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WOOL PRICES

The course of raw wool prices in 1924 was distinctly upward. Canadian eastern wool, domestic, bright & blood, was 35¢ per pound in January and 44-46¢ in December at Toronto. Western wool, domestic, semi-bright, 5/8 blood, rose from 35¢ in January to 44¢ in December, while western range wool, semi-bright, 2 blood, went from 37¢ to 46¢ in the same period. These prices compare with 16¢, 19¢ and 21¢ respectively in 1913. The higher prices were caused by recently increased European and Japanese demands, the disappearance of war stocks of raw wool, reduced world production and increased world consumption relatively to pre-war days.

An important factor in the Canadian situation is the good grading system which was introduced since 1913 and which has been applied to much of the Canadian wool clip since that time. As a consequence there is a growing demand for our product from Great Britain and the United States, but particularly the former. Canadian prices reflect the world wide condition of short supplies and the growing demands which have been prevalent for some time. The immediate cause of the higher prices is the increased demand on the part of Germany, France and Japan, which has sprung up in recent months but this must be related to conditions which go farther back.

In 1924 there was a shortage of wool production in several of the chief wool growing centres including Australia, New Zealand, South Africa and South America. The shortage in Australian wool alone is estimated at 400,000 bales as compared with last year and 1,000,000 bales as compared with 1921. Production in Australia has been diminishing for a long period although it is conceded to be the finest sheep raising country in the world. The falling off in production was augmented by war conditions and their aftermath but it is of even longer standing. From 1800 to 1891 the number of sheep in Australia increased by 80,000,000, from 1891 to 1923 the decrease was 27,017,827. In 1891 Australia had 106,500,000 sheep, in 1910 98,000,000 and in 1921 the number had declined to 82,250,000. Periods of drought were responsible for considerable diminution but the movement of population from country to city, lack of suitable immigration to replace these losses and, latterly, the disorganization brought about by the war, are given as additional reasons. The competition of mutton versus wool is accountable for great reductions in the production of merino wool because cross-bred sheep have been substituted for the better wool-bearing merinos. The world's annual merino clip has declined by 175,000,000 pounds. Taking the world as a whole it is estimated that there are now 100,000,000 less sheep than there were in 1900.

Although the present shortage must be related to conditions which go back into pre-war times nevertheless the state of affairs today is immediately due to the abnormal conditions developed by the war. In 1913 Great Britain, in order to insure continuity in the supply of clothing and other equipment for her own armies and those of her allies, arranged to purchase all the cross-bred wool produced by Australia and New Zealand. She afterwards entered into another agreement to take over the merino product also. By this arrangement Britain was to incur all losses which might ensue from selling any wool not required for military purposes and was to divide with the growers any profits she might make.

When the war ended the British government had a very large supply of wool on its hands a large portion of which was merino. The wool control scheme was continued until July 1920 and at that time there were on hand 2,908,151 bales of wool which had been purchased from Australia, New Zealand, South Africa and the Falkland Islands. After a temporary slump in 1919 wool was in great demand owing to the commercial boom which was being experienced generally. When the great slump came in the spring of 1920 wool prices began a precipitate decline. Under the control scheme 9,835,000 bales had been handled, but the question was what to do with the 2,908,151 unsold bales. To have flung these on the market after July 1920 when the control scheme ended would have depressed prices to a very low level. Instead of doing so a marketing association known as the British Australian Wool Realisation Association (BAWRA) was formed. The work of marketing the residual wool was carried on over a period of three years ending in May 1924, and was conducted at a profit of £70,000,000.

A study of demand and supply conditions made it obvious to the association that low wool prices could not long prevail and the policy of gradually marketing the surplus was sound both from the point of view of profit and economy of material. During the war period there had been a falling off in sheep production all over the world. The low prices prevailing after the slump in 1920 and during 1921 led to further reductions in the size of flocks. The production of sheep fell off sharply in many countries and for the last three years wool production has lagged behind consumption. Supplies have been growing smaller while demand has increased. The increasing use of wool in the Orient as well as in western countries has been an important factor.

With the disappearance of the BAWRA war surplus the supply of wool is now on the sheep's back. It is estimated that in the pre-war period of 1909-13 the world's annual clip was 3,203,000,000 pounds. In 1923 it was 3,604,000,000 pounds. The 1924 clip is estimated to have been 3,511,000,000 pounds. The annual consumption for the last three years has ranged from 2,625,000,000 to 3,075,000,000 pounds. These figures show clearly the inadequacy of current supplies to meet demands and taken in conjunction with the disappearance of BAWRA supplies explain the rise in prices which characterized 1924.

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