# STRONG WOOL

## GROWING A SUSTAINABLE FUTURE

KELLOGG RURAL LEADERS PROGRAMME – LINCOLN UNIVERSITY
**SANDRA FAULKNER** **2011**

Sponsored by

Elders Primary Wool

# Acknowledgements

This work could not have been possible without the open and frank discussions I enjoyed with many interviewees and industry participants throughout the year. I thank you for your generosity.

So many individuals made my Kellogg study possible and while there are some I must mention, to all the others – your collective contribution has been huge.

Chris Payne, a really top bloke – the industry is lucky to have men like you.

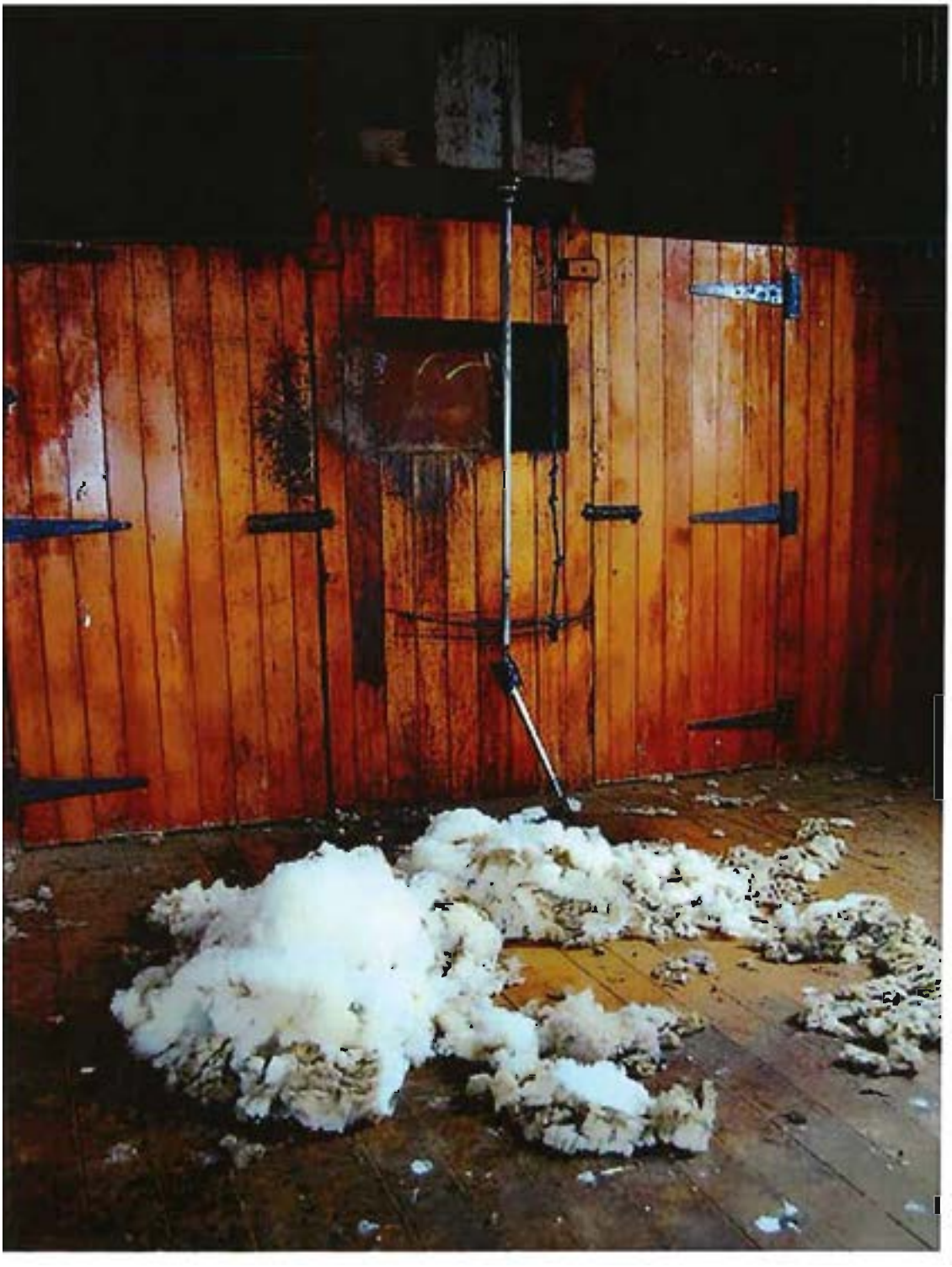
Cedric Bayly, who uttered the magic words "we believe in you" and then wrote out the cheque!

Stephen Fookes, one good Aussie.

Ingrid Collins, mentor extraordinaire, how lucky am I.

My wonderful family and friends.

Rob, my greatest supporter.



# Introduction

New Zealand was developed off the sheep's back.

