

## 1982/83 WOOL SEASON REVIEW

The wool selling season ended June 1983 saw a continuation of weak demand which had characterised both of the 1980/81 and 1981/82 seasons. This was reflected in auction prices which, for much of the year, remained close to the low level recorded towards the end of the previous season. It was not until March 1983 that a general increase in wool prices occurred, assisted by a 6 per cent devaluation of the New Zealand dollar on 8 March 1983. The average auction price for the entire season, at 255.9 cents per kilogram, was virtually unchanged from the price of 255.7 cents per kilogram recorded in the previous year. The recovery in prices which occurred in the later part of the season allowed the Wool Board to adopt a stronger selling role and to reduce its stocks of wool by 32 per cent over the season, to 285,000 bales.

Production increased by 2.2 per cent over the level achieved in 1981/82 but still fell short of the record production achieved in 1980/81.

The following article analyses the main developments which took place in the production and marketing of wool in New Zealand, and in the world market for wool, during 1982/83.

### PRODUCTION

Wool production in New Zealand during the season ended 30 June 1983 increased by 2.2 per cent to 370,900 tonnes (greasy equivalent basis), a level which still fell short of the record level of 380,700 tonnes produced in 1980/81 (see table 1). Production increased as a result of both a small increase in total sheep numbers (0.6 per cent) and a rise in wool production per sheep (1.7 per

cent). More significantly, the increased production per head stemmed from a sharp increase in slipe wool production following an 11 per cent rise in lamb slaughterings.<sup>1</sup>

After a period of strong growth in the late 1970s sheep numbers are expected to stabilise at around 70 million in the 1983/84 season as a consequence of adverse climatic conditions in the current season, eroding real farm incomes and the phasing out of some incentive schemes. Reduced profitability has resulted in a lowering of fertiliser application. Wool production is therefore also likely to decline slightly in 1983/84. The small increase in wool production per head in the season just ended owed little to improved productivity, being rather a product of the unusual jump in lamb slaughterings.

However, in some of the more important wool producing regions prolonged drought conditions during the season just ended significantly affected the level of production in those areas and a return to more normal climatic conditions in 1983/84 could see some lift in livestock performance in these areas. On the other hand this was balanced to some extent by particularly favourable growing conditions experienced in some other districts, notably Southland.

### MODE OF SALE AND SCOURING

In the 1982/83 season 85 per cent of total production was shorn wool, the bulk of the remainder being slipe

<sup>1</sup> Slipe wool is wool removed from the pelts of sheep at the time of slaughtering.

TABLE 1  
NEW ZEALAND WOOL PRODUCTION, SHEEP NUMBERS AND AUCTION PRICES

Season	Shorn Wool	Slipe <sup>1</sup> Wool	Total <sup>2</sup> Production	% Change Total Production	Breeding <sup>3</sup> Ewes	Total <sup>3</sup> Sheep	% Change Total Sheep	Wool Produced Per Sheep (kg)	Av. Auction Price for Greasy Wool (cents/kg)	Average Auction Price in 1982/83 (cents/kg)
	(000 tonnes)				(million)					
1962/63	245.0	36.4	281.4	+ 5.7	33.9	49.0	+ 1.0	5.74	78.70	494.3
1963/64	240.8	39.0	279.8	- 0.6	35.0	50.2	+ 2.4	5.57	101.17	620.9
1964/65	244.1	38.6	282.7	+ 1.1	35.7	51.3	+ 2.2	5.51	77.40	456.2
1965/66	276.6	38.6	315.1	+ 11.5	37.2	53.8	+ 4.9	5.87	76.46	437.6
1966/67	276.6	45.1	321.7	+ 2.1	39.7	57.3	+ 6.5	5.61	64.77	356.8
1967/68	279.5	50.8	330.3	+ 2.7	41.4	60.0	+ 4.7	5.51	50.42	263.3
1968/69	281.8	50.1	331.9	+ 0.5	42.7	60.5	+ 0.8	5.48	61.36	308.2
1969/70	278.3	49.7	328.0	- 1.2	43.4	59.9	- 1.0	5.48	56.48	268.5
1970/71	283.4	50.5	333.9	+ 1.8	42.9	60.3	+ 0.7	5.54	53.42	232.1
1971/72	273.0	49.3	322.3	- 3.5	43.0	58.9	- 2.3	5.47	66.46	265.0
1972/73	262.0	46.8	308.8	- 4.2	44.2	60.9	+ 3.4	5.07	143.96	539.8
1973/74	243.8	41.1	284.8	- 7.8	41.0	56.7	- 6.9	5.02	139.19	475.0
1974/75	252.6	41.6	294.1	+ 3.3	40.4	55.9	- 1.4	5.26	91.75	276.9
1975/76	271.7	40.1	311.8	+ 6.0	41.1	55.3	- 1.0	5.64	157.12	406.9
1976/77	265.5	36.8	302.5	- 3.0	41.2	56.4	+ 2.0	5.36	219.58	494.1
1977/78	269.1	41.7	310.8	+ 2.7	42.8	59.1	+ 4.8	5.26	190.43	375.4
1978/79	276.2	44.4	320.6	+ 3.2	44.5	62.2	+ 5.2	5.16	218.80	388.6
1979/80	310.8	45.7	356.5	+ 11.2	46.1	63.5	+ 2.2	5.61	265.09	402.3
1980/81	331.9	48.8	380.7	+ 6.8	48.2	68.8	+ 8.3	5.54	247.48	324.7
1981/82	316.5	46.5	363.0	- 4.6	49.3	69.9	+ 1.6	5.19	255.72	289.2
1982/83	316.0	54.9	370.9	+ 2.2	50.8	70.3	+ 0.6	5.28	255.90	255.9

