

“Hello New Zealand Wool – This Is The Future Speaking...”



NUFFIELD
NEW ZEALAND

*Global Vision, Leadership
and innovation in Agriculture*

**A REPORT FOR THE NEW ZEALAND
NUFFIELD FARMING SCHOLARSHIP TRUST.**

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FOREWORD

Wool was once this country's most valuable export product, it was to our economy what dairying is today, providing almost a third of New Zealand's total export earnings. How things have changed. Wool now contributes less than 2% of our export receipts. Sandra Faulkner's summation of the wool industry today is a sad but fair reflection - "The New Zealand wool industry is currently weak and fragmented to the point of being dysfunctional".

This provoking and well researched report rightly looks forward not backwards. It focuses on the future not the past. We all know that wool is a fabulous product, older growers nostalgically talk of wool's golden days and younger growers are perplexed by how it is that they can receive so little for this magical fibre.

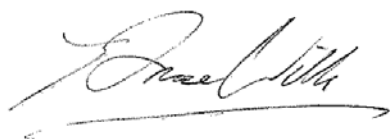
For wool growers and indeed our economy this issue is serious. For 120 years the sheep industry has survived on a dual purpose animal, meat and wool. The meat component has pulled its weight but wool's contribution has been sadly lacking. This has to change. Sheep numbers have halved in the last thirty years as farmers have chosen more viable land use alternatives. Without reasonable returns from wool the entire sheep industry is at risk.

You will read in the following pages about Sandra's ideas for a way forward from here. The need for collective grower investment, the need to support the 'Campaign for Wool', the need for government to do its bit. But most importantly the need for we growers to urgently take ownership for the predicament we are in.

We need to stop sitting on our hands and blaming others and we need to stop lamenting the past. This is our industry and it is past time that we growers more actively determined its future. The status quo is not an option. If wool is to have a future, then we must change, we must do something different.

My sincere hope is that after you read this report you are prompted to help determine this change. Whether it's from the encouragement and excitement from seeing a way forward or from the anger and disappointment of what could have been.

Enjoy the read and let's sort this industry!



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I would like to commend the Trust sponsors – DairyNZ, AGMARDT, Beef + Lamb NZ, FMG, Foundation for Arable Research, Landcorp Farming Ltd. and the Mackenzie Charitable Foundation – for their vision and continued support of New Zealand Inc.

Programmes like Nuffield are the envy of many when travelling overseas and industry members like yourselves can be proud to say you have been an integral part of taking New Zealand Primary Industries into the future.

A very special thank you to New Zealand Nuffield Secretariat Barbie Barton who has listened, organised, commanded, coerced, cajoled, and celebrated with us throughout the 18 months of our Scholarship adventure. Barbie and husband, Roger, first introduced me to the notion that I could aspire to join the Nuffield 'family' – it is these sort of wonderful people that farming communities, the world over, revolve around.

Thanks also to Jim Geltch, International Secretariat and Chief Executive of Nuffield Australia, for arranging, amongst a multitude of other things, a phenomenal Global Focus Tour. Jim, you are a true gentleman.

To my fellow, all singing, all dancing Global Focus Tour travellers – Linda Eldredge, Ewan McAsh, Jemma Sadler, Stuart Sharman, Robin Schaefer, Mark Swift, Brenda Schoepp, Shane Fitzgerald and Mike Tayler. It was an absolute privilege to discover some fascinating parts of the world with such an inspiring group – thanks guys.

I count myself extremely lucky to have several great mentors. Ingrid Collins, Stephen Fookes, Bruce Wills and Patrick Aldwell have all played a huge part with their wisdom and encouragement.

To all the scholars, key figures in the fibre industries, farmers, New Zealand Embassy and MFAT staff and people the world over who graciously opened their homes and businesses so I could experience and learn to overcapacity. I value all your contributions hugely.

During my six months of travel in 2012 I have covered vast distances both physically and emotionally. I have been pushed so far out of my comfort zone I no longer recognise it, put on the spot, indulged and catered to. I have been humbled, enchanted and inspired. I have been broadsided by homesickness and yet delighted in stretching my wings until they ached.



I have come home different and yet the same – a little unsure of where I ‘fit’ now – and relishing the challenge.

None of these things could have been possible without the unwavering support of the following people:

My stellar parents, Jim and Beverley Haliburton, who instilled in me an insatiable curiosity coupled with all the country values that have stood me in such good stead throughout my life. You have made the world my oyster and I love you deeply for that.

The best parents-in-law a girl could possibly hope for, Sarah and Rodney Faulkner. I am still a travelling light-weight compared to these two globe trotters. It is always a pleasure to sit and debate any and all of the world’s issues over good food and wine.

My sister-in-law, Jo Graham and husband, Bruce – our dedicated business partners – who graciously indulge all my hare brained schemes and fill in when I am not around. I promise to be home for docking this year ...

My two top boys, William and George, who make my life complete. There is no greater joy in the world than to be greeted off a plane by such rollicking lads full of joy and hugs and stories.

And finally to Rob, my husband and rock, steadfast, loyal and patient – so many times during the past year I have wished you could see and hear and marvel with me. I am truly humbled by your belief in me and I garner much of my courage from you. Thank you and happy fishing!

SB Faulkner



Tools of the trade in my father’s hands

INTRODUCTION

For nearly 30 years, New Zealand's livestock farmers have increased their on farm productivity. Since government subsidies were removed, our farms have become sustainable, profitable and environmentally aware businesses. We have been so successful in this quest for efficiency that we are now held up in global forums as the model for converting grass into money.

In the 2010/ 2011 financial year, New Zealand sheep and beef farmers produced 623,000 tonnes of beef, 355,000 tonnes of lamb and 173,500 tonnes of wool. Of these huge volumes, upwards of 80% was available for export.

We are niche marketers extraordinaire. Dedicated to innovation and consistency, our 'fore farmers' created a formidable reputation for top quality agricultural products leaving our shores. As a result, New Zealand produce invariably attracts a premium in our export markets.

Have we, however, become victims of our own success?

The margins for productivity improvement have become increasingly slim, to a point now where many in the industry believe that the only way to maintain our forward momentum is to concentrate on increasing the value of the products leaving our farms.

As we all know, the basic requirements for life are food, shelter and warmth. Much has been written on successful supply chains for food production. New Zealand produces top-class ingredients for all these basic requirements and we export them to a desirous world. One in particular stands out as a passion for me – wool.

Along with my fellow strong wool growers, I have been continually frustrated that while our fibre ticks all the right environmentally-sustainable boxes, we get paid barely enough to harvest it. I spent 2011 studying the onshore wool industry through Lincoln University's Kellogg Rural Leaders programme. While enlightening, I was very conscious that the vast majority of our wool is exported, thus leaving me with only a small part of the overall picture.

It was with this in mind that I applied for a Nuffield Scholarship. The astonishment and delight of achieving a positive response from the Nuffield Trustees is still with me as I write this report.