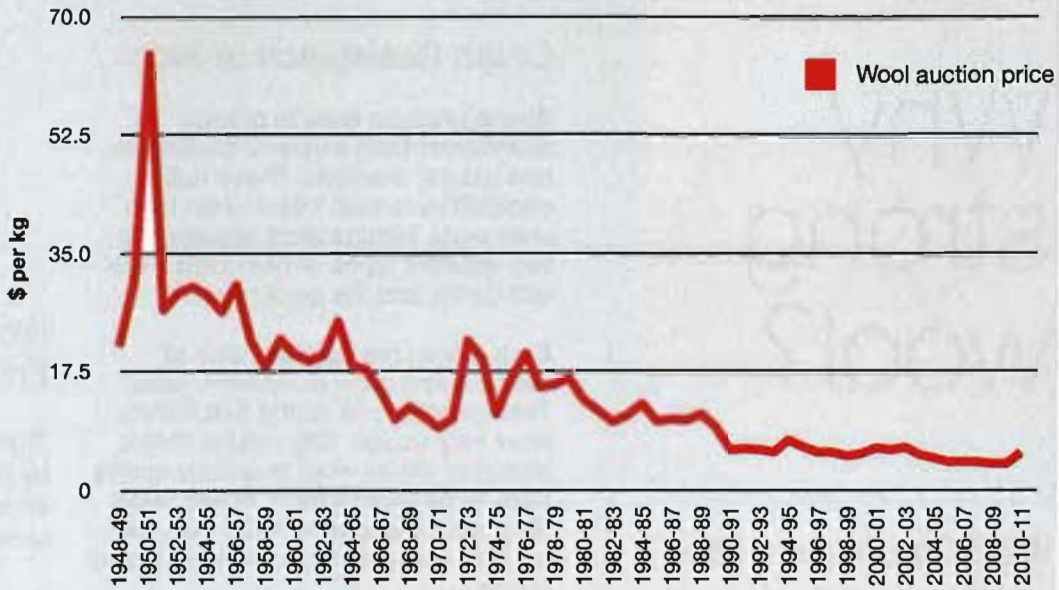
It seems unfathomable that the strong wool industry, once our largest export earner, is today fighting for survival. Worse than that, until recently, there was a widespread view it had little chance of remaining viable, both economically and in the volume of fibre produced.

During the Korean War farmers received £1 for a pound of wool. It was white gold, its insulation properties recognised, and competition from synthetic fibres negligible. Returns from wool as recently as 1980-81 made up half the income from sheep. Now, that contribution can be less than 10%.

## 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




In the 1980s, farming publications were carrying stories about farmers turning to all-wool farming in protest at continued industrial action by meat worker unions and low meat returns. Today, that trend has reversed, with increasing numbers of farmers treating wool as a by-product of meat.

The reality is that farmers need wool returns to improve to make sheep farming more viable.

During the past two years, strong wool growers have had two opportunities to comment on their industry. The referendum put up to remove the wool levy from NZ Meat and Wool saw many farmers saying they had seen no measurable gains from their input. Unfortunately none of the alternatives have proved viable either. The float of a wholly grower-owned cooperative came very close to reality but didn't quite make the required capital.

In both cases we saw strong wool growers embrace the ethos of change – they didn't like the status quo but didn't know the answers either.

I believe there is now an entire generation of strong wool growers in New Zealand who have little idea or interest in their industry beyond their own woolsheds. I know they have a very different handle on where their meat goes, often putting considerable effort into gathering the information they need (discussion groups, meat company audits, etc)

How do we change this?

Since the McKinsey Report was released, no one has gone to the industry beyond our farm gates to see how they are faring (we tend to assume they are just out there making money at our expense). What has changed? What is working? What is not working? What needs to change?

This is the basis of my study.

Harvesting wool is an age-old tradition that for thousands of years has been used to provide a complex fibre for many products, including carpets. There are an abundance of benefits of wool.

# Why strong wool?

## Wool Carpets and Fire

Wool carpets:

- are naturally flame retardant
- are difficult to ignite
- do not melt or drip
- form an insulating cool char and self-extinguish

Wool carpets are specified for those installations with the most stringent flammability regulations, such as on passenger aircraft and ships, as well as in casinos and hotels.

## Crush Resistance of Wool

Sheep produce wool to protect themselves from a variety of climates and natural elements. These natural capabilities remain intact when man uses wool. Natural wool actually has two different types of wool cells – the orthcortex and the paracortex.

Each lies on the opposite side of the fibre and grow at different rates. This causes a coil spring that makes wool very elastic. This natural shock absorber allows wool to quickly spring back to its original form. In fact, wool fibre can be stretched more than 35% and still easily return back to its natural shape.

This natural quality of wool allows it to remain warm and recover from pressure points quickly.

Wool is a naturally opaque fibre with a matte surface, so the effect of flattening pile on the colour of a wool carpet is much less obvious than it would be with many other pile fibre types.

## Stain Resistance

Wool also carries a natural light coating of wax, giving it the ability to resist staining and soiling. It has a 30-plus% higher rate of stain resistance than even the best synthetic fibres.

