, all wool offered for sale, whether by public auction or by private-treaty sale, must be displayed under satisfactory conditions and be available for inspection by buyers ; and all particulars of all transactions, private treaty as well as public auction, should be lodged at the office of the wool inspector on the day after the sale at an hour to be agreed upon, and these should be available for public inspection.

5. Your Committee recommends that the Wool Council should approach the Woollselling Brokers' Association of South Africa in an effort to secure their co-operation for ensuring that no wool broker shall be allowed to buy or sell wool until he shall have been registered as either a wool-selling or a wool-buying broker. A wool-selling broker should under no circumstances be a wool-buying broker too.

Registration should be conditional, and no wool-selling broker should be eligible for registration until he has handled a minimum quantity of wool either through his own or through an existing registered organization.

This minimum quantity should be determined after further investigation.

Registration should not be renewable if a wool-selling broker has failed during two successive years to attain the minimum.

6. Your Committee is convinced that centralization of marketing by means of co-ordination of markets whereby offerings can be regulated according to programme is a very desirable end. We think, however, that this should be a more gradual development and should not be forced through straight away.

7. Your Committee recommends that further thorough investigations should be conducted on the necessary steps to secure a lengthening of the selling season so as to avoid the extreme rush period. If possible this should

* "Marketing of Wool in South Africa." Report of Wool Council Committee in collaboration with Division of Agricultural Economics and Markets (Wool Council No. 2).

be consummated by organizing the shearing activities in certain areas where climatic and other conditions allow of earlier or later shearing.

8. Your Committee wishes to strongly recommend wool producers to support the experiments being made on binning of wool as much as they possibly can.

9. Your Committee recommends that the Wool Council should appoint a Standing Committee from amongst its members which—

- (a) will co-operate with the Association of Woollselling Brokers of South Africa in order to promote and secure uniformity in methods of marketing ;
- (b) will, as circumstances dictate, function for the Wool Council, and report at the following meeting of the Council ;
- (c) will be available for any purposes that may arise from time to time for the more efficient marketing of our wool.

10. Your Committee recommends that the following matters be referred to the proposed Standing Committee for further investigation, as it is felt that the information obtained by us is insufficient to arrive at a considered opinion thereon :—

- (a) The proposed regulation to prohibit shipment of wool other than in the name of the buyer, with a view to eliminating pieing.
- (b) The desirability of supplanting the existing system of basing invoices on " inweights " by that of basing them on " outweighs."
- (c) The desirability of inaugurating the " dial " system of auction sales.
- (d) The advantages or disadvantages associated with wool brokers supplying their own auctioneers as against the selling of wool by public auction conducted by a general auctioneer.
- (e) The relative merits of fixed order of sales and the system of rotation of order of selling.
- (f) The determination of the minimum quantity of wool to be handled which should form the basis of the condition of registration of wool-selling brokers (*see* recommendation 8).
- (g) The effects of forward selling.

APPENDIX D.

THE SOUTHERN SASKATCHEWAN WOOL GROWERS' ASSOCIATION: PRODUCERS' AGREEMENT.

1. The Producer covenants and agrees to deliver at such points, times and in such manner as the Association shall from time to time direct, all the wool grown or acquired by or for the Producer either directly or indirectly during the term of this contract, save and except such wool as the Producer requires for his own use; and that he will not (save as herein permitted) sell or otherwise dispose of any wool grown or acquired by him during the life of this agreement to any person or persons, firm or corporation other than this Association.

2. (a) This contract shall come into force in its entirety if the Directors of the Association are satisfied that contracts have been signed between producers of wool in Canada and either Canadian Co-operative Wool Growers, Limited, or any Association deemed by the said Directors to be similar in purpose to the Association for the marketing during the current year of an amount of wool estimated to be not less than three million (3,000,000) pounds, and being so satisfied send to the producer a notice in writing by mail in a properly addressed and prepaid envelope declaring this contract to be in force.

(b) This contract shall remain in force for three years from the day it comes into force in its entirety, and thereafter from year to year until determined by either party giving to the other in the month of January notice in writing terminating the same, and thereupon this contract shall cease and determine.