Superlatives are limiting in this situation but during my Nuffield year I have been



PHOTO: Rebecca Grunwell, The Gisborne Herald

astounded, enchanted, challenged and inspired – often all in a very short space of time. My travels took me through the UK and Europe, Australia, USA, India, Canada and China. When I began this journey, my thinking was limited to value simply being the money in the bank.

I now know that money is but one component in a complex model that includes economic, social and environmental aspects. Business is powered by people, and true value lies in those people feeling that they have balance in all these components.

Primary producers and their representatives, the world over, strive to maintain strong, vibrant communities and enhance the health of their environment because, unlike any other business sector, their future depends upon this balance.

With farmer representative roles in Beef + Lamb New Zealand, Federated Farmers of New Zealand and TB Free committees, my focus has long been on easing the way for farmers. Our primary producers are world leaders and deserving of respect and support. It is in everyone's interests to see farmers doing well – to be realising all possible value from their businesses.

My interest in industry representation has seen me not only looking at the physical processes that wool and other natural fibres go through on their way to end-use retail, but also the representation available to the businesses involved.

This representation – what works, what doesn't and what would it look like for wool growers – has become my focus.

Merino New Zealand have proven that creating an energetic, proactive environment for their growers improves the value gained by them from the fine wool industry. Unfortunately they only act on behalf of 8% of the total wool clip – albeit with 25% of the income.

Due to the commercial nature of our wool industry, postharvest interests are well taken care of by a variety of bodies dedicated to addressing any factors influencing their businesses.

Unfortunately, this is no longer the case for 90% of New Zealand wool growers.

INDUSTRY REPRESENTATION

Successful industry representation has several defining features.

The first is simplicity.

Representative groups are elected by producers who believe they have the skills required to look out for the growers' interests in all arenas. Successful boards produce a clear (usually short) strategic plan outlining their intentions for a five-year period, including measurable outcomes. Growers accept that not all plans will be successful, but do expect to be well informed of all outcomes. They simply expect that their elected representatives do what they say they are going to!

Great industry representation is PROACTIVE.

Agricultural production the world over faces a multitude of challenges. Really good industry representation knows this, and spends considerable effort on heading off as many issues as possible. This comes in the form of active lobby work, creating workable policy, public awareness and dynamic succession. They make it easier for their growers to get on and do what they do best – produce a quality product. Really effective representative groups also have considerable respect for their growers and actively seek ongoing grower feedback on any action taken. This makes them positive, nimble and better placed to communicate market signals to their growers.

They are transparent and approachable.

In order to accurately represent their growers, top representatives are actively farming. There were very few 'career' directors. The decisions made around the board table affect the board members as much as any other grower, which adds incentive to 'get it right the first time'. These representatives are happy to be approached 'in the paddock' by industry members and welcome grower input, as they believe that the answers to issues can often be found amongst their own people. They freely acknowledge the business acumen available in the industry, and the common sense that abounds – often over the back fence.



Author with Australian Scholar, Rob Blatchford. Gurley, NSW

COTTON AUSTRALIA – a case study:

Aside from their obvious differences, cotton and wool share many synergies. They are the largest natural fibre crops in the world, facing similar challenges on the farm and even more so in the marketplace.

I was privileged to spend considerable time in the cotton industries in Australia, USA and China. Cotton is an integral ingredient in a vast array of the products we live our lives in, and yet along with wool, it struggles for market share in a synthetic fibre-driven environment.

Cotton produced in Australia claims the same status in the global cotton market as New Zealand wool does in its own market – producing the best-possible quality, making it the industry standard and thus the price-setter. The focus for the Australian industry is set firmly on quality, while not losing sight of production gains.

Cotton was first brought to Australia on the ships of the First Fleet. It was grown in Queensland using dryland techniques for nearly 100 years before falling into such decline that the industry became almost non-existent.

The 1950s and 1960s saw a huge investment in water management and the building of large reservoirs in Northern New South Wales. This allowed land previously restricted to grazing to be intensively cropped. Cotton flourished.

In 2011, cotton was grown over nearly 600,000 hectares, boasting a value of \$2.87 billion. Established in 1972, as the Australian Cotton Foundation, Cotton Australia is the

representative voice of the industry. Its self-defined role is to keep Australian cotton competitive in the world market, while being sustainable and valued by the Australian community. It drives the industry's strategic direction, retains a strong focus on R&D, promotes the strengths of the industry, reports its environmental credentials and implements policy objectives.

Cotton Australia is funded by a voluntary levy of \$2.25 per bale of cotton, and cannot operate without this support.

All cotton farmers also pay an R&D levy of \$2.25 for each 227 kilogram bale of cotton which is matched by the Australian Government.

Please take a look at the website cottonaustralia.com.au – it is fantastic!

During my time studying the Australian cotton industry, I was generously hosted by growers, industry representatives – including the chairman of Cotton Australia – who were all top growers in their own right, as well as researchers, sector servicers and marketers.

Cotton is a high risk for high reward crop. The industry faces constant challenge from adverse policy development. This is the result of an unfavourable public perception of the impact growing cotton has on the environment. Combine this with Australia's irascible climate causing water availability problems (too much one minute, too little the next), pests and disease, GM crop licensing and diminished rural communities.

One would expect, faced with all these challenges, to find an industry deeply entrenched in the defensive – with the wagons circled staving off the barbs.

Instead, I experienced a burgeoning industry which had just harvested their greatest crop yet. Growers had contracts available up to three years in advance, well funded R&D paid for in partnership with the Government and a strong industry representative group.

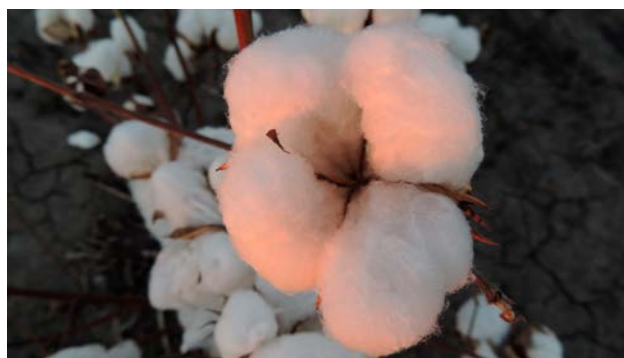
Cotton Australia has an impressive ability to foresee issues before they arise and address them accordingly.

What impressed me most, however, was an overwhelming sense of positivity. While all the participants were fully cognisant of the issues and challenges facing the industry, they were confident that everyone was pulling in the same direction. When I questioned this further, the response was generally focused around the Cotton Industry 2029 Vision. In harnessing the projections from growers, researchers, postharvest processors and marketers, the result is a clear way forward for the entire industry, en masse.

Can this approach be utilised in the New Zealand wool industry? I believe it can, so here goes. . . .



