

Telegram from the ACTING PRIME MINISTER, Wellington, to the Right Hon. the PRIME MINISTER OF NEW ZEALAND, London.

Wellington, 4th August, 1921.

FOLLOWING from Minister of Agriculture, in which I concur :—

Wool: Authoritative figures compiled by B.A.W.R.A. and the New Zealand Wool Committee show sale of Australian, New Zealand, and Cape wools from January to end of June as follows :—

Submitted to auction in England and Continent: B.A.W.R.A.—Australian, 353,530 bales; New Zealand, 80,622 bales: Free—Australian, 205,793 bales; New Zealand, 74,171 bales; Cape, 16,797 bales.

Submitted to auction in Australia: Free—Australian—589,000 bales.

Total auctioned, England, Continent, and Australia, 1,319,913 bales, of which it is estimated 75 per cent. have been actually sold, equal to 989,935 bales.

Actual sales in New Zealand: Free wool—160,000 bales.

Total actual sales, six months of B.A.W.R.A. and free Australian, New Zealand, and Cape wools, about 1,150,000 bales.

This is considerably less than average production during same period. At least 300,000 bales New Zealand current seasons clip remain unsold at 30th June. London Board of B.A.W.R.A. have telegraphed that we must face fact that accumulation instead of steadily diminishing tends to increase, and extremely cheap prices have had no tendency to increase demand.

I would refer you to my telegram of 13th May, in which it is suggested that British Government should be asked to withhold Imperial wool from sale for fixed period. In view of the position now disclosed, and owing to the fact that the prices realized for Imperial crossbred wool in London will barely repay the charges incurred and would necessitate the writing-off of the whole of the initial purchase cost, opinion is very strongly held that all Imperial stocks of crossbred wool should be definitely taken off the market and an announcement made that it would be withheld for a fixed period of, say, two years, in order to enable the consumption to overtake the demand [supply].

The financial position of the majority of holders of the current clip is such that they must realize even at present disastrous prices. I am in full accord with these opinions, and would add further that it is probable that such action by the Imperial Government, besides enormously advantaging the producers of His Majesty's dominions, would result in benefit to His Majesty's Treasury in the ultimate realization of the Imperial stocks of wool.

Letter from the Right Hon. the PRIME MINISTER OF NEW ZEALAND to Sir HOWARD FRANK.

DEAR SIR HOWARD,—

Hotel Cecil, W.C., 6th August, 1921.

I beg to enclose for your information a copy of a cable which I have received from the Minister of Agriculture at Wellington in regard to the wool position, and particularly expressing the opinion that all Imperial stocks of crossbred wool should be definitely taken off the market, and an announcement that it would be withheld for a fixed period of, say, two years, in order to enable the consumption to overtake the supply.

The Acting Prime Minister has also cabled to me expressing his accord with the opinions of his colleague, and adding that it is probable that such action by the Imperial Government, besides greatly advantaging the producers of the overseas dominions, would result in benefit to His Majesty's Treasury in the ultimate realization of the Imperial stocks of wool.

In considering the figures set out in the cablegram it is well to remember that practically the whole of the New Zealand wool and a very large proportion of the Australian clip come in during the period January to June. Personally, I am inclined to favour the suggestion made by the New Zealand Government, and in any case it is worthy of consideration.

May I ask you to be so good as to favour me with an expression of your views concerning it?

Yours, &c.,

W. F. MASSEY.

Sir Howard Frank, K.B.E., Caxton House West, Westminster.

Letter from Sir HOWARD FRANK to the Right Hon. the PRIME MINISTER OF NEW ZEALAND.

Caxton House West, Westminster, S.W. 1, 15th August, 1921.

DEAR MR. MASSEY,—

I have to thank you for your letter of the 6th ultimo. The proposals contained therein go considerably further than the suggestions made by you in your previous correspondence, and you now ask that all Imperial stocks of crossbred wool should be held off the market for two years.

I do not think there is any probability of the Chancellor of the Exchequer accepting the policy which you suggest. As you are well aware, the financial position is now weighing very seriously upon the Treasury and upon public opinion, and deliberately to postpone the realization of assets paid for out of borrowed money would be very difficult to defend.

The figures you give are familiar to us, and when completed by adding the figures of wool sold in New Zealand they would no doubt prove, as you suggest, that crossbred wool is going into consumption in less quantity than the new growth, so that the accumulations, instead of decreasing, are slightly increasing. So long as this lasts the market prices for New Zealand wool are likely to be