

CORRESPONDENCE RELATING TO THE 1917-18 WOOL-CLIP.

Letter from the WAR OFFICE, London, to the HIGH COMMISSIONER FOR NEW ZEALAND.

SIR,—

War Office, London S.W., May, 1917.

I am commanded by the Army Council to refer to recent discussion between Mr. Massey, yourself, and the Financial Secretary of the War Office on the subject of the purchase of the 1917-18 New Zealand wool-clips, and to enclose herewith copy of a memorandum setting forth the offer of His Majesty's Government.

I am to request you to transmit the contents of this memorandum to the Dominion Government, and to urge the desirability of arriving at a decision as early as possible.

I am, &c.,

B. B. ANTILL.

The High Commissioner for New Zealand, 13 Victoria Street, S.W.

MEMORANDUM.

HIS Majesty's Government offers to acquire the whole of the Australian and New Zealand wool-clips for next season. A similar offer is being made to the South African Government in respect of the South African clip.

The reasons advanced in September, 1916, for Imperial purchase still hold good. Since that date several new factors have been introduced making continuation of wool-purchase more desirable both from the point of view of British and Allied military requirements and, as it appears to the Imperial Government, of the producers concerned. The main reasons are as follows:—

1. The reduction of shipping facilities renders it necessary to ensure that priority of such tonnage as may be available in the future is given to wool required for Government purposes.

2. British and Allied military demands are steadily increasing, and the clothing for a large army next winter must be provided. Supplies of crossbred wool are insufficient to meet total military requirements; it has therefore become necessary considerably to increase the proportion of merino used for this purpose.

3. The entry of the United States of America into the war will increase the military demand for wool, and renders even more desirable the conservation of existing supplies, which is only possible if a system of control is applied.

4. In view of the increasing military demands and decreasing shipping facilities, the Army Council is anxious that a considerable reserve of wool shall be built up in the United Kingdom as soon as possible to meet all contingencies. The total available supplies at present under the control of Imperial Government are insufficient to put such a proposal into effect, in spite of drastic steps which are now being taken to restrict production of woollen goods for civilian consumption in the United Kingdom. The advantages of Government purchase already effected have been—

- (1.) It has enabled the British Government to obtain supplies necessary for clothing British and Allied armies at a reasonable cost, by limiting speculation in the raw materials and by rendering it possible to fix prices from the several stages of production up to the finished article. The whole production of army material is now organized on this basis, and any alteration in system of purchase and distribution of raw materials would seriously interfere with maintenance of a steady output of cloth, &c., for British and Allied armies.
- (2.) It has replaced the clumsy method of export under license, which in the past has proved ineffective in conserving supplies owing to the intermittent nature of embargo. Government purchase has rendered it possible to ensure that raw material is used for essential national purposes, instead of being distributed to the highest bidder to be used for less essential purposes or for speculation.
- (3.) The central organization already set up in the colonies and United Kingdom has considerably simplified the collection and distribution of raw wool. The saving in man-power by concentrating handling in a small central staff and by arranging for direct distribution to consumers without the intervention of middlemen is of considerable importance at the present time.
- (4.) Producers in the colonies have been guarded against all shipping risks. Shortage of shipping facilities means a low level of prices in the country of production, and a high level in consuming countries. In South Africa, where Government purchase is not in operation, it has been found impossible to ship a considerable proportion of wool already bought, with the result that present holders of the wool are faced with serious financial difficulties. There is every indication that the seriousness of the shipping position will become much accentuated in the future, in which case producers will probably find it very difficult to dispose of a large bulk of next season's clip. This would inevitably result in a slump in prices in producing countries, which might be very serious for many growers.
- (5.) Purchasing of colonial wool on enemy account has been prevented. In previous seasons a certain amount of colonial wool was purchased through neutrals for enemy account. German economic policy has been increasingly directed to acquisition of raw materials for her post-war trade.

In considering what should be a fair price for next clip, it is important to bear in mind that shipping facilities will become increasingly inadequate to lift the clips, and in any case a considerable quantity of wool will almost certainly remain in Australasia until after the war.