Cotton seed structure



Cotton ready for harvest

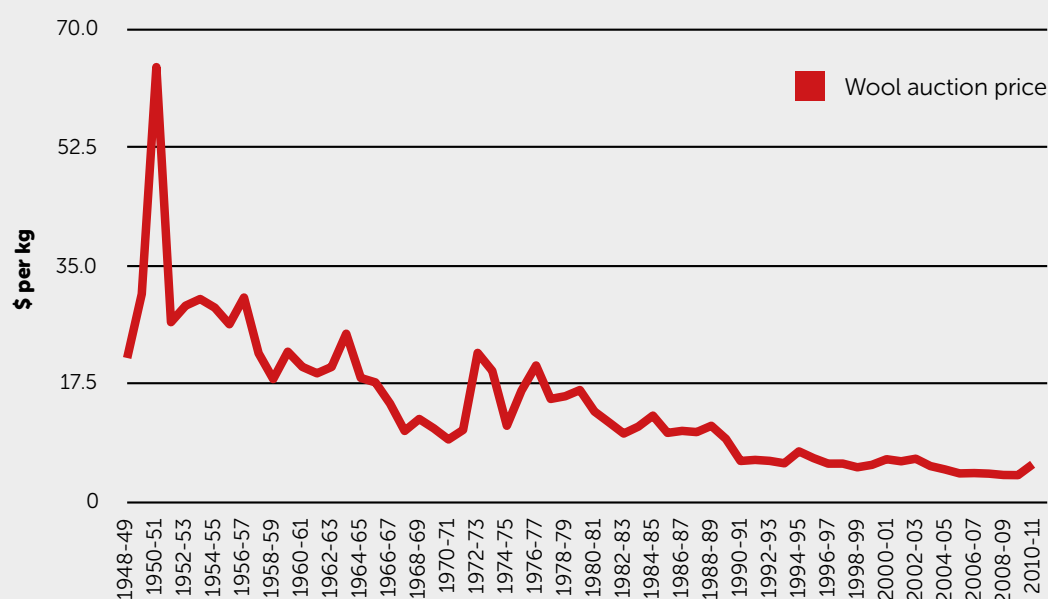
BACKGROUND

The New Zealand wool industry is currently weak and fragmented to the point of being dysfunctional. This is not a judgement of the individual businesses involved, but rather a symptom of the commodification of a product along a convoluted supply chain.

Highlights

1966-67	Synthetics make inroads
1972-73	Commodity Boom
1974-75	Oil shock effect - collapse in economic growth
1980-85	Prices supplemented but only market price shown
1985-86	Deregulation
1989-90	Berlin Wall falls
1990-91	Loss of Eastern block market (approx 14% of wool exports)
2003-04	Wool Board Ceased 15 Septmber 2003
2005-06	Tough times
2006-07	Weak prices
2009-10	Wool price at 100 year low in real terms
2010-11	Moving off very low base

Wool auction price trend



Figures from Beef + Lamb NZ Economic Service

Much has been written on the current woes of the wool industry and I have no desire to add another report to that particular pile. We need to be focusing forward as an industry – looking to realign the value chain that begins with us, the growers of the wool.

In 2009 New Zealand sheep farmers voted, by a slim margin, to discontinue the wool levy paid to Meat and Wool New Zealand.

Four years on it has been established that wool growers are now 'under-represented' in a number of areas.

As a result of my Nuffield studies, I now firmly believe in collective producer investment in industry representation and R&D. It provides cohesion and in turn, strength to growers.

The Ministry of Primary Industries currently regulates all agricultural levies paid in New Zealand.

The Commodity Levies Act (1990) enables an industry organisation to seek a compulsory levy on a commodity. The power to collect a compulsory levy is a considerable privilege, but also a responsibility which carries obligations.

There are strict guidelines under the Act as to how levy funds are spent. They are as follows:

- production and market research
- market development
- promotion
- plant and animal protection
- quality assurance programmes
- education and training and
- administration of the industry organisation.

Contributors need to ensure that their levy is regularly monitored so they know:

- the levy was spent on the right things
- that the work paid for by the levy was done, and
- that the work provided a worthwhile result to farmers for their investment.

As I stated earlier, I believe that wool growers are currently losing ground as a result of the discontinuation of the levy. I am also not prepared to be hamstrung by the sentiments of the past.

Wool growers need to understand there are opportunities available to them but only if they choose to collectively fund the vehicles that will take them there.

FACTORS NECESSARY FOR SUCCESS

- **Grower, Government, key decision-makers, media and community acceptance of the true value of the New Zealand wool industry**
- **Combined grower and Government funding**
- **Awareness and adoption of research outcomes**
- **A cohesive and progressive wool industry throughout the supply chain**
- **Enhanced awareness and thus improved global market position for woollen textiles – with an emphasis on New Zealand wools**
- **Financially and environmentally sustainable land use**

Grower, Government, key decision-makers, media and community acceptance of the true value of the New Zealand wool industry

Many times I have heard the comment, "50 years ago, when I started farming, the first bale out of the press paid the shearers – the rest went on the mortgage". There was no illusion about the value of the product being shorn off those sheep!

Currently shearing is seen simply as an animal health expense, with little regard paid to preparation or presentation of the wool for sale. If there is any value left after paying the shearers, it comes as something of a surprise. As the recent focus has been largely on the production of lamb and sheep meat, all the R&D spend has been on when to shear to maximise growth or increase ewe efficiency.

It seems strong wool growers have been led to believe that they no longer harvest a valuable crop off the backs of their sheep. In stark comparison to their fine wool counterparts, strong wool growers have lost sight of the fact that they supply a niche product to the world – and the world wants it. This has been brought about by the commercial nature of the industry post harvest, for whom selling wool has become a race to the bottom of the price scale.

Until growers begin to believe in their product, have some pride in what leaves their farms, and start to seriously question what happens to their wool post harvest, they will continue to receive unsustainably low prices for their product.

Central Government has a part to play in the revival of wool. The world watched as our Minister of Primary Industries, David Carter, escorted the Prince of Wales through various Campaign for Wool events during the recent Royal Jubilee Tour. All of that exposure was not only good for New Zealand wool, but also beneficial for the wool industry globally.

Wool continues to be a major export for New Zealand, and as such deserves the attention of the policy makers.

By providing R&D funding and governance support onshore, New Zealand is perfectly placed to provide the leadership that the global industry is currently lacking. Coordination is the key if there is to be a measurable increase in the amount of wool sold across the world.

As fibre producers, we do not need to be going into battle with the DuPonts of this world, but we do need to make our fibre the product of choice. At no time did I hear a carpet retailer say they had lost money from their wool sector – in fact, it was the opposite. Wool held its value even during the darkest days of the economic crisis, compared to synthetics which had plummeted.

Consumers will always recognise good quality. They just have to be aware of the option.

Once the two major players – growers and Government – have agreed wool is a priority, the media will have little option but to report on that very ‘surprising’ fact! Good news stories out of the strong wool industry have been extremely hard to find recently, and it will take a concerted media effort to spread the message that the boat has turned.

I use the analogy of the ocean liner – it takes a lot to turn them around. Well, the wool boat is stalled in the water with the engines rusted up! There is an awful lot of ‘below deck’ work needed to get her underway again, and then turned in the right direction!