This protective barrier also stops water from easily penetrating the wool fibre, making wool water resistant. But more than being just water resistant, wool is able to absorb about a third of its weight in moisture and yet still not feel damp.

## Wool and the Indoor Environment

There are several gases produced by the burning of fossil fuels and emissions from certain building components that pollute indoor air.

Among these gases are nitrous oxides, sulphur dioxide and formaldehyde.

Scientific studies have shown that wool fibres absorb these gases, thereby purifying indoor air and improving the health and well-being of building occupants. Wool chemically reacts with these gases, neutralizing and binding them irreversibly in structure.

Natural fibre backings, as in those made from jute or cotton, have a similar beneficial effect.

Nylon fibres have a much more limited ability to absorb these gases, having a far slower rate of absorption and being unable to reduce the final concentrations to those very low levels achieved by wool.

Heating of wool carpets – as in by underfloor central heating – does not cause significant quantities of the gases to be re-emitted into the atmosphere.

Wool has the ability to provide a long-lasting functional product that exhibits outstanding beauty. New Zealand wool is used across the globe in a myriad of products, not the least of which is broadloom carpets.

New Zealand wool has been used for everything from the highest quality tennis balls used at the US Open to bedding futons in Japan. You'll find it used inside pianos and the familiar green-felted baize on a billiard table.

Crossbred or *'strong'* wool is largely destined for rugs and carpets, both here and internationally – everything from designer hand-knotted rugs to large volume broadloom tufted carpets.
Lambs' wool and hoggets' wool are used for textiles, with the cleaned dag wool blended with other fibres and used in insulation products. Nothing is wasted.

## Wool and Allergic Reactions

Allergies are widespread in the developed world, and are increasing for two main reasons:

- more synthetic substances are being produced
- the improved diagnoses of allergic conditions.

Wool is a non-allergenic fibre that does not promote the growth of bacteria or dust mites, or give off harmful emissions.

Though carpets are often blamed for allergic reactions, cumulative evidence now strongly suggests that carpets actually have a beneficial effect on people's health – provided of course that they are maintained regularly and appropriately.

Wool fibres are too long and too coarse to be inhaled and therefore do not affect asthma sufferers.


For more information regarding how wool carpet is made please go to the following link . . .
www.cavbrem.co.nz/about-us/how-wool-carpet-is-made.aspx

# Method

The method used in my study was in-depth interviewing of members from four tiers within the wool supply chain

The method used in my study was in-depth interviewing of members from four tiers within the wool supply chain.

The study involved interviewing 26 members, at a minimum of one step removed from farmers/ wool growers ie: procurement. I was satisfied that a good level was reached within all four tiers of the supply chain.

At the most basic level interviews are conversations. Kvale (1996) defines qualitative research interviews as:

- attempts to understand the world from the subject's point of view
- to unfold the meaning of people's experiences
- to uncover the lived world prior to scientific definition.

Throughout, it remains extremely important that the evaluation is able to be standardised.

With this in mind I formatted an email survey which was sent to the same respondents of the initial telephone or face-to-face interview.

The email survey was made up of eight defined questions. Using this and the interviews, I was able to standardise some of the responses across the four tiers of the industry.

As I discussed earlier, interviews were conducted with retailers, manufacturers, scourers and spinners, brokers/exporters, members of both individually and cooperatively owned and managed wool firms, and representatives from the industry organisations.

In basic terms, the broker and exporter represented one step in wool processing removed from the farm, scourers and spinners represented two steps removed from the farm. while manufacturers and retailers (carpet/ upholstery fabrics/insulation) were usually three steps of wool processing removed from the farm. Governance, given my personal interest, became the fourth tier.

Most respondents outlined the steps the wool had been through prior to the interviewees' acquisition of the wool, the further processing that they would perform, and the destination of the products beyond their location.

In order to keep a tight rein on this particular study I have deliberately focused on processors only within New Zealand. Remember that New Zealand wool is an export dependent product hence an international perspective is necessary in order to represent accurately where the products of New Zealand wool growers end up.

Throughout the survey, I have tried to elicit details on aspects of cooperation and competition both in the New Zealand and global wool market, along with resources available locally and offshore, to supply chain members.

Interviewees were telephoned to request participation in my study. Those who agreed to be involved were sent a covering letter and the email survey. With both the telephone interview and any subsequent conversations had with my survey members, I tried to stay within the framework of my email survey. This allowed my interview subjects to personally verify their transcripts – in other words, they agreed that that's what they think.

Overall I believe that the sample of supply chain members was reflective, although not thoroughly representative, of the New Zealand wool supply chain and the major players in each stage of the local wool industry. I trust that my interviewing process allows for individual approaches but at the same time gives an understanding that each process is part of a much larger consortium of people working to bring a product to market.

Sandra Faulkner
1952 Wharerata Rd
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GISBORNE 4072
Phone: 06 8628 655 or 021 529 041

Dear Sir/ Madam

Thank you for agreeing to be a subject for my study into the Strong Wool Industry in New Zealand.

