# CHAPTER VII

## TRADE ADJUSTMENT IN AGRICULTURE: WOOLGROWING

We now turn to the agricultural sector. Here the woolgrowing industry has been chosen to illustrate the problems likely to be encountered in applying an adjustment assistance program. This industry, because of the political power of its members, also typifies one obstacle to trade liberalization if this kind of program is not put into practice.

### IMPORTS VERSUS DOMESTIC WOOL PRODUCTION

Domestic wool production normally is not adequate to supply domestic needs, and in time of war has fallen far below requirements. Although a large portion of wool consumed in the United States has to be imported, domestic woolgrowers have placed heavy emphasis on tariffs as a way of supporting wool prices and encouraging production. Because of these large imports the domestic wool industry is heavily dependent on price movements in the international wool market. But changes in domestic demand and the nature of the woolen textile industry have an even greater effect on wool prices.[1]

In a period of depression, the demand for new clothing and for other products made from wool can drop off very sharply. As a result the demand for raw wool is less continuous and stable than the demand for other farm products such as foodstuffs. Moreover, the nature of the woolen textile industry is such that sizable stocks of raw wool are normally in hands of the mills, importers, speculators, and others. Stocks of finished woolen goods are held by garment makers and wholesale and retail handlers. If consumer demand falls off suddenly, these inventories allow mills and other sectors of the wool trade to discontinue buying of raw wool for a time while stocks are disposed of.

Severe declines in demand thus are characteristic of the industry. But wool prices also have a tendency to recover more rapidly than those of other farm commodities. Price stability, rather than production control or tariff protection, is therefore of primary importance for woolgrowers.

Wool production does not, nor can it be made to, vary greatly from year to year. The principal method of adjusting supply to increased or decreased demand has been through variation in imports. During the 1930's, for example, despite greatly reduced demand, domestic wool production continued at a high level, but imports fell off sharply.[2] In

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[1] Benedict, M. R., and Stine, O., "The Agricultural Commodity Programs," (New York, 1956), p. 330.

[2] U.S. Agricultural Marketing Service, "Wool Statistics and Related Data" (Stat. Bull. 142, September 1954), pp. 38 and 80.