This is where communication across the industry needs to be extremely timely. Growers – rightly – became frustrated with the ‘closed door’ decision-making that prevailed towards the demise of the Wool Board. They have since been bombarded by commercial interests, many of which have failed financially, and now view any wool-related news with a degree of skepticism.

In the age of digital media, there is no excuse for poor communication between growers and their representatives. Growers simply want a board who say they are going to do A, B and C – and DO IT! Equally, any board SHOULD want consistent and constructive feedback from the people they are representing.

Education of the wider community about the value of the products trucked off our farms is an ongoing project, and the recent heightened exposure of agriculture as a career choice should be hugely encouraged. We are all responsible for spreading the message that farmers feed and clothe the world.

Combined grower and Government funding

"Everyone needs to have skin in the game".

Wool returns have dropped to such a low that it has become increasingly hard to justify paying a levy. The level needs to be set so farmers are not overly disadvantaged by it, and yet can generate the funding required to create change.

If, however, growers indicate they are willing to look at supporting such a scheme, an application would be made for Primary Growth Partnership funding – the value of which would equal grower contributions.

The Primary Growth Partnership is a government-industry initiative that invests in significant programmes to boost the economic growth and sustainability of New Zealand's primary sectors.

Each initiative is a joint investment between the Crown and industry. Qualifying contributions from the wool industry would have to be equal or greater than the Crown funding.

The funding budget for Crown contributions across the 2012/ 2013 financial year is set at \$70 million.

The strength of such a collaboration would be of considerable benefit to growers both on the farm in the form of dedicated research (keeping in mind that what is good for growing wool is invariably good for growing meat), and financially as the "buy New Zealand wool message" gathers momentum.

As a Chinese wool buyer said "as soon as the price rises by more than six cents per kilogram, then the buyer is paying your levy". Good point!

One huge advantage would be the ability to gather accurate wool industry data. Currently cloaked in commercial sensitivity, it is nigh-on impossible to know exactly how much wool we produce. This is a weakness that I find intolerable and extremely frustrating when attempting to comment on the industry.

Certainly, over recent years, the Government has shown a willingness to join forces with a united wool industry – unfortunately, to date, that has not been achieved.

Relying entirely on commercial entities to fund market development has proven unsuccessful. While I applaud the efforts made by several companies to encourage farmer involvement, without a collective investment by growers there will continue to be no cohesion in the industry.

Growers need to understand that they have the power to change their industry – no one outside the farm gate is going to do it for them!

A cohesive and progressive wool industry throughout the supply chain

“Farmers are the only businesspeople who sell their product at wholesale, buy at retail price and pay the freight both ways!”

Recently we have heard a lot of talk in the strong wool industry about getting closer to our customers – trying to understand better what it is that influences the choices made in the flooring retail sector. This is all very admirable but in no way addresses the real problem.

There are simply too many transactions in the wool supply chain!

As long as we continue to treat our wool as a by-product which needs to be got rid of – pushed out the woolshed door, shoved onto boats in the most expedient time and generally got out of our sight – we will continue to be paid the lowest possible price.

I would like to see farmers get an excited, nervous tingle run down their spine at shearing time because this is the harvest of their most valuable crop. It should be a time when they know there is an end-use retailer also waiting anxiously to see the outcome of six months of dedicated livestock husbandry. I believe ALL other handling between the two should be toll processed!

Any time I hear a grower growling about receiving less than \$4 a kilogram for a product which ultimately goes on to sell for over \$80 I (as should all growers) start to wonder where that money goes.

Woollen carpet can go through anything from three to 12 transactions between leaving the farm and hitting a floor.

While I am aware the opening of new wool processing facilities in New Zealand is impractical for a multitude of reasons, there are still efficiencies we could gain onshore by supporting the processors who are pushing for maximum capacity across all the wool sectors. Also, we need to be especially supportive of anyone looking to renovate or modernize any existing wool plant here in New Zealand, as they create employment and income in our regions.

I see huge opportunity in China for the global wool industry – they are the most cost-effective wool processor in the world. However, this does NOT mean simply selling them raw wool at the lowest possible price. We need to toll process through their facilities while retaining ownership of our product through to the retail floor. Factories the world over are conscious of operating as close to full capacity as possible, because that is what is required to keep their plant costs covered. It seems they are not as concerned about whether they own the product going through them!



Chinese top making facility

Commercial investment alone will never take us to the level of added value growers require from our wool. It is simply not in their interests to do so.

In similar fashion, the auction system constructs a wall between seller and buyer. This results in downward price pressure as buyers seek to widen the margin between their own buy and sell prices

If a levy was reinstated in New Zealand, I can see a time when data on an individual wool clip is collected in the shed, tested and certified by the New Zealand Wool Testing Authority, loaded onto a data base, which is accessible by end-use retailers and transactions completed online.

My point here is about fibre traceability, and ensuring quality standards are maintained right along the chain. There is no place for the questionable blending that has blighted the industry for so long.

In this way, the correct behaviors are rewarded across the value chain and anyone trying to undercut or negatively influence the market would be clear for all to see. The market would find its natural balance and the entire system would become more streamlined as a result.

Marketing our product in this fashion would not do any sector out of a job, as there would still be a requirement for collection and collation of sold wool, storage and shipping, along with all the other standard processes. The only difference being, that the wool doesn't get sold a multitude of times along the way.

All of these processes need to be transparent and traceable by all parties involved in the transaction, thus providing a safeguard against any issues that may arise. After all, if courier companies can pack, process, transport and deliver around seven million packages per day, all traceable online, I'm reasonably confident it can be done with wool!

All of this requires discipline, coordination and communication – all characteristics missing from our strong wool industry.

I come back to the fact that wool growers are the only link in the existing supply chain that have no real concept of the true value of their product – this needs to change.

Enhanced awareness and thus improved global market position for woollen textiles – with an emphasis on New Zealand wools

The Campaign for Wool is a winner, and I believe in backing winners!

Throughout my travels this year I have heard nothing but great things about this initiative. In countries where the Campaign for Wool (CfW) is operating, the response has been resoundingly positive, with a measurable result in both online awareness and sales. Anywhere I travelled where the Campaign has not yet been launched, there was already great interest in it and a real desire to see it arrive.



This movement is all about making wool trendy and sexy again. Its naysayers ask where is the benefit in the bank?

True value is not measured by dollars alone but includes cost saving also. It is reasonably easy to ascertain the amount paid for celebrity marketing – just ask Revlon what they would be willing to pay for a royal endorsement. As an industry, we are getting all this for free. Is this the problem perhaps? If we were paying for it would we begin to appreciate its true value?

I travelled through the United States just prior to the CfW being launched there. The global wool industry is no longer a huge community and news travels fast, so all of the industry participants I met with were fully aware of the Campaign. They knew they were missing out on something!

Americans have a fascination with anything royal, and this should be capitalised on in the strongest fashion. I cannot begin to emphasise enough the huge value HRH the Prince of Wales has to the global wool industry, and the news that Sophie, the Countess of Wessex has joined the patronage can only accelerate this groundswell of public awareness. Dare I suggest that Catherine, Duchess of Cambridge be next?