As a participant involved in the Lincoln University Kellogg Rural Leaders Programme I am required to research and present on a primary production topic of my choice. With the current movement in both the red meat and wool industries, I strongly believe that now would be an excellent time to give those of you in the strong wool industry a chance to give your opinion on the health of the industry and where our industry could go in the future. This includes consideration of markets, innovation, policy, climate and currency volatility.

All information gathered in the course of my research will be treated with the utmost confidentiality and towards this end I would ask that you do not identify yourself on the questionnaire any more than your position within your company. I am aware that I am asking for information that may be considered commercially sensitive.

While I would appreciate for you to be as detailed as possible, this study should not interfere with any other important issues in your business. If at any time you feel the study is not what you expected, you may withdraw from the study along with any information you have given me.

Thank you once again for your participation in my research. Should you like, a copy of my project will be made available to you by contacting me at randsfaulkner@xtra.co.nz at the completion of the course

If you have any further questions about this study please feel free to contact me or my main supervisor :

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Sincerely,
Sandra Faulkner
Kellogg Rural Leaders Programme

# Questionnaire for Strong Wool Industry Members

**What is your individual role in the strong wool industry?**

This question, by its very nature, brought individual responses. It was simply a tool used to place respondents into the four-tier structure that I explained in my Method.

**How long have you been involved in the wool industry and how have things changed in that time?**

With the exception of seven, all of my respondents have been in the wool industry for more than 20 years. While this shows the loyalty and passion these people have for wool, it also highlights to me, a glaring indictment on the industry as a whole.

The big changes included reducing sheep numbers and, until recently, a hugely reduced wool price return to growers.

There was comment made on the change of land use to dairying, dairy support, forestry and cropping.

Also a loss of infrastructure here in New Zealand – wool scourers, spinners and carpet-makers who have gone offshore.

The increase in synthetic fibre was a strong theme throughout the survey.

It also came through that we have an industry which has been poorly led – a frustration with governance which has failed to return sustainable prices and there being no clear direction within the industry.

"I have spent 25 years in the industry. An industry poorly led by boards which have failed to return sustainable prices therefore no direction or future pathway"

"Buyers expect consistency, quality and reliability"

**What do your buyers expect from you?**

Consistency, consistency, consistency – this one comment rings out throughout the survey, irrespective of what tier the respondent is in.

This is followed closely by quality and reliability – again across the board, and it is interesting to note that historically commentators have said that the New Zealand wool industry lets itself down in these areas.

With the possible exception of the governance tier, price becomes the next most important expectation from buyers. Certainly in the lower tiers, price is an extremely hot topic. And it is the same song from those marketing the end product, but for commercially sensitive reasons.

Clearly the physical aspects of each tier are different between individual respondents.

Within procurement, the collation and preparation of wool for sale either by private treaty or auction. This step is extremely important and we do have some very strict industry standards.

In the wool scouring tier, you start to see comment made on expectations of new technology. It was interesting to see that for all the cost of new technology, this particular part of the process has been unable to pass on that rising cost.

From a governance perspective, what buyers expect from us is quite simple – the wool.

"Buyers expect consistency, quality and reliability"

**How do you communicate with farmers and what do you expect from them?**

Communicating with wool growers – this is an interesting one as I assumed (incorrectly) that the further I got up the wool supply chain, I would see less and less contact with farmers.

It was, therefore, a pleasurable discovery to find both mid and end product manufacturers now making considerable effort to communicate with the growers of the wool.

"I do not communicate directly with farmers, but I do require my suppliers to ensure consistency of quality from farmers."

Historically, procurement has been extremely good at communicating with farmers as this is, after all, their source product for sale. Generally speaking they have focused on improving client returns and are well aware of the expectations from the farmer growers. Communication with growers is generally dependent on seasonal activities. Their communication is varied – through farm visits, by phone and often by seasonal newsletter.

The scourers are now starting to get more proactive about dealing with New Zealand farmers. They expect growers to present good quality, well classed wool, that is well packaged and identified, so the scours can do their job efficiently.

"Our expectations of growers is to present a quality raw material"

Historically, carpet manufacturers have not needed to communicate with growers with regard to sourcing their product, however it is interesting to note that Cavalier Bremworth have actually created a wool buying entity thus securing their wool from producer right through to the end product.

Governance is an interesting one because here you start to see farmers involved in their own industry. Generally speaking this is where you start to see press releases and large glossy brochures coming out to farmers.

If the industry really was doing as well as many of them state it would be on fire!

