

X-1961

The Federal Reserve Board has restored confidence in the wool industry by suggesting a plan for financing the wool growers during the present emergency. By advance arrangement with the Federal Reserve Board, wool growers, bankers in the wool producing sections and eastern wool markets, wool dealers, warehouse men, manufacturers, and others interested in the wool trade, held an all day session with the Federal Reserve Board yesterday. The condition of the wool market caused by the recent cessation of purchases of raw wool was laid before the Board, and a full discussion was had of various plans for financing the industry until normal buying operations are resumed. Unlike most other crops, wool is marketed in the spring and early summer, and the marketing conditions prevailing during the past month have threatened great losses to wool growers which might be disastrous. Such a condition, if it developed, might cause serious sacrifice of sheep on farm and range, and result in reduced supplies of wool and mutton in future years. It was clearly shown that there was no disposition on the part of anyone to maintain artificial prices, but simply to make arrangements by which the temporary interruption of the wool market would be removed and normal marketing conditions restored.

The plan of action finally arrived at was adopted as a more simple and satisfactory way of dealing with the situation than the Cotton Loan Plan of 1914 which had been suggested. At the termination of a conference between the Board and a sub-committee consisting of bankers thoroughly familiar with the entire situation, the Board authorized the following statement:

"A wool grower may ship his wool to one of the usual points of distribution, obtaining from the railroad a bill of lading for the shipment; the grower may then draw a draft against his bank, for such an amount as may be agreed upon by the grower and the bank, secured by the bill of lading. The Federal Reserve Act authorizes any member bank to accept a draft secured in this manner at the time of acceptance, provided that the draft matures in not more than six months from the time of acceptance. After acceptance such a draft bearing the endorsement of a member bank is eligible for rediscount or purchase by a Federal Reserve Bank, provided, that it has a maturity of not more than three months from the date of rediscount, or purchase.

It was suggested that the Federal Reserve Board communicate with the Federal Reserve Banks, pointing out that shipments of wool to points of distribution may properly be financed by acceptances in the above manner."

While the statement refers only to acceptances based on bills of lading, Governor Harding referred those present to the provisions of Section 13 of the Federal Reserve Act, as to eligibility for discount of paper secured by warehouse receipts.

At a further meeting held late last night of all interests concerned, it was the unanimous opinion that the plan suggested above was practical and feasible, and that no extraordinary difficulty would be encountered in the necessary financing to carry along the present

season's wool clip until a normal buying market should reassert itself, which it was the firm belief of all would be within a very reasonable length of time. All members of the Conference have departed for their homes feeling that the difficulties surrounding the marketing of the present season's wool crop have been satisfactorily disposed of.

June 22, 1920