One of the huge advantages of the CfW is the emphasis on wool as a luxury product, made desirable by its scarcity. Fine wool growers will have no problem identifying with this approach but strong wool growers have been convinced that their product has no defining features, thus reducing it to the same level as the lowest of synthetic fibres.

In their push to reinvigorate woollen textiles in the home, the CfW has highlighted the natural, flame retardant and healthy properties of wool. They have reiterated that the most discerning home-owners would not settle for anything less – and they know that the very best comes from New Zealand! In 2013, the focus is on elevating woollen furnishing textiles into the same space as Merino apparel – serviceable and user-friendly and yet luscious and elite.

Through educating architects and designers about the wonderful attributes of wool, the CfW has the potential to reach into billions of dollars worth of building projects across the globe. Environmental requirements in building codes, in both our established and emerging markets, should see a rise in the demand for all natural fibres. However, demand for wool in particular, will only occur as the result of a concerted effort by all wool growing nations to raise awareness.

Make no mistake – this is NOT generic marketing – this is simply about keeping the door open!

The Campaign for Wool is, quite frankly, the biggest opportunity available to our industry right now!



The most beautiful of natural fibres

Financially and environmentally sustainable land use

Sustainable primary industry is of critical importance to New Zealand – economically, environmentally, politically and socially. We need to farm today with an eye to enhancing the resources we pass on to future generations.

New Zealand sheep farmers can make a valuable contribution to the sustainable management of the landscape that is so essential for long-term food and fibre production. Improving environmental outcomes in conjunction with productivity gains is the target. We know the people buying our products are becoming more

interested in the provenance attached to their purchase. They, quite rightly, want to know that best management practices have been followed throughout the supply chain.

Many years of research have yielded a great deal of knowledge and information about the positive benefits of wool, but the messages have not been well promoted, either in the marketplace, or indeed on the farm.

A robust Life-cycle Analysis of woollen textiles is necessary. The "footprint" of modern industry is increasingly scrutinised by the markets we sell into; however, the understanding of it can be as much benefit to producers as consumers. We need to understand how carbon is captured and stored in pastures and in wool, be it on the sheep, in buildings, interior textiles or apparel.

There needs to be investment made in the verification of environmental performance, and encouragement of all involved in the industry towards continuous improvement. This, in itself, could be a powerful marketing tool with the possibility of partnerships across industry representative groups and commercial entities.

Once again, two-way communication is vital. The exposure of wool as a first choice in the marketplace along with clear market signals for growers who can produce accordingly.

The environmental story of wool needs to be transmitted along the length of the supply chain, and out into the global market.

Education and extension of R&D outcomes to wool growers not only assists in the production of the fibre itself, but has the flow-on effect of building their skill bank and profitability generally. While we are well-resourced in meat production, there is still a requirement to deliver knowledge and encourage innovation in wool production. This is particularly important when identifying emerging leaders and encouraging young farmers in the industry.

In the short time I have been financially involved in the sheep industry – 10 years – the national flock has reduced from 42.2 million to 31.1 million. This is directly related to the



The future in our hands

lack of profitability in sheep farming and the massive upswing in the profitability of other land uses, in particular, dairying. This challenge was possibly unforeseen and is definitely unaddressed.

New Zealand reigns supreme when it comes to quality dairy, red meat and wool production. The rest of the world acknowledges our innovation and leadership in all primary production sectors – we have a reputation for being a "smart" grass-based economy.

A common wool industry question posed to me during my travels was, "what are you doing down there?". In other words, "we need you to step up and take some initiative – show us the way".

We simply cannot afford to be out on our own in today's global fibre market – our wool is getting left behind, and the other producer countries don't like being left behind with us. Because we produce the best quality strong wool in the world we become, by default, the price-setter, thus creating the ceiling that other markets must operate under. Not something they particularly enjoy. A buoyant wool market is positive for us all.

As the cost of running sheep rises, along with the average age of farmers, it is little wonder that land conversion is prevalent wherever the location and contour allow for milking cows or dairy grazing. The capital value of land is linked to its possible uses which naturally forces sheep and beef operations onto more marginal land.

This all makes for depressing reading, but there is the glass half-full view also.

The world wants what we produce, be it food or fibre.

Despite ewe numbers dropping so drastically, we continue to yield as much lamb as we always have – a result of combined meat and wool funded R&D into successfully raising multiple lambs on hill country.

As I have already discussed, what is good for meat production is also good for wool production. There is some concern however, around the lack of importance now placed on wool characteristics by ram breeders. One cannot fault them really, given the wool profitability ratio compared to meat, but it does mean that breeding for a top dual-purpose sheep is becoming more difficult.

One great advantage New Zealand sheep farmers have, is the access to wool-based R&D due to the popularity of the Merino movement. Thanks to this, it will be a very short turnaround to get the national flock producing the best possible fibre once more.

We need to explore every avenue to increase the incomes on our farms and improving wool returns is a big part of that.

I am a huge fan of the New Zealand dairy industry, and have no desire to see any changes



Turkish carpets featuring New Zealand wool. Istanbul, Turkey

in the way it operates. I think there are a lot of lessons sheep and beef growers can learn from it. The strong collective nature of Dairy NZ is to be admired, and no-one can argue with Fonterra's bottom line!

New Zealand's dairy farmers have kept us on the agriculture world map – a stark comparison to their rather more elitist wool-growing counterparts. Mention the word "dairy products" anywhere in the world and New Zealand is always the first country to come up for discussion – it is what we do down here. Imagine a day when the same acknowledgment applies for wool – can it be done?

For starters, we need a sheep-growing industry that is profitable enough to make it a resounding number one choice for any land that cannot be dedicated to dairy cows. So what does that look like?

In 2011/ 2012, we saw an unprecedented alignment of the stars for New Zealand food and fibre producers. At \$7.50 to \$8 per kilogram, lamb producers saw the types of returns more reminiscent of a dairy payout. Add to that \$5 to \$6 per kilogram for strong wool and suddenly the world became a different place for New Zealand hill country farmers.

While the Red Meat Sector Strategy deals with the issues in the meat industry it needs to be acknowledged that the T150 Lamb Project put forward by Federated Farmers not only reached its mark but got there at least a year ahead of schedule. This is exactly the type of thinking required from the wool industry.

Create a target and go for it!



Bringing it all together

A COLLECTIVE WOOL LEVY

Developing the funding model for a New Zealand Wool Levy is a job best left for those trained in economics. I do believe however, that there are certain criteria that need to be addressed in order for it to be successful.

Firstly, any levy collection needs to happen at the first sales transaction. Beyond this point, it becomes increasingly difficult to identify whose input is required. This also captures the sales of slipe wool passing through abattoirs.

Secondly, growers need to be comfortable that their contribution is enough to be effective without creating unnecessary surplus. There is no place in today's commercial environment for slush funds, and all spending needs to be closely scrutinized.