Source: New Zealand Wool Board and Department of Statistics

(1) Slipe wool includes a small amount of wool sold on sheepskins

(2) Wool production is estimated on a greasy equivalent basis.

(3) Sheep numbers are as at the beginning of the season.

wool. Disposal of shorn wool occurs either through sale at New Zealand auction, sale by private treaty or via growers' shipment to the United Kingdom for sale by auction at Bradford. Through the early 1970s private sales as a proportion of total shorn wool disposals expanded due largely, it seemed, to grower dissatisfaction with the auction system. However, through the early 1980s that trend has been reversed, with private sales as a proportion of total shorn wool disposals declining from 25.2 per cent in the 1979/80 season to 17.7 per cent in 1982/83. Conversely, the proportion of shorn wool disposed of at auction increased from 72.3 per cent to 80.3 per cent over the same period, while the proportion sold in the United Kingdom remained stable at around 2 per cent.

The growing proportion of shorn wool sold at auction has strengthened the auction floor in its role as the industry's price fixing mechanism and this is attributed in part to moves that have increased the frequency of sales, improved the flexibility of the system and reduced the direct and indirect costs associated with selling. It is probable also that the guaranteed supplementary minimum prices, and their system of payment, have lessened the incentive for producers to move outside the auction system in an attempt to maximise their returns.

A further development has been the increased proportion of total wool production scoured in New Zealand in recent years (see table 2). During the past decade, there has been a reasonably steady increase in the percentage of production scoured in New Zealand. In 1982/83 63 per cent of total wool production was scoured here, representing 173.2 thousand tonnes of scoured product. This compares with an average 44 per cent in the 1970s. This development has been due, in part, to advances in the competitiveness and efficiency of the scouring industry in New Zealand but may also reflect increased sales of wool to non-traditional markets where scouring facilities are limited, and increasingly stringent effluent disposal requirements in some traditional markets. By far the largest volume of scouring is done on account of exporters prior to export. The proportion of wool scoured on growers' account has steadily declined over the last four years.

## AUCTION PRICES

The average auction sale price for greasy wool sold during the 1982/83 season was 255.9 cents a kilogram almost unchanged from the level of 1981/82 (see table 3). Within the season, however, prices remained below the level of the earlier year until March when devaluation of the New Zealand dollar, more buoyant buying activity for specific wool types in short supply and a moderate strengthening in underlying demand all contributed to boost prices during the last four months of the season. By mid-June the market indicator stood at 284 cents/kilogram, about 15 per cent higher than at the same time in 1982.

The Wool Board publishes three basic price indicators; the average auction sale price, the adjusted weighted average sale price (AWASP) and the market indicator (MI). The average auction price represents the actual average price received for wool sold at a particular sale or over a specified period. It is affected by the type of wool forwarded for auction, and tends to be lower in the early and later stages of the season when lesser quality wools are sold.