"Our expectations of growers is to present a quality raw material"

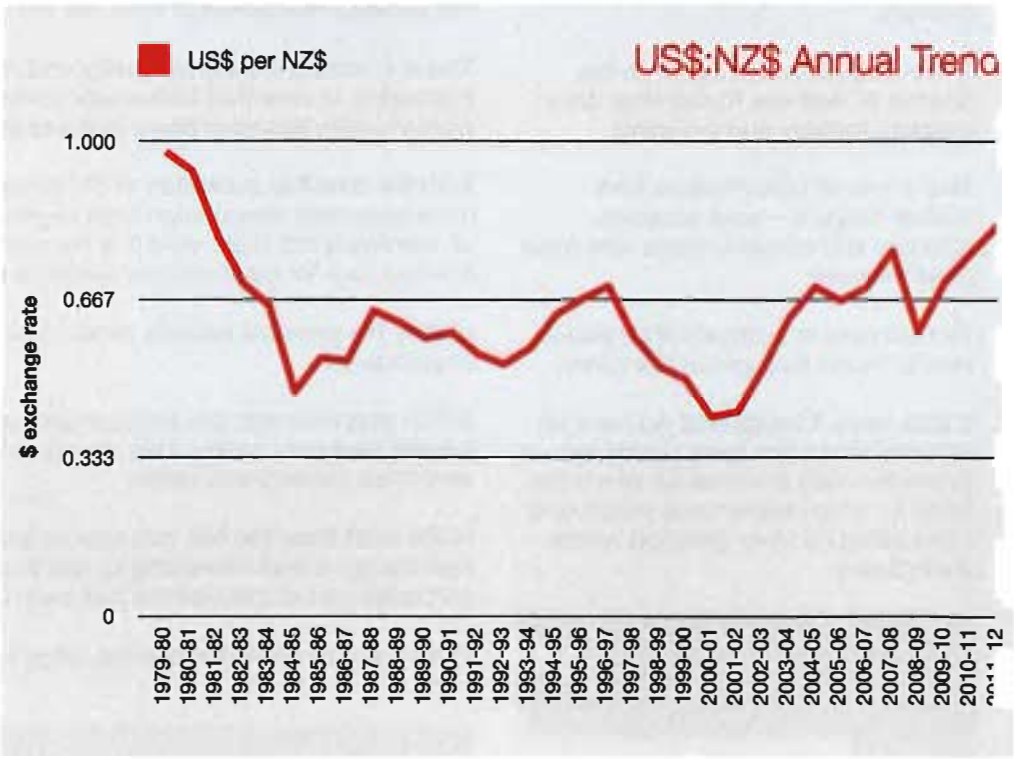
**How do global events affect the wool industry and your business, in particular (currency fluctuations, climate change, shift to organics, political and armed conflict)?**

Across the board the factor causing the greatest concern in our wool industry is the volatility of the New Zealand dollar. Currency fluctuations are a major issue in an export-dependent product. It was noted that this can be partially managed through supply contracts and currency coverage. Clearly it has a dramatic impact on both returns to wool growers and the price of New Zealand wool on the global market.

Climate change and the so-called shift to organics – or the greening of our consumers – produced an interesting reaction from within certain parts of the industry.

Certainly with the carpet manufacturers, organics is not a key decision-making factor for most of their carpet buyers although many will tell you differently – it always comes down to price. Basically the organic or green credentials are nice to have, and certainly may be a reassurance to some consumers, but generally speaking buyers are far more impressed by the fact that we have a New Zealand produced product.

"It was interesting to note that consumers respond well to the humour of "keeping our sheep in jobs".



The research undertaken into carpet consumerism has shown that most consumers are becoming a little weary of the green washing or the constant claims about sustainability. Most consumers who are looking at a woollen product, are already aware that wool is natural and sustainable so don't expect to be told that.

However, it is a slightly different situation when it comes to insulation and upholstery. Environmental issues and sustainability are major considerations in both, and are continuing to create significant opportunities for our wool offshore.

Several people commented on political unrest in markets like Iran where creditors have been refusing to back transactions.

Without exception, respondents agreed that economic growth in Asia will lead market demand.

"China remains the largest customer of NZ wool and this factor ensures a priced based commodity, that is often undersold"

**Do you believe more can be done to promote strong wool products worldwide? What do you see are the main challenges and opportunities within this fibre market?**

This particular question bought with it some very interesting differences of opinion.

Nobody can argue that millions of dollars have been spent on promoting New Zealand strong wool over the past three decades. However, that hasn't been reflected in the returns to New Zealand growers, which in fact have declined throughout the period.

"The only way forward for our small industry is to come together in a unified way to promote NZ wool to the world"

One common theme to this question is the need to be differentiating ourselves from synthetic fibres. We are currently competing in a synthetic fibre dominated market. Wool simply has less market share.

There was some contrasting opinion on promoting strong wool as a differentiated product from fine and mid micron wool. Some believe that more could be done to promote New Zealand strong wool, while others believe our end consumers don't go out to buy strong wool, rather they go out looking for a carpet or an insulation product, and tend to believe that the woollen product comes off the sheep with the horns – the Merino.

What is needed is identifying manufacturers able to switch to strong wool from another fibre. In that case we need to market directly to those key manufacturers who have the ability to switch fibres, but perhaps more importantly, those who can be convinced to do so.