Thirdly, there must be a clear, accountable approach taken to every step in the initial setup and ongoing operation of any governance body.

With these criteria in mind, I propose the following:

Levy set at an initial 0.03c per kilogram from growers at first point of sale.

Matched by Government investment to make up a total 0.06c per kilogram of greasy wool sold.

Based on figures estimated by the Beef + Lamb Economic Service the total greasy wool sales for this year (2012/ 2013) will be 172,600 tonnes

Doing the basic maths results in a total Wool Levy income of \$10,356,000 per annum.

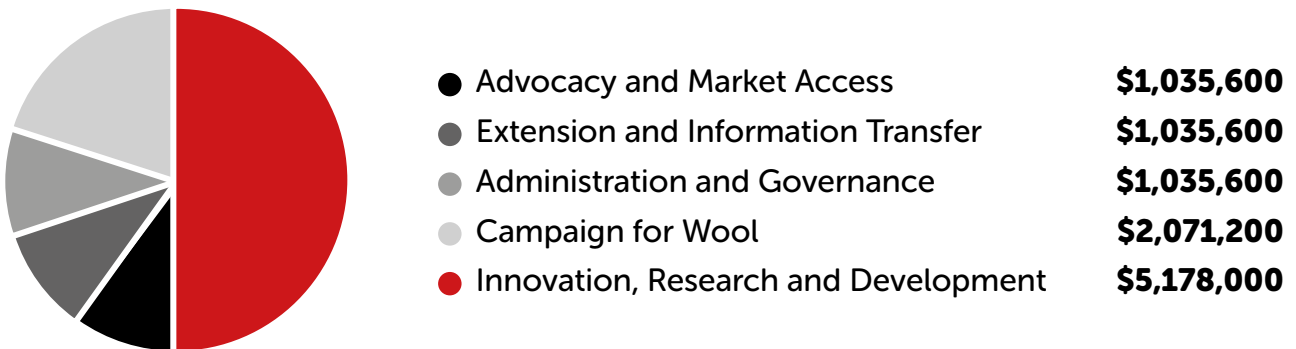
ALLOCATION

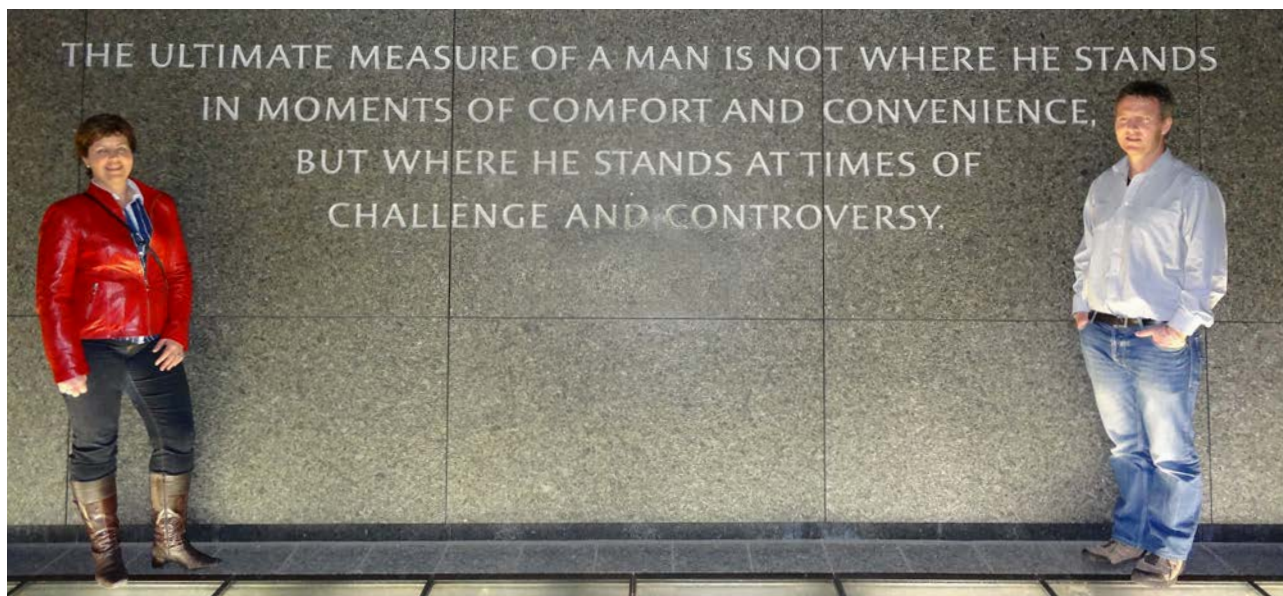
While building this model I have kept one thought foremost in my mind – KEEP IT SIMPLE! In this way, I believe it is a lot easier to retain the accountability and integrity of the programme, thus earning the good faith of the contributors.

There are several factors that must be built into this programme.

- Equivalent of Government contribution must be allocated to Innovation, Research and Development to avoid any criticism of industry protection (World Trade Organization requirements).
- There must be surety around funding for the Campaign for Wool.
- A small, effective team of dedicated people will be pivotal in the success of this programme. Top people do not come cheap.

Wool Levy Fund Allocation





**Author with fellow NZ Scholar, Michael Tayler.
Dr Martin Luther King Memorial, Washington DC.**

CONCLUSION

Now is the time for communication and interdependence rather than distrust and individual sensitivity. We need to feel free to look to our future instead of staring like mesmerised rabbits in the rear vision mirror, waiting to be run over by our past.

Now is the time for change. Wool growers internationally have been spectators to the massive decline of a proud industry – if we want to restore the value to our businesses we need to get off the sidelines. Cohesion is the key – having all the horses harnessed and pulling in the same direction.

Open digital information transfer is absolutely essential in bringing discipline and transparency to all aspects of the wool supply chain. We relinquish all control over our contribution as soon as we allow “commercial sensitivity” to govern the contact we have with our customers. Primary production generally has a poor record of information transfer. Are we more comfortable just guessing – ‘eyeballing’ if you like – the demand for our products? Or does it involve some level of discipline that we would rather not bother with?

Now is the time for collective investment in our research capability and encouragement of those with the internal fortitude to step outside the square. We have extraordinary innovators, developers, designers and marketers within our own wool grower ranks. Our future is their now!

With all of the above in mind, I would like to put forward my vision for the New Zealand wool industry.

I have chosen to present my conclusion in the form of a Strategic Plan because I believe it is only through looking forward that we can be successful.

Strategic plans, by their very nature, should invite comment and re-evaluation when required. They are working documents which hold at their heart the greater value of an industry. There is no place for commercial or personal bias.

I would like to think this plan stimulates some thoughtful debate in the industry.

New Zealand Wool

Strategic Plan 2015 – 2020

VISION:

An innovative, cohesive New Zealand Wool Industry valued for its economic, environmental and social contribution.

MISSION:

To advance the interests of the New Zealand wool growing industry.

INTRODUCTION

In a world where consumers increasingly value products that are naturally produced, with social responsibility and with environmentally-friendly production standards, it becomes important that New Zealand wool growers have a clear vision for the future.