The AWASP, adjusts for differences in the auction

prices which arise from variations in the composition of the wool sold at different sales, in effect allowing more accurate comparisons of prices during the season. It uses the overall composition of wool types in the previous season as the basis for weighting prices in the current season. The AWASP is also the indicator from which any supplementation required under the Government's supplementary minimum prices scheme is calculated (the percentage difference between the AWASP and the SMP level at each auction determining the level of supplementation received by the woolgrower under the SMP scheme). However, it includes any price supplementation undertaken by the Wool Board and thus, when market prices fall below the Wool Board's minimum price level, provides an inaccurate picture of market prices.

The market indicator was developed by the Wool Board mid-way through the 1981/82 season and is calculated from auction prices alone, being designed to provide an accurate indicator of sale-to-trade price trends. The market indicator is calculated net of all supplementation and thus at low prices, provides a more accurate indication of trade prices than the AWASP indicator. Like the AWASP, the market indicator adjusts for differences in auction prices which arise from variations in the composition of the wool sold at particular sales.

The 1982/83 season opened with a market indicator of 250 cents/kg. It remained around this level until late November when it began to drift down until it reached a level of 231 cents/kg during January. There was a modest recovery in February, with the market indicator, mid month, standing at 240 cents/kg but, following the devaluation of the New Zealand dollar in March and strengthening of the market, it climbed to a level of 303 cents/kg in April before easing to around 290 cents/kg at the end of the season.

## NEW ZEALAND WOOL BOARD

The New Zealand Wool Board is responsible for co-ordinating the marketing and promotion of New Zealand wool, together with associated research. The Board's operations in the 1982/83 season are summarised in table 4.

In its marketing role, the Wool Board is charged with efficiently preparing, handling, distributing, shipping and selling wool, encouraging the production of suitable wool types and operating market support schemes. While its marketing operations are often the most visible aspect of the Board's activities, of comparable importance have been the Board's roles in managing the wool auction system and promoting improved techniques in shearing, wool handling and classing.

In recent years the Wool Board has co-ordinated major developments aimed at improving the efficiency of the auction system. Most significant among these have been the development of objective measurement, sale by sample, and sale by separation. These developments have made possible improved assessment of the quality of wool on offer and more frequent rostering of sales. In sample selling, the bulk of wool on offer does not need to be available for inspection and delays in repacking are minimised. Together with judicious release of Wool Board stocks, sale by separation (i.e. the sale of wool by sample in a different centre from that in which the wool is being held) permits a better mix of wool types to be offered at many sales.

**TABLE 2**  
**WOOL SCOURING IN NEW ZEALAND**  
(thousand tonnes of scoured product)

<i>Seasons ended June</i>	<i>On Account Exporters</i>	<i>On Account Growers</i>	<i>On Account Manufacturers<sup>1</sup></i>	<i>Total</i>	<i>% of Total Wool Production Scoured in N.Z.</i>
1970	66.9	8.2		75.1	31.6
1971	74.9	9.8		84.7	34.7
1972	89.9	10.0		99.9	42.7
1973	86.7	8.5		95.2	42.7
1974	66.7	8.3		75.1	33.7
1975	84.0	6.0		90.0	42.6
1976	99.1	6.6		105.7	46.6
1977	93.1	7.8		100.9	45.5
1978	97.2	8.6		105.8	46.9
1979	108.7	9.0		117.7	50.2
1980	127.4	9.3		136.7	51.8
1981	137.1	7.9	13.9	158.9	56.9
1982	132.8	6.5	16.6	155.9	58.0
1983	152.9	5.3	14.9	173.2	63.3

Source: New Zealand Wool Board.

1. Not available prior to 1980/81.

**TABLE 3**  
**AVERAGE PRICE FOR GREASY WOOL SOLD AT AUCTION:**  
**MONTHLY AND CUMULATIVE**  
(Cents/kilogram greasy basis).

