

## Elders Balmoral Sire Evaluation Group talk Fri 8<sup>th</sup> April

We need to ask the question - what is fine wool? If we talk micron only, it's almost 50% of the Australian clip. When we talk 18.5 and finer, there has been a huge increase in production and thus a huge increase in the proportion of the Australian clip. These following figures highlight the percentile change from year 2000 to 2015 on tested weight— 16.5 and finer 700%! , 16.6 to 17.5 237%! 17.6 to 18.5 62%. This is a direct result of the “get fine or get out” call of late 90's, early 2000's. How stupid was that as now we have too much fine wool, and a price that understandably reflects this over supply.

So to counteract this, what does the sheep industry do? We breed bigger, bolder crimped, heavier cutting sheep that are still fine, to compensate for the lower prices. This is totally understandable as it was a judgment call by growers looking for financial security in a very difficult environment. So now we had even more fine wool, not generally concentrating on quality, but quantity. The traditional, fine crimping types that were historically used exclusively by Italy and Japan for high end suiting have been decimated. China dominates but price becomes the biggest issue and wool becomes a set of measured numbers that still cannot describe the intrinsic physical attributes of the fiber – the very attributes that make it so unique and usable in a multitude of processes and products.

Breeding direction leads to extra length of staple to get extra weight, and not only the fine wool continues to grow, but wool of 100mm+ now becomes the norm.

Therefore, no longer do we have a “specialty fiber”, but a bulk commodity which is difficult to differentiate and thus to market.

Wool processors (from China/India/Europe) start complaining that the wool they are buying is too long and is affecting the quality of their top. The Italian processors begin to struggling to find enough traditional wool to place in their blends, and thus their ability to create the quality they are renowned for is under threat.

So now we seem to have hit the wall in a relatively short period of time but what needs to happens now?

The industry needs to get back to producing wool for specific market segments. Yes, I agree the market signals pushed us to where we are BUT now they are telling us enough is enough.

Wool can't compete on a "commodity" basis or against "commodity fibers". Wool should never even try to compare itself to man-made fibers – they are not comparable. Any form of Sale by Description or similar concepts (currently getting air play by ignorant people) will simply fast track wools demise.

Companies such as New England Wool and AME and their downstream shareholder/clients have recognized the need to protect their supply of particular wool types. Of course this all comes down to "price". Some growers now have options to have their wool contracted, or are part of exclusive "Clubs" or "Groups" to access significant premiums to the basic market and build closer relationships with end users. Premiums are starting to appear at auction for NM, CM and PR wool, well prepared lots and alternatively, discounts for wool is appearing if not carrying an NWD declaration, unskirted or not using a registered classer (D cert) .I know some will dispute this but the buyer/exporters are seeing this trend, so beware of the biased people talking from there un commercial view. Therefore, the point I really want to make is there are real decisions that growers can make to unlock premiums in the market.

I have the feeling this differentiation in the fine/superfine market will continue to grow and growers can have the opportunity to really concentrate on producing wool with a specific end use or end user in mind – if they want to. There is a movement back towards quality and away from the commodity mentality. We are seeing it particularly in the slow but steady improvement in business and combing activity in Italy and Japan. But we are also seeing some of the Chinese processors creating niche types amongst their usual bulk types as well – looking for something better such as better strength, better style, and well prepared wools. The burgeoning population within Asia (such as India, China, Malaysia etc) have a new and aware appetite for affluence for what us Westerners both dine on and wear, and this makes me feel we are on the cusp of an exciting time with not only our wool industry but the fine wool industry. I also know you have probably worn out your patience over the last 10-15 years waiting for a real fine wool recovery, but we need to remind ourselves of the oversupply and that the world has experienced a prolonged period of economical instability during this time. However, my 30 years experience as a wool exporter has seen the trail of self destruction when bureaucracy intervenes in a free market. It is therefore

essential we let the recovery follow a commercial path for everyone's long term benefit.

I wish you all well in all your goals and hope the growing of good quality fine wool is both enjoyable and most importantly financially beneficial.

Thank you

Chris Kelly  
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