3. The Association will make all proper provision for the payment of all transportation and handling charges of all wool after its delivery at the specified shipping point, and for its insurance, and for its classification as Eastern Domestic, Western Range or Western Domestic, as these terms are understood in the trade, and for grading such wools according to quality, character and condition, and for preparing the same for market and for its storage; and will market the same at such times and in such manner and upon such terms as it deems in its discretion necessary and expedient for the purpose of getting the best price therefor, and will pay to the Producer his proportion of the proceeds so realized after deducting therefrom the advances (if any) made by the Association to the Producer, and the due proportion of all transportation, handling, marketing and other costs and expenses attributable to the Producer in respect of his said wool, and any sum payable in respect of the growers' wool on account of the reserves payable under any contract which the Association may make with any other Association or Company for the marketing of wool, and any sum due from the member to the Association under the Constitution, Articles of Association and by-laws of the Association for his contribution to the expenses of the Association.

4. The Association may mix the Producer's wool with that of other producers of similar grade, and may pool the Producer's wool with that of any other growers, and may permit any other Association, Company or Agency to mix the Producer's wool with any other wool of similar grade, and to pool the Producer's wool with any other wool.

5. (1) The Producer appoints and constitutes the Association as his agent, factor, mercantile agent within the meaning of the Factor's Act, and attorney in fact for all the purposes aforesaid, and without detracting from the generality of the foregoing empowers the Association, in its own name and on its own account:—

- (a) To receive, insure, classify, grade, store, ship, transport and sell wool, and
- (b) To employ and pay brokers and to enter into contracts with any other person, body or association for the marketing of wool on such terms as it may think proper, and to make any expenditure it may deem necessary for that purpose.
- (c) To borrow money on the wool delivered to it or any warehouse or storage receipt, or on any accounts for the sale thereof, or on any

drafts, bills of lading, bills of exchange, notes, acceptances, orders or on any commercial paper delivered therefor, and to exercise all rights of ownership without limitation, and to pledge such wool or receipts or accounts or drafts, bills of lading, notes, acceptances, orders or other commercial paper as security or collateral therefor ; and

(d) To apply the money so received *pro rata* among the Producers who have executed agreements similar in nature to these presents and have delivered wool to it, or to use the said money for any proper purpose or activity of the Association deemed by the Directors to be in the best interests of its members.

(2) It is hereby agreed and declared that the agency hereby created shall be irrevocable during the subsistence of this contract.

6. The Association agrees at the request of the Producer to make a cash advance to the Producer upon all wool delivered by the Producer pursuant to this contract of such an amount as the Association may from time to time determine, as soon as practicable after delivery thereof.

7. The Association may from time to time prescribe rules and regulations as to the shipment and handling of wool, and the dates in each year between which all wool subject to this agreement shall be delivered and the points at which such delivery shall be made, and the Producer hereby agrees that such rules and regulations shall be binding upon him as if the same had been embodied in this contract.

8. The Producer shall notify the Association immediately he creates any incumbrance upon any of his wool giving full particulars thereof, and the Association may, as agent for the Producer, take delivery of any wool so incumbered and pay off the incumbrance and reimburse itself out of any money payable to the Producer on account of any wool delivered to the Association on account of the Producer.

9. The Producer will supply the Association in writing, whenever requested so to do, information as to the number of his flock and other matters as may be required by the Association for the purpose of estimating wool production.

10. Inasmuch as the remedy at law would be inadequate, and it is now and ever will be impracticable and difficult to determine the actual damage resulting to the Association and the members thereof in the event of the Producer failing to deliver his said wool in accordance with this contract, the Producer hereby agrees to pay the Association Five Cents (5 c.) per pound for each pound of wool delivered, sold, consigned, marketed, withheld or disposed of in contravention of the provisions of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the faithful performance of each such contract by all and every of the parties to all such contracts.