	<i>1981-82</i>		<i>1982-83</i>		<i>1982/83 Mid-Monthly Indicators</i>	
	<i>Monthly</i>	<i>Cumulative</i>	<i>Monthly</i>	<i>Cumulative</i>	<i>AWASP</i>	<i>Market Indicator</i>
July						
August	262.4	262.4	235.8	235.8	255.1	250
September	270.6	266.1	252.3	243.3	254.9	248
October	286.9	275.7	274.1	256.4	255.4	252
November	270.9	275.0	266.8	258.9	254.7	247
December	255.4	267.3	239.7	252.1	255.2	237
January	244.1	261.2	236.7	247.8	254.2	231
February	252.9	259.2	237.2	245.7	256.6	240
March	261.5	259.5	271.8	249.6	288.4	288
April	244.9	257.9	287.2	252.8	302.8	303
May	240.9	256.9	285.5	254.5	288.1	288
June	236.5	255.7	285.4	255.9	283.5	284

Source: New Zealand Wool Board.

Note: Because of variations in the composition of wool auction offerings in different months, the price movements in this table do not solely represent movements in market prices.

**TABLE 4**  
**NEW ZEALAND WOOL BOARD OPERATIONS<sup>1</sup>**

<i>Season Ended June</i>	<i>Purchases (000 bales)</i>	<i>Sales (000 bales)</i>	<i>End of Season Stocks (000 bales)</i>	<i>Capital and Reserves 30th June (\$ million)</i>	<i>Minimum Floor Price (c/kg)</i>	<i>'Trigger' Price (c/kg)</i>
1970	1.0	130.0	350.6	52.2	49.1	—
1971	14.9	102.2	262.7	48.2	46.3	—
1972	11.1	203.3	69.7	52.4	46.0	—
1973	—	69.0	—	54.7	50.0	—
1974	24.7	4.9	19.8	55.9	70.0	—
1975	300.1	106.5	213.1	57.8	93.0	—
1976	25.2	184.8	50.0	72.0	124.0	—
1977	135.2	81.4	103.8	79.0	136.0	195.0
1978	191.3	91.4	201.9	96.9	150.0	215.0
1979	26.0	146.0	80.9	105.3	170.0	250.0
1980	157.1	116.7	118.4	127.5	200.0	300.0
1981	316.0	89.4	343.4	133.0	215.0	330.0
1982	193.4	115.5	421.1	133.6	250.0	400.0
1983	61.6	196.6	285.1	126.3	250.0	400.0

Source: New Zealand Wool Board.

1. Prior to February 1978 N.Z. Wool Corporation.  
Prior to December 1972 N.Z. Wool Commission.

In terms of market support, the Wool Board's activities fall into two main areas, those associated with administering income stabilisation schemes and those associated with market intervention.

The Wool Board operates the Wool Income Stabilisation Scheme under which a minimum floor price (a notional average of minimum prices for all types of wool) is established. In the event of average market prices falling below the minimum price level, farmers' returns are supplemented from the Minimum Prices Funding Account, a fund built up through the imposition of a levy (1 per cent in the 1982/83 season) on all shorn wool sold. The wool growers' market return is supplemented by a payment equivalent to the percentage by which the market indicator price for the sale falls below the minimum floor price. During the season the Board supplemented growers' returns on 187,497 tonnes of wool by \$32.4 million. In addition to the minimum floor price, a higher trigger price is established each season (400 cents/kg in 1982/83). When market prices exceed this level, 50 per cent of the return above this price is skimmed off and withheld from growers for a prescribed period. In the 1982/83 season the average auction price always remained well below the trigger price.

In addition to the Wool Board's income stabilisation procedures, the Government has, since 1978/79, set a guaranteed price under its supplementary minimum price scheme prior to the start of the season. Under this scheme an average minimum price of 320 cents/kg was assured for all wool sold in the first instance at auction or privately during the 1982/83 season. On this basis, the Government supplemented market prices by about 25 per cent on average up until March of this year. With the improvement in prices through the final quarter of the season the level of supplementation declined, to a minimum of 5.7 per cent in mid-April. The total cost of supplementary payments under the Government's SMP scheme was \$176.9 million for the season. The Wool Board administers the operation of this scheme for the Government.

In its market intervention activities the Wool Board stands in the market as a bidder at auctions. The level at which it will intervene (the intervention price) is not announced by the Board and may be adjusted during the season to take account of new market developments.