Reduction of the national flock size is a concern across the industry, with strong recognition that it needs to stabilise and rebuild. Hopefully

"China remains the largest customer of NZ wool and this factor ensures a priced based commodity, that is often undersold"

on the improved wool returns we've been seeing over the past 18 months, we may see some improvement in flock size and stabilisation within the industry.

Generically, wool is a global product, so it is a given that New Zealand is not the only place producing it. Some argue that marketing it solely as a New Zealand product is not the answer, and that it needs to be marketed as a global product – this is where you see the efforts of the Campaign for Wool.

Currently there is no funding mechanism for generic New Zealand wool marketing. We need to look at this as a country, as it has significant impact on our national economy and returns to individual growers.

Across-the-board, China is accepted as the world's textile powerhouse, processing nearly 50% of global wool fibre. New Zealand can only compete with that when there are large volumes of wool available to process, given the infrastructure we have remaining onshore.

**Do you see a place for more collaboration in wool marketing within New Zealand?**

Of all the questions this was the one that produced polar opposites in responses from "definitely" through to "no, absolutely not".

"No because I do not believe in the generic promotion model"

One thing that all of the respondents agreed upon is that traditionally the industry has been very fragmented and this is not the way to approach it.

The problem in the past has been the lack of differentiation, and the industry has competed fiercely on price in order to sell New Zealand strong wool as an undifferentiated product.

There has been an appalling track record of working together and I believe now it is actually more important than ever for significantly more collaboration within New Zealand for wool marketing. especially given we are seeing increased wool prices.

There were comments made about how important it is to encourage the industry participants to put aside their self-interest, in the hope that we could collectively see an increase in wool's market share.

Some of the ideas that came out of discussions included brand marketing and backing the very current issue of grower ownership through to the retail sector. Many members of the supply chain believe farmers don't make enough effort to understand the part they have in producing a top woollen product – I think they are right!

There was mention made of a levy for generic wool marketing on a global scale, working with other international players in the industry. However, until there is some industry cohesion in New Zealand, I can't imagine this ever being administered effectively.

There was a desire to be brand specific. Promoting branded woollen products is probably going to be more beneficial in the long run for better bang for your buck – delivering more for the promotional dollar.

The need to work together on agreed objectives across the industry was also mentioned.

"There needs to be clear and strong leadership"

Throughout, there was a desire for some very clear leadership and transparent funding channels.

It was interesting to see similar comments made, and yet the changes required within the supply chain would affect all differently.

Procurement possibly would not change a lot – we are still looking at a reasonably competitive sector whereby


they would be collecting and collating wool into saleable lots.

There is always going to be a need for efficient scourers and we are seeing the very current issue of consolidation within the industry. Should we have a monopoly scouring company? Certainly, when you are looking at competition from China I believe that it is probably more efficient, because we are dealing with huge competition offshore. The need for greasy wool to be processed in New Zealand has become steadily more important. Competition in this area can only reduce return to woolgrowers.

I think end product producers are happy to be in control of their own marketing, but at this point you start to see the differentiation spoken about across-the-board, so I don't believe there is a need for us to look at funding undifferentiated wool marketing.

**How would you like to see the future of the New Zealand strong wool industry develop?**

Initially changes and developments within the wool industry were approached very individually across the survey yet as my respondents worked their way through this question, they often came back to the common goal of increased market share offering a premium from dedicated brands.

"The status quo as the industry sits now is clearly not a long term viable strategy"

Within procurement, for example, there is still fierce competition and generally no support for a collective approach to the strong wool industry. This was simply because of the failed attempt of Wool Partners Cooperative.

Within scouring companies there is concern around consistent supply of wool. There was comment made about the danger of New Zealand exporters overselling our current clip simply because there is not yet the supply to match the demand.

There was a difference of opinion between the commission scour who simply toll-process greasy wool, and the merchant scour who is required to source enough wool to fill the scour efficiently. The commission scour sees themselves as a neutral company within the chain. The merchant scour believes they are better able to reflect their buyers requirements by scouring to order.

Irrespective of the internal problems, the greatest risk identified within this sector was the threat posed by the huge wool processing industry in China. Again we saw comment made of the large volumes required to keep our scours running efficiently.

"The greatest risk/threat to the NZ wool processing industry comes from China"

Amongst end product manufacturers you start to see a desire for a future where supply and quality are consistent. They would like to see farmers understand where their wool ends up, and how they can affect the end product by producing top-quality fleece.

"We would like to see more processing happen here in New Zealand"

Governance was probably the most diverse of the groups when it came to how they would like to see the future of New Zealand strong wool, and I believe this came purely from where each respondent sat.

"Marketing of woollen products to be centred around differentiated products and brand promotion with brands owned by farmer interests where possible"

There was a desire to see rationalisation within the broking and exporting sector, but no specifics supplied.

Many commented on the need for more discipline at the point of blending – I think this has been a problem for New Zealand wool in the past – ensuring that quality blends are supplied to the market.