11. The Producer agrees that in the event of the breach by him of any material provision hereof, particularly as to delivery or marketing of any wool otherwise than through the Association, the Association shall upon proper action in equity by it be entitled to an injunction to prevent any further or other breach hereof, and other equitable relief according to the terms of the Statute, and the Association and the Producer expressly agree that this contract is not a contract for personal services or one demanding exceptional skill or talent ; and that this is a contract of agency coupled with financial interest under special circumstances and conditions and that the Association cannot practicably and without great difficulty go into the open markets and secure wool to replace any which the Producer may fail to deliver ; and that this contract will be the proper subject for the remedy of specific performance in the event of a breach thereof.

APPENDIX E.
WOOL GRADING STATEMENT.
LIVE STOCK BRANCH, OTTAWA.

Prov.....Ass'n.....SHIPPER'S LOT No.....
 WESTERN DOMESTIC.....WESTERN RANGE EASTERN DOMESTIC
 Member's nameAddress
 Weight Railroad Bill of LadingNo. of SacksCondition
 of SacksGross Weight at GradingTare
 Net Weight

Grade.	Corresponding English Counts.	Bright.		Semi-Bright.		Dark.		Revenue	
		lb.	Price	lb.	Price	lb.	Price		
Fine Staple ...	} 64's-70's-84's {	STANDARD GRADES.							
Fine Clothing ...									
Fine Med. Staple	} 58's-60's {								
Fine Med. Clothing									
Medium Staple ...	} 56's ... {								
Medium Clothing									
Low Med. Staple ...	} 48's-50's {								
Low Med. Clothing									
Low Staple ...	} 44's-46's {								
Low Clothing ...									
Lustre ...	} 40's-44's {								
Coarse ...									
Grey and Black :—			REJECT GRADES.						
Fine ...									
Medium ...									
Coarse ...									
Seedy and Burry :—									
Fine ...									
Medium ...									
Heavy ...									
Cotts :— Hard ...									
Soft ...									
Dead :— Fine ...									
Medium...									
Damaged ...									
Tags :— Fine ...									
Medium...									
Odd Grades ...									
Total									

substituted as his agent,
 and attorney
 City

Date received.....Date GradedManager
 Weigher.....Grader.....

Remarks :—
 Note.—Generally speaking, wool of strong fibre and over 2 in. in length is classed as Staple and under 2 in, as Clothing.

APPENDIX F.

NOTE ON U.S.A. WOOL GRADE TERMS.

In 1926, wool grade terms used in the United States were correlated with the terminology in use in this country. In the past, and to a considerable extent to-day, domestic wools in the United States were known by terms which originally related to the supposed proportion of merino blood in the sheep from which they were shorn. To-day, these terms have largely lost significance in the sense in which they were first used, and may now be broadly considered to represent:—

<i>U.S.A. Old Terminology.</i>				<i>Wool Type.</i>
Fine (Delaine)	...	...	...	Merino
$\frac{1}{8}$ blood	...	...	...
$\frac{1}{4}$ blood	...	...	...	Fine crossbred,
$\frac{3}{8}$ blood	...	...	...
$\frac{1}{2}$ blood	...	...	...	Medium crossbred.
Low quarter blood	...	...	...
Common	...	...	...	Coarse crossbred or carpet.
Braid	...	...	...

The actual correlation with Bradford terms arrived at by negotiation between wool interests in both countries reads as follows:—

<i>Old Terminology.</i>				<i>New Terminology.</i>
Fine (Delaine)	...	...	...	80's 70's 64's
$\frac{1}{8}$ blood	...	...	...
$\frac{1}{4}$ blood	...	...	...	60's 58's 56's
$\frac{3}{8}$ blood	...	...	...
$\frac{1}{2}$ blood	...	...	...	50's 48's
Low quarter blood	...	...	...
Common	...	...	...	46's 44's
Braid	...	...	...	40's 36's

Samples representing the grades are held by the United States Department of Agriculture and the Bradford Chamber of Commerce, and are known as Official Standards of the United States for Grades of Wool and Wool Tops. These standards should be regarded, however, not as "standard grades," but as a rationalization of grade terms. For the purpose of incorporation in the United States' Government market reports, certain sub-divisions, based on length of staple, are recognized though they have not been officially prescribed.

CHECKED

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FARMERS!

BE ON THE MARK

SELL ON THE MARK

BUY ON THE MARK

YOUR TRADE MARK

THE NATIONAL MARK