The objective of this intervention is to sustain a relatively stable market, dampening short-term price fluctuations but accommodating long-term market trends. During the 1982/83 season the intervention level was lowered in December and, as a consequence, Wool Board bidding and purchases remained relatively low through the second half of the season.

Table 5 shows the extent of the New Zealand Wool Board's market activity in the 1982/83 season. It shows that the Board's purchasing activity fell away to a negligible level once prices improved in the final quarter of the season, at which point significant quantities of the Board's stocks were sold. By the end of the 1982/83 season Wool Board stocks had been reduced by 136,000 bales to 285,000 bales, 32 per cent below the season's opening stock level. Over 90,000 thousand bales were sold in the last three months of the season.

## EXPORTS

In the year to June 1983 provisional data indicates that the volume of wool exports increased by 14.5 per cent to 322,500 tonnes, while its value (fob) increased by 11 per cent to \$1,019.3 million. As table 6 indicates, this represented a significant improvement over the previous two seasons when export volumes and fob values remained virtually static.

In recent years export volumes have shown marked fluctuations from year to year in response to the level of demand from importing countries and Wool Board intervention activities. During the 1982/83 season some non-traditional buying nations, in particular China, increased their purchases substantially thus enabling the Wool Board to reduce its stocks and contributing to the record volume and value of wool exported. Although the stronger demand evident towards the end of the season generated some upward movement in prices this was not sufficient to reach the supplementary minimum price level. The substantial stocks still being held by the Wool Board may also tend to dampen any upward movement in the 1983/84 season.

Table 7 provides information about wool exports on an overseas exchange transactions basis. Total receipts increased by 11.5 per cent in 1982/83 to \$1,056 million which was reasonably strong growth relative to other

TABLE 5  
N.Z. WOOL BOARD MARKET INTERVENTION<sup>1</sup> 1982-83  
(Actual Tonnes)

Months	Purchases	Sales	Net Purchases	Wool Board Stocks <sup>4</sup> (000 bales)
July	1,269	722	547	425.2
August	1,180	2,095	- 915	419.1
September	1,197	2,750	- 1,553	409.1
October	730	3,242	- 2,512	393.0
November	1,008	2,198	- 1,190	385.9
December	1,488	1,125	363	387.4
January	1,666	477	1,189	394.7
February	654	1,082	- 428	390.9
March	36	2,280	- 2,144	375.8
April	23	3,686	- 3,663	352.0
May	49	5,681	- 5,632	315.0
June	9	4,551	- 4,542	285.1
1982/83 Year	9,405 <sup>2</sup>	30,744 <sup>3</sup>	-21,339	

<sup>1</sup> Greasy and scoured in New Zealand.

<sup>2</sup> Includes take over from local mills.

<sup>3</sup> Includes local mill sales and scouring adjustment.

<sup>4</sup> N.Z. and U.K. stocks.

TABLE 6  
WOOL EXPORTS

Years ended June	Greasy Wool	Scoured Wool	Slipe Wool and other	Total Wool	
	\$m fob	\$m fob	\$m fob	000 tonnes	\$m fob
1963	163.2	28.5	22.7	261.5	214.4
1964	201.8	39.7	29.9	256.2	271.4
1965	149.9	36.1	22.6	241.1	208.6
1966	170.2	37.8	24.0	278.2	231.9
1967	117.7	32.9	23.5	227.1	174.1
1968	99.7	35.6	22.9	268.4	158.2
1969	131.4	55.1	25.8	307.9	212.4
1970	119.3	63.3	21.6	303.1	204.2
1971	100.2	65.7	22.0	293.5	187.9
1972	119.1	84.1	25.5	312.4	228.6
1973	224.2	152.5	47.4	288.1	424.0
1974	189.3	131.3	40.9	213.2	361.6
1975	107.7	125.4	28.5	218.2	261.7
1976	220.1	197.7	38.6	272.4	456.4
1977	283.3	304.6	60.3	253.9	648.2
1978	228.7	297.9	53.3	242.9	580.0
1979	271.5	365.8	47.1	258.8	683.3
1980	367.6	516.0	47.0	285.0	930.8
1981	362.6	482.1	47.9	289.5	892.6
1982	362.4	503.7	52.3	281.6	918.8
1983	416.0	537.6	65.7	322.5 (p)	1,019.3(p)

Source: New Zealand Department of Statistics.