The scouring companies were commented on again – the commission scour versus merchant process.

Once again mention was made of differentiating products – the bang for the buck with the marketing sector.

"We would like to see more processing happen here in New Zealand"

There was no desire to see another big wool industry bureaucracy – the term "wool board" is treated as a dirty word, however there was some keeness to see a small streamlined focus group to manage the industry outside of commercial interest.

Throughout, all respondents to the survey though there was a desire to see a future where like-minded players were able to work on common objectives within the industry. There was also a desire to see the price of New Zealand strong wool retain its current strength and rise further, and a very strong yearning to see New Zealand's strong wool grow its market share offshore.

# Okay so what have I learnt?

I have learnt that this is a huge industry which I absolutely underestimated in the past. It is dynamic to an extent whereby even after a year of interviews and discussions – sometimes quite heated discussions – surveys and debate, I still believe that I am only just scratching the surface.

I am a wool grower, so I spend my time worrying about ewe nutrition, the weather, getting the shearers in on time, and how my wool fits around my meat production.

What I never realised, was just how big our wool industry is in New Zealand. It is a huge employer, and yet it is an ageing industry. We are often told about the ageing population of farmers, but to see it reflected in a supply chain is quite disconcerting. It is a little hard to effect change when our history is our present...

There is no incentive to make wool a career, certainly not strong wool anyway, and coming from the East Coast of the North Island there is nothing else – we can't grow fine wool.

Apparently there is no industry training, and thus no incentive for any university graduate to go out and actively pursue a career in the wool industry. It is extraordinary that the wool industry is such a big part of our national income, measurable on our GDP, and yet we don't have people seeking it out as a career.

I still get very excited about wool and the wool industry. I get excited that when I'm sitting in my office writing this report, in bed asleep at night, or out having a nice dinner with friends, that my sheep at home are happily producing the most amazing fibre – a truly extraordinary fibre which can be turned into the most wonderful products. And yet though I could spend my time worrying about it – even though it happens without me doing anything, it is sustainable, it's green, earth and eco-friendly. At the end of the day, my contribution is just a small, unidentifiable drop in the ocean of wool that disappears off our shores.

So let's get back to what I have learnt.

With few exceptions, it seems that there are large sectors within the

"I just can't see a collective approach working"

supply chain that don't want to see anything change.

- they do not want to see more money paid to farmers
- they do not want to see more competition within the industry
- they do not want more transparency – this is helped by the fact that farmers just aren't pushing for it
- they do not want to see more industry here in New Zealand

.... and I don't know why.

It is intensely frustrating. How could they be so blind as to not want to encourage as much onshore production as possible? It defies logic.

Surely the problems start on farm – have we, as farmers, become so apathetic that we are just willing to allow the status quo to continue? It seems that we are. It also seems that we have been saddled with a hangover of mistrust and clouded judgement, resulting from the dissolution of the wool board, and maybe even their decision-making before that.

How can we have such a culture of mistrust within farming that we can't trust our own farming leaders – is that the problem? Is that because we feel we have no control? Yet we've had opportunities just recently to change that.

I do think that the Wool Partners Cooperative could have been a very good thing. It was just unfortunate they were hobbled by being required to state the amount of capital they had to raise. I think they could have run with the $30-plus million they already had in the coffers in the form of farmers' cheques. That was enough to make them a force to be reckoned with within the industry.

But the thing that really annoys me about it, was the amount of opposition to that particular coming together of farmers. It was quite extraordinary the vehemence and money directed against such a cooperative.

What was the threat? Who didn't want to see the boat rocked? And isn't it interesting, that since that perceived threat has gone, we are back at the status quo. Those who claimed they were going to set the world alight with something better than the Wool Partners Cooperative have suddenly all gone terribly quiet – again!

So what have I learnt from my survey, which is after all, the standardised part of my years study.

It seems all the way up the pipeline of wool production in New Zealand, there are common goals, which are to be applauded.

The first of these is consistency, quality and reliability, and yet there is no desire for those common outcomes to be put before self-interest within the industry. Now I know that's a commercial reality, but how do we change it?

I have long felt that in order for an industry to succeed when it comes to primary produce, you cannot push a commodity through to market. You have to pull it through by creating consumer demand.

On a global scale, the Campaign for Wool is doing just that, and yet it seems New Zealand is lagging behind for want of industry buy-in. Again, this is something I find absolutely extraordinary, given there are no huge overheads attached to this programme. How can we have run out of money for something that costs next to nothing? Celebrity marketing is a multi billion dollar industry (just ask Revlon) and yet we have HRH Prince Charles and an extremely successful group of directors working on our behalf – for free!

Another interesting issue that has come up during my conversations and discussions throughout the year – and wasn't included in my survey simply because it didn't occur to me until after the surveys had been sent out – is the lack of interface between the wool and meat industries in New Zealand. Both commodities come off the same animal and yet there seems to be not a glass ceiling between the two, but rather, a glass wall. The meat industry is a huge producer of wool – why haven't we heard from them during any of these initiatives? Why has nobody gone to the meat industry and said "come on guys, you need to get involved here". We need to have some interaction between the two industries – they are not totally divorced from one another.