The New Zealand wool industry is facing a challenging future, involving diminished market share, volatile pricing, land use changes, and the impact of climate change through carbon emissions.

It is vital that wool growers understand our place within the context of New Zealand primary industries. Being assured of our core values will give New Zealand Wool the confidence to step up and once again lead the global industry at a producer level.

In developing a New Zealand Wool Strategic Plan, we strive to create a cohesive environment that fosters communication and innovation well into the future.

While implementing any strategic plan we must remember that the New Zealand wool industry is not confined to just the producers directly involved – the development of partnerships and alliances in all aspects of the value chain will allow us to expand our vision and promote the benefits to a wider community

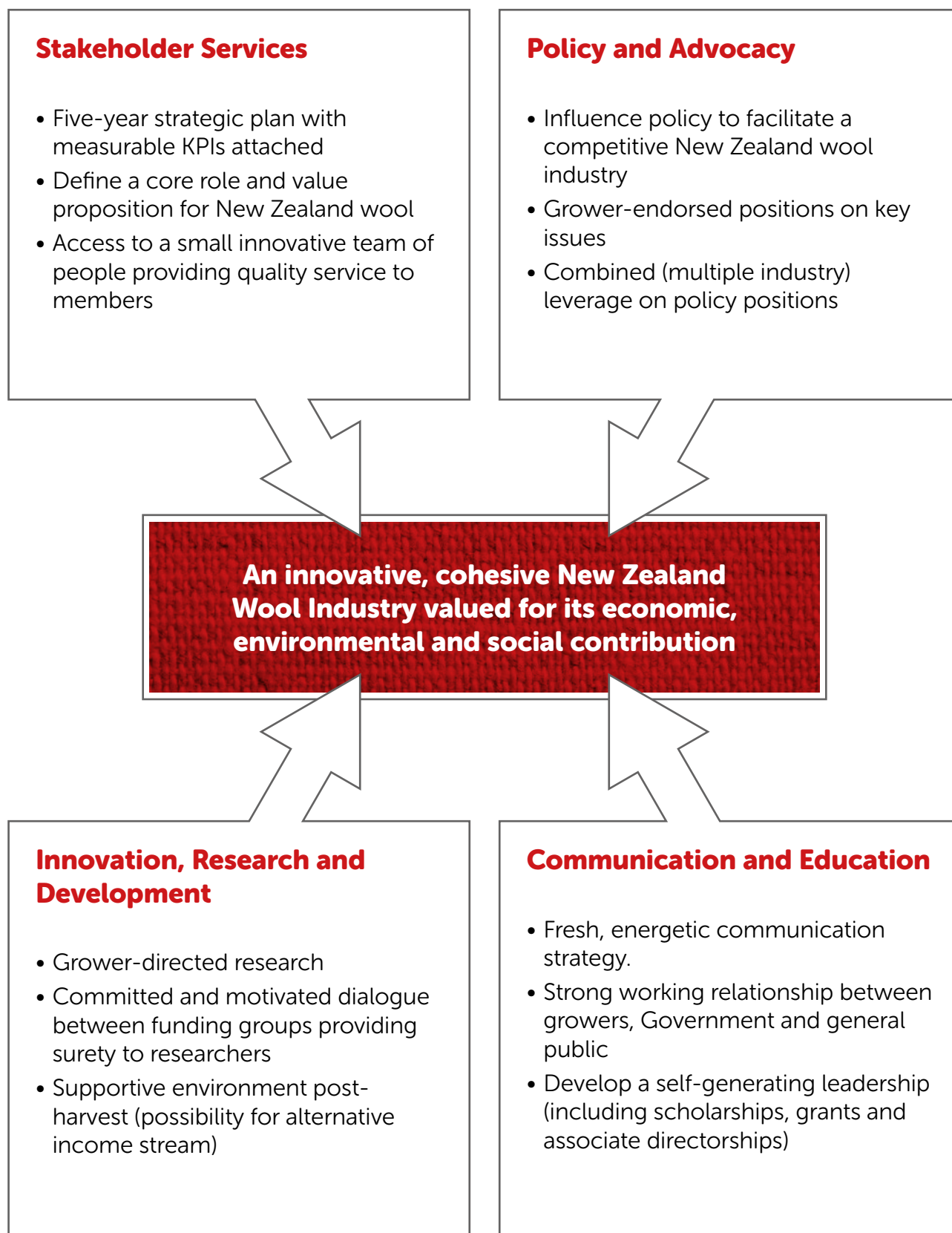
It is only through working together that we will restore and further develop the sheep and wool industry.