(1) Includes scoured slipe wool.

(p) Provisional.

TABLE 7  
OVERSEAS EXCHANGE TRANSACTIONS  
EXPORT RECEIPTS — WOOL  
(Years ended June)

NZ\$ million	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
China P.R.	15.4	—	12.6	8.5	15.1	25.3	43.8	98.5	80.7	121.4
Japan	30.7	25.6	47.9	44.5	52.8	94.4	97.0	77.0	129.3	117.2
United Kingdom	66.1	47.7	73.6	123.9	122.7	101.7	120.5	106.3	106.8	113.0
U.S.S.R.	38.6	25.2	47.7	58.2	46.9	72.9	114.7	77.2	76.3	89.3
Iran	7.6	17.3	16.4	24.9	24.5	14.8	56.1	78.5	31.6	66.7
Netherlands	30.9	28.4	42.4	54.9	51.8	48.4	52.6	61.7	50.9	52.9
West Germany	29.6	26.7	49.0	62.8	57.1	59.3	66.7	64.6	52.3	52.2
France	24.6	9.8	49.5	72.8	35.8	58.0	79.2	66.1	61.2	48.1
U.S.A.	20.0	11.4	18.5	30.2	22.5	33.0	39.1	46.2	35.2	46.7
Italy	14.1	10.7	16.9	20.8	21.2	36.4	47.8	44.2	43.2	37.5
Australia	16.1	8.4	20.6	23.0	24.9	27.6	29.5	35.1	41.0	36.9
Belgium	19.9	11.8	19.3	23.6	22.8	26.1	22.9	25.7	33.4	34.9
Greece	13.9	23.9	28.7	35.3	31.3	27.5	34.0	—	19.5	30.3
Hongkong	4.3	2.7	7.4	13.0	7.7	11.0	15.8	14.0	14.6	16.2
Czechoslovakia	4.9	5.2	4.4	14.6	10.1	10.6	16.9	14.1	9.5	12.6
Poland	7.6	8.0	13.8	18.0	10.5	15.1	11.9	12.8	4.0	9.9
Canada	2.8	2.3	2.9	5.1	5.4	5.5	6.2	7.1	9.8	8.4
Yugoslavia	8.8	0.6	10.9	9.8	5.7	5.7	10.8	13.7	12.1	7.6
Ireland	1.7	2.2	3.9	7.5	7.2	7.1	8.6	6.9	6.0	6.1
Other	13.8	18.2	25.7	36.4	40.2	49.1	93.5	134.8	130.3	148.4
<b>TOTAL:</b>	<b>371.4</b>	<b>286.1</b>	<b>572.1</b>	<b>687.8</b>	<b>619.2</b>	<b>729.5</b>	<b>967.6</b>	<b>984.5</b>	<b>947.5</b>	<b>1056.3</b>
Wool Receipts as percentage of Total Export Receipts	21.2	17.3	20.6	20.7	18.1	17.8	18.8	15.9	14.1	14.5

major exports over the year. However, over the past three years the growth in wool receipts has been relatively slow, as evidenced by the fact that during the 1980s wool receipts as a percentage of total receipts have averaged 15.8 per cent. That compares with corresponding percentages of 19.5 per cent and 30 per cent through the decades of the 1970s and 1960s respectively.

Looking at sales on a regional basis, the trend for the United Kingdom and other EEC countries to become less important markets for New Zealand wool exports has continued. Since 1978, the highpoint in the decade, the percentage of wool export receipts earned from sales to the United Kingdom has fallen 9.1 percentage points. The percentage value of exports to the other main European markets<sup>2</sup> has fallen from a peak of 40.4 per cent in 1977 to 24.8 per cent in the latest season. In the latest year virtually all of the growth in export receipts is accounted for by Eastern Bloc and developing countries. In 1982/83 China was the largest buyer of New Zealand wool for the first time, followed by Japan, the United Kingdom, the USSR and Iran. By contrast, in 1974 the five most important customers in order were the United Kingdom, USSR, Netherlands, Japan and West Germany.

