

WOOL GETS A NEW SPIN

The price for wool has sunk so low it's costing farmers money to get it off the sheep's back. A new organisation, fronted by Theresa Gattung, believes there's still hope for the industry. **Maria Slade** reports



TOUGH TASK: Wool Partners chairwoman Theresa Gattung has been charged with getting the best price for wool.

YOU'D think it would be a no-brainer — in these times of heightened environmental awareness a sustainable, natural fibre like wool should be in hot demand.

Calendar pictures of woolly lambs frolicking in lush paddocks are, after all, synonymous with New Zealand's clean, green image.

But the price for wool has sunk so low that it's now hardly worth getting it off the sheep's back. The returns are so bad — and still declining — that many farmers are shearing merely for animal welfare reasons.

"Wool now for many of us is virtually unsaleable," says Federated Farmers meat and fibre chairman Bruce Wills, himself a Hawkes Bay farmer with a shed full of wool he can't shift. "It's almost to the stage where it may be more economic to bring in a digger and dig a hole and bury the stuff."

The wool industry has been on a steady decline for some years. The value of wool exports in the 2006/07 year was \$655 million, almost a third of the \$1795 million they earned in 1989.

The decay accelerated in November and December, supposedly peak wool season, when prices dropped like a stone.

Farmers had hoped the falling New Zealand dollar would help, Wills says, but instead the sector has been slammed by the credit crisis. "What we've seen in the last couple of months is an unprecedented collapse in the wool industry."

A year ago, Wills got \$2.95 per kilo greasy for his hogget crossbred wool, a price he describes as "pitiful".

At a sale early in December, the best offer he got was \$2.40, and the price has dropped 8-10 per cent since then. He didn't

even bother offering his wool at a recent sale, "because at \$2.40 I'm going to have to dip into other

SHEEP STATS

New Zealand has 34 million sheep, down from a peak of 70 million in 1984.

We produce 14 per cent of the world's wool and are the second largest wool exporter after Australia.

The value of our wool exports in 2006/07 was \$655 million, down from \$1795 million in 1989.

We produce 45 per cent of the world's fine wools, such as merino.

67 per cent of our wool clip is crossbred or strongwool (carpet wool), while 6 per cent is merino.



HERALD GRAPHIC

parts of my income on the farm here to pay the shearers".

The Meat & Wool New Zealand indicator of price per kilogram clean for coarse crossbred wool dropped from \$4 in September to \$3.05 on December 18.

Into this sorry scene has stepped Wool Partners International, the organisation charged with breathing new life into a dying industry.

WPI is a joint venture between rural services company PGG Wrightson and the newly-formed farmer co-operative Wool Grower Holdings.

Chaired by high profile former Telecom chief executive Theresa Gattung, it grew out of a New Zealand Trade and Enterprise and Meat & Wool New Zealand strategy and has been controversially designed as a marketing company which can take wool from farm to market.

Around March, farmers will be asked to put their money where their mouth is by joining the co-operative and capitalising the initiative.

The opposition from wool exporters, who currently buy wool through an auction system and believe the new model threatens their existence, has been open and vitriolic. They claim WPI has got it completely wrong.

But sticking with the status quo is just not an option for farmers, Wills says, because they've got nothing left to lose with wool.

The WPI approach is different and innovative, he says. "It's a time for bravery, for a bit of courageous change."

And the revolutionary new

approach? To internationally reposition crossbred or strongwool — the wool used in making carpets — as an environmentally friendly, luxury fibre used to create top-shelf designer textiles.

New Zealand Merino has been highly successful in positioning fine wools as a high-end fashion fabric, Theresa Gattung says, "and we want to make that [link] in strongwools".

While merino gets all the publicity, the breed accounts for just 6 per cent of the country's wool clip. In comparison, crossbred wool makes up 67 per cent.

New Zealand is also a much bigger player globally in strongwools, producing 45 per cent of the world's carpet wool compared with just 2 per cent of fine wools. "So we've got world scale, like dairy has, but we're not leveraging it," Gattung says.

Late last year, she led a delegation to the United States to research the New Zealand industry's options.

The group came back with two hypotheses confirmed, she says — that New Zealand wool is considered to be the best in the world, and that there is room to brand a premium product.

Because most wool carpets are made of 80 per cent New Zealand and 20 per cent British wool — which is coarser and makes the carpet stand up — it would not be an exclusively New Zealand brand but would be backed by the romance of the story that is this country.

It would also be backed by an international accreditation mark. WPI has absorbed international carpet industry group Wools of New Zealand and its

well known "fern mark", which would be recreated as the symbol for the new standard.

The new brand has been developed and is a closely guarded secret.

Gattung says New Zealand cannot pull off this feat on its own. Partnerships must be formed with the global manufacturers and big overseas retailers. Thus the delegation returned from the States with initial interest from a handful of carpet manufacturers and an action plan.

"If we heard it once we heard it 15 times — we would pay more for New Zealand wool if we had to, but we don't have to," Gattung says.

That means building a premium brand which the carpet industry can charge more for, enabling it to ultimately return more to growers.

WPI is practically having to reinvent the wheel in creating this brand, she says. In America at least, the connection between sheep in the paddock and quality, sustainable textiles has become lost.

Akaroa Harbour farmer Mark Shadbol, who went on the US trip, tells of a visit to one major carpet manufacturer. "The guy said to us, 'well I've waited 25 years to talk to a farmer'."

New Zealand Merino chief executive John Brackenridge says the wool industry's survival depends on targeting affluent consumers who want products with traceability and the right environmental footprint.

"I think the opportunity's there to be lost."

"The old system doesn't work, of having a marketing organisation like the Wool Board in Wellington and a research organisation in Lincoln, say, and then a whole bunch of traders."

What's required is an integrated mechanism "where you've got R&D, marketing and the transaction working in harmony."

"That's what they [WPI] are talking about."

Top-end customers want products that are proven to be green such as NZ Merino's "ethical wool" product, Zque. The Zque trademark comes out of

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an accreditation programme that ensures environmental, social and economic sustainability, animal welfare (non-mulesed sheep) and traceability back to the source.

"The market is so much more demanding, not only does it want a story, it wants a story with substance," Brackenridge says.

WPI and its supporters argue that a

convoluted supply chain is an impediment to this, and is also part of the reason farmers make so little. Brokers, scourers, exporters, spinning and weaving mills, manufacturers and retailers all clip the ticket as wool makes its way from farm to consumer.

"The auction system, the multiplicity of exporters is partly what's caused us to be in the situation that we're in," Gattung says. The auction system "doesn't make sense in the medium

term". The New Zealand Council of Wool Exporters, representing around 40 exporters, says that's utter rubbish.

"It's got nothing to do with the system. It's got to do with the fact that customers don't want the product," says executive manager Nick Nicholson.

"The reality is [farmers are] not being told the truth about what's happening in the market or why wool prices are so low."

The auction system is the most efficient because it aggregates wool for export into shipments that are the same colour, length and thickness, he says, and farmers get paid 11 days after the hammer falls regardless of market conditions.

"They [WPI] are talking about taking control of the New Zealand clip and manipulating the market to force customers to pay more. Well, we've been down that track."

But contrarily Nicholson says what's required is a collective, international push to promote wool. Growers need to sit down with the existing industry to achieve this, he says.

When it's pointed out to him that these are WPI's aims, Nicholson is scathing.

"We've been saying it for two years — our door is open. Nobody comes near us. They will not sit down with the industry and work collectively."