SWOT ANALYSIS



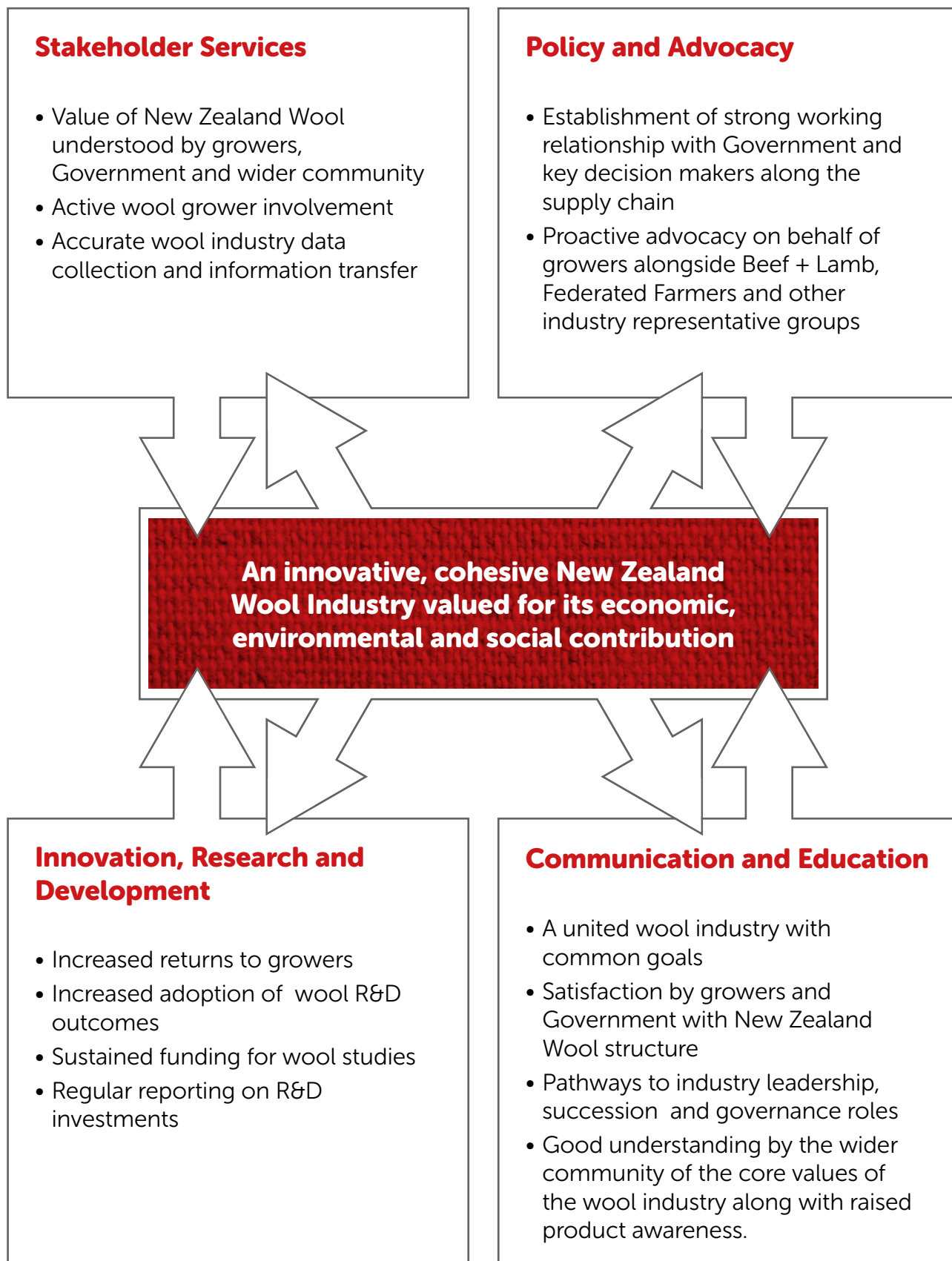
NEW ZEALAND WOOL – STRATEGIC FOCUS

VIABLE GOALS



NEW ZEALAND WOOL – STRATEGIC FOCUS

INDICATORS OF SUCCESS



NEW ZEALAND WOOL – STRATEGIC FOCUS

MONITORING AND REVIEW

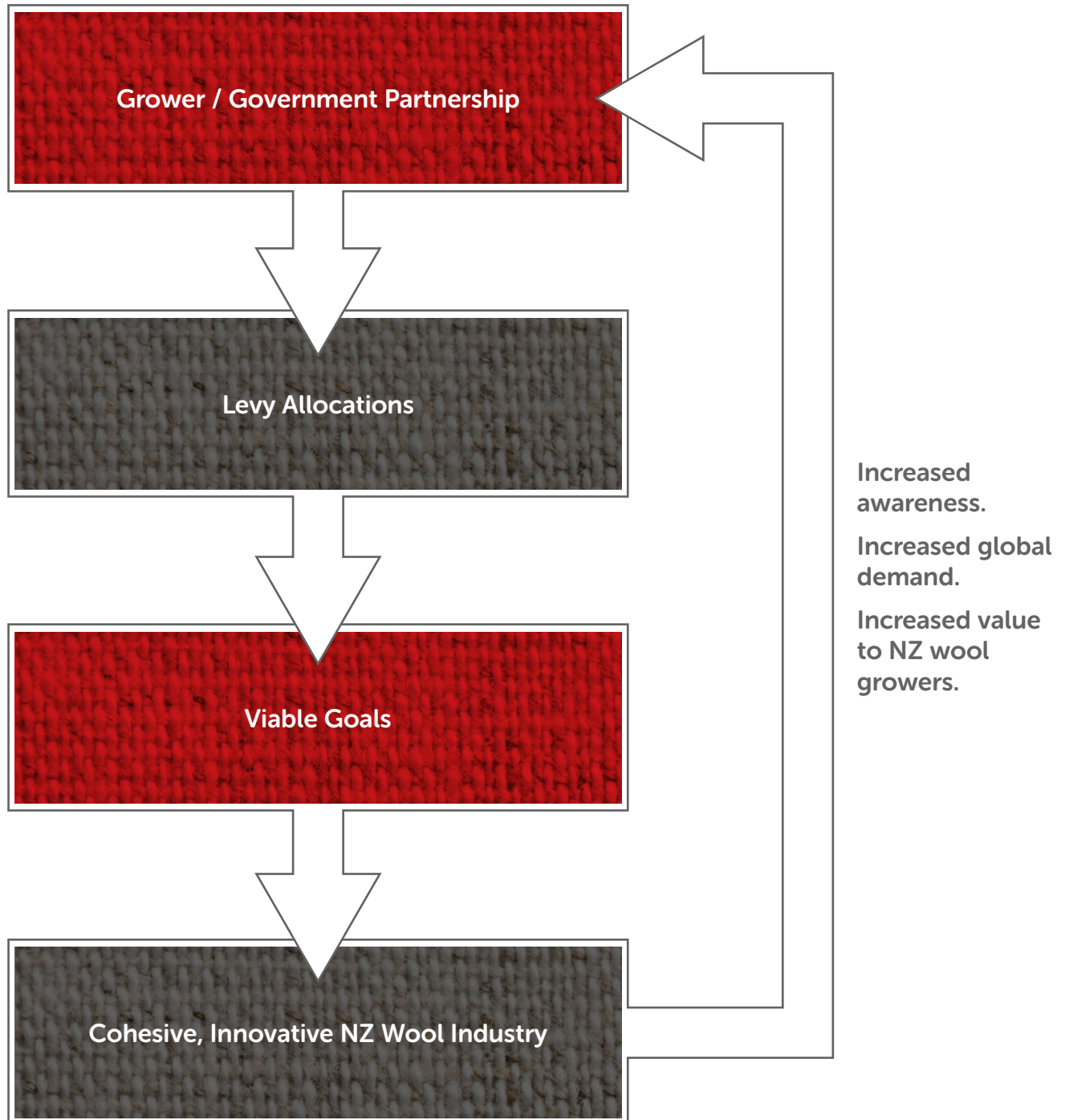
- Key performance areas will be reported in Board reports every six months.
- Senior management will report on operational performance at each Board meeting
- Key performance indicators and R&D outcomes will be available to growers on request and reported annually at the AGM
- Management review will be undertaken and reported to growers annually

COMMITMENT

- This New Zealand Wool Strategic Plan commits to enhancing value for New Zealand wool growers.
- New Zealand Wool is committed to establishing the alliances and partnerships required to create forward momentum in the wool industry

NEW ZEALAND WOOL – STRATEGIC FOCUS

VALUE CYCLE



FINAL STATEMENT

New Zealand Wool is fully committed to the implementation, monitoring and review of this Strategic Plan 2015 - 2020.

MISSION

To advance the interests of the New Zealand wool growing industry.

REFERENCES

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www.fedfarm.org.nz

Beef + Lamb New Zealand

www.beeflambnz.com

Lincoln University

www.lincoln.ac.nz

Merino NZ Inc

www.merinoinc.co.nz

Cotton Australia

www.cottonaustralia.com.au

Ministry for Primary Industries

www.mpi.govt.nz

Campaign for Wool

www.campaignforwool.co.nz

New Zealand Wool Testing Authority Ltd

www.nzwta.co.nz

DairyNZ

www.dairynz.co.nz

World Trade Organization

www.wto.org