## INTERNATIONAL SUPPLY AND DEMAND

Data on world wool production indicates that in 1982/83 production, at 2,893,000 tonnes (greasy basis), was marginally above the previous season's level and continued the rising trend of the previous year. In the case of individual countries (see table 8) there were no major changes, slight production decreases in Argentina, Australia and the USSR being offset by small increases in the other major producing countries. Australia remains the major producing country producing 25 per cent of total world output. The small decline in production in that country in 1982/83 was attributable to the effects of drought in certain areas. New Zealand production, at 370,000 tonnes (greasy basis) accounted for 13 per cent of total output.

It is estimated that at the commencement of the 1982/83 season the size of the world sheep flock had increased by 1.3 per cent over the previous year. Therefore the almost static wool production level in 1982/83 indicates a slight decline in stock performance.

Of total world production in 1982/83, 39 per cent was merino wool which is generally most suited to apparel manufacture while crossbred wool production accounted for 33 per cent. A large proportion of New Zealand's wool production is the coarser crossbred wool, which is most suited to carpet and furnishing fabric manufacture.

Exports from the five main exporting countries in 1981/82 are estimated to have been 720,000 tonnes clean equivalent, a 5.7 per cent drop from the previous season. The decline in exports can be attributed to declining mill activity, uncertainty about future demand and the high cost of carrying stocks. When viewed in this light the substantial lift in New Zealand exports was a very favourable outcome.

Australia, the major producer, is also the largest exporter of wool, accounting for over 50 per cent of the total wool exports from the five main exporting countries in 1981/82. New Zealand is the next largest

<sup>2</sup> France, West Germany, Netherlands, Greece, Belgium, Italy and Ireland.

exporter, contributing almost 28 per cent of the total exports by the same five countries. Two of the major producing countries, China and the USSR, both of which are also major carpet wool producers, are net importers of wool.

In recent seasons total stocks of raw wool in the major wool exporting nations have been increasing and at the beginning of the 1982/83 season stocks were 165,000 tonnes or 36 per cent higher than at the opening of the previous season. Over 90 per cent of the stocks are held in Australia, New Zealand and Argentina. In Australia, heavy buying by the Australian Wool Corporation through the first half of the season resulted in a doubling in stocks in the period June to December 1982 to 1,160,000 bales. Although a 10 per cent devaluation of the Australian dollar in March 1983 and improved market demand allowed the Australian authorities to sell more wool than they purchased through the second half of their season, the end-of-season stock level (930,000 bales) remained double that at the beginning of the season. In contrast the New Zealand Wool Board was able to make sales out of stocks through most of the season, particularly during the last quarter, with the result that stocks were reduced by 136,000 bales. Overall supply stocks of raw wool in the main exporting/producing countries at the end of the 1982/83 season are likely to have increased substantially to a level well in excess of 200,000 tonnes (clean equivalent).

The major influence on demand for wool is the level of economic activity in those countries where final consumption occurs, rather than those countries which are major importers of raw product which is subsequently re-exported in a processed form. Dominant amongst the former group in recent years have been the larger Western European nations, Japan and the United States, while the two major centrally-planned economies, China and the USSR, also exert a significant influence on demand although this more often depends on domestic production trends rather than general economic performances. In particular, demand for carpet wool is mainly determined by the amount of new construction work being undertaken while demand for apparel wools is more closely linked to the level of discretionary income available to consumers. Developments in both variables over the last year have been such that they induced a further general decline in wool textile activity during 1982/83, although processor and textile manufacturer activity was displaying tentative signs of recovery by the second quarter of calendar 1983. Improved retail activity has been most obvious in the United States, West Germany and the United Kingdom, in line with a more broadly based, but gradual, recovery in the world economy. However, apart from the United States, the recovery remains hesitant and indeed is not yet evident in other major wool-consuming countries including Italy, France and Japan.