I had thought one of my suggestions was going to be a streamlined industry group, overseeing a contestable fund that would reward increased demand for New Zealand strong wool on the global market. I thought it would need to be reward-based, to create an incentive for a percentage increase of wool sold into China, or for a new contract with a flooring retailer in the United States for example... something that could be measured. But it was quickly brought to my attention that any big company with an accountant worth their salt is able to create the figures needed. So maybe we do need to look more at the commercial model, because if a such a model is doing well, then the reward is the bottom line – anybody who runs a business knows that. And that includes farmers.

So how do we get that value from the top end of the chain back to the bottom? Well that's simple – the bottom end of the chain needs to be involved in the top.

So even though we have failed to get grower ownership into the marketing and retail of strong wool products, I still think that this is the way we need to go. That's where the value is. We need to be in touch with the consumer when

A stunning Just Shorn rug

they open their wallets to buy their carpet or rug, their upholstery or their insulation.

The Primary Wool Cooperative has recognised the need to recapture the value lost through carpet/rug manufacture, but the Just Shorn brand is equally hobbled and assisted by the commercial interests of Elders.

That's where farmers need to be involved in their industry and I would still argue this is where the meat and the wool industries could easily interface.

It's been proven time and time again that the only way commodity/primary producers make any headway is when they are involved at the retail end of their supply chain. Take Icebreaker, for example, and the New Zealand Merino story – surely these have got to be the templates for the strong wool industry.

So let's get back to what I've learnt – I've learnt the difference between commission and merchant scouring. I don't believe that merchant scouring is an efficient use of the infrastructure that we have available to us in New Zealand.

I don't know whether monopoly scouring is going to be successful either, but I do believe that it takes a strong focus scour system to be efficient.

The manufacturing sector performance is probably as good as it can be facing the huge competition of China. When it comes to global textiles we have some excellent boutique manufacturers, top makers, spinners and the like, within the country but I don't believe they are going to have an easy road as a result of China taking over so much of the textile industry.

Carpet manufacturers – well at the end of the day, we've only got one left producing a wholly New Zealand owned and manufactured product, so there is little comment I can make on that. They have to compete on the world stage against the monolith of China, and I think they have some top people doing an excellent job.

And talking about people, we have some fantastic, passionate, loyal people within the wool supply chain – they are to be applauded and celebrated.

This is a hugely dynamic industry at the moment and as I said earlier I cannot claim to have a firm grasp on everything going on, but someone, somewhere within the industry, has got to put their hand up and say "follow me, pick me, I will go first".

Probably more importantly, there needs to be some restraint from other industry players who currently find it irritatingly necessary to lop off any initiative before it gains traction.

# Conclusion

I don't have the answer to the woes of the strong wool industry within New Zealand, and I don't know anyone who does. But I do believe there are some excellent, highly-motivated people in the industry who need the support of our growers.

Now is the time we need to be concentrating on our industry, especially with the current price rise to farmers. By understanding our industry we can make a difference. It can be as simple as considering wool in our ram and hogget selection or insisting on excellent wool handling in the woolshed – that way we can be confident that we are sending our wool off the farm in the best shape we can.

Have some pride in our wool. Be prepared to contract clips to tight specifications. We already do it with our lamb.

Low value handling in the chain should be toll processed as much as possible. The multiple changes in ownership of our wool along the pipeline simply leaks money out of the system.

We've got two major grower-owned meat companies in Silver Fern Farms and Alliance Group Limited. Would it not be a possibility for those companies to look at investment in wool intellectual property (IP) – not bricks and mortar, but branding and retail. That way, farmers not only buy into their meat industry, but they buy into the wool industry at the same time because, as I said before, the two are interlinked.

Imagine – two grower rebate cheques from one animal.

Wool farming is no different to any other business and for a lot of hill country farms wool is one of the three cheques that come in each year. How can you not be interested in what's happening with mechanics that affect your bottom line? This year, farmers and accountants are reporting how much of an effect the increase in wool payments have had on gross farm incomes.

I have yet to discover the catalyst to make all this happen.

What I do know is that something has got to put a bomb under strong wool growers – we have got to stop this apathy, this attitude of it's always somebody else's problem. We have got to stop just pushing our wool out the gate and losing contact with it. We don't do that with any other part of our business so how can we possibly continue to do it with our wool?

Everyone agrees that we haven't been well served by wool governance and the wool industry in the past, but now is the time we need to be making the changes that take us into the future.

Strong wool growers have had their collective interest tweaked of recent times with the increase in wool prices. More questions are being asked of the industry beyond the farm gate. Demand continues to outstrip supply. How exciting. Surely this is the sign of bigger and better things to come for the growers of New Zealand "white gold".

PHOTO: Rebecca Grunwell, The Gisborne Herald