In common with many internationally traded commodities, wool has suffered from the uncertain and weak performance of the major industrialised nations. Increased consumer demand for woollen products, and a decline in the level of interest rates, are the fundamental factors which will be necessary to induce greater output and demand for wool stocks by processors and textile manufacturers. The wool trade has also suffered from the volatility of international currency movements, and the increased competitiveness of synthetic fibres. The declining real price of oil

**TABLE 8**  
**ESTIMATED WORLD PRODUCTION, EXPORT AND**  
**STOCKS OF RAW WOOL**  
(000 tonnes)

Season (June year)	Production <sup>1</sup>				Exports <sup>2</sup>		
	1979/80	1980/81	1981/82	1982/83	1979/80	1980/81	1981/82
Argentina	171	170	168	165	55	70	57
Australia	709	700	716	710	355	378	353
New Zealand	357	381	363	370	240	246	249
South Africa	103	105	110	110	34	37	33
Uruguay	70	81	79	83	18	33	29
China	153	176	189	202	..	..	..
U.S.S.R.	478	464	482	471	..	..	..
Other	756	774	780	782	..	..	..
<b>WORLD TOTAL</b>	<b>2797</b>	<b>2851</b>	<b>2887</b>	<b>2893</b>	<b>..</b>	<b>..</b>	<b>..</b>
Start-of-season supply stocks <sup>2 3</sup>	94	100	121	165			
Available supplies <sup>2</sup>	1672	1710	1747	1794			

<sup>1</sup> Greasy basis.

<sup>2</sup> Clean equivalent basis.

<sup>3</sup> Australia, New Zealand, South Africa, Uruguay and United Kingdom.

Source: International Wool Study Group/International Wool Textile Organisation.

through 1982/83 is likely to have improved the attractiveness of synthetic fibres relative to wool as an input into the textile manufacturing industry. The most recent statistics available confirm that in the first quarter of the 1982/83 year the deterioration in wool's competitive position resulted in man-made fibres gaining a slightly increased share (from 68 per cent to 69.2 per cent) of the overall fibre consumption market, a market which has been contracting. That trend is likely to have continued through the remainder of the season, although the substantial real decline in oil prices and hence those of synthetic fibres may have halted the overall decline in fibre consumption.

## CONCLUSION AND OUTLOOK

Appraisal of the 1982/83 wool season has been made difficult by the somewhat inconsistent and variable mixture of developments which occurred during this period. For many New Zealand producers average climatic conditions were encountered and the relatively high production level reflected only modest growth in stock numbers plus high shipe production. Gross incomes from wool (including Government SMP payments) remained constant but costs continued to rise, albeit at a moderating rate, with the result that net incomes from wool will have declined in nominal as well as real terms. The effect of that decline on investment generally, coupled with the scaling down of Government incentive schemes, is likely to result in a small decline in both sheep numbers and total wool production in 1983/84, assuming that stock performance remains unaffected by abnormal climatic factors.

From a marketing perspective, the latter part of the 1982/83 season represented an improvement on the previous season. While the average price for the whole season's disposals remained virtually unchanged, the season's entire production was disposed of and Wool Board stocks were significantly reduced. The

consequent record volume of exports was responsible for the higher export receipts recorded in the 1982/83 June year. The export volume in the 1983/84 year is anticipated to be at a similar level, with the expected decline in production being offset by a slight increase in Wool Board disposals. If this eventuates, Wool Board stocks should be at quite moderate levels at the end of the 1983/84 season.

In the international market, the modest firming of demand which became apparent towards the end of the 1982/83 season has been sustained in the early sales of the 1983/84 wool season. Demand appears to have been somewhat stronger in early season auction sales in New Zealand than in Australia, South Africa, and the major South American producing nations; with particularly strong demand coming from Iran, Japan, the United States, the USSR and some of the major Western European nations. In New Zealand the stronger demand, coupled with the exchange rate effect earlier in the year, has resulted in a cumulative average auction price of 295.8 cents/kg in the three months to September compared with a corresponding figure of 243.3 cents/kg in the previous season. However, despite encouraging signs of a recovery in consumer demand, and the relatively low stocks of raw wool in manufacturing countries, there remains considerable uncertainty as to the timing of the impact of general economic recovery on wool demand and prices. This stems from the relatively narrowly-based and tentative nature of the economic recovery, unwillingness by manufacturers to hold large stock levels, an increased availability of wool and continued strong competition from synthetic fibres.

Overall, from the New Zealand industry's point of view, the 1983/84 season should see an improvement on the previous season, with improved export earnings. For the New Zealand producers, however, the likelihood that the average auction price during the season will remain at or below the Government SMP level will mean little change in gross income from wool and that, combined with a probable modest rise in farm costs, implies a further reduction in net income.