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Selling Western Australian wool to the world

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Western Australia supplies 14 per cent of the world’s apparel wool and Agriculture WA’s Wool Program has been working to raise the State’s profile as a consistent supplier of high quality fibre to world markets. It’s a slow process in a very traditional industry, but modern measurement and computers are useful tools as Georgina Wilson explains.

Wool is Western Australia’s second largest agricultural industry after grain, and is currently worth about $640 million a year in exports. About 80 per cent of the clip is exported without any processing, not even the first stage of scouring, and this makes the local industry very vulnerable to fluctuations in world markets.

“Oils ain’t oils”, we used to be told, and wools certainly ain’t just wools. Even Merino wool (more than 90 per cent of the State’s clip) comes in a wide variety of forms varying in fibre diameter (generally the finer the better), length, strength and other factors. These differences mainly relate to breeding, feeding and the environment in which the wool is grown.

Traditionally, Western Australian wool has been discounted by buyers compared with many Eastern States wools, and the difference is greater with finer lines. Proving that this is not justified is a major part of Wool Program work.

One strategy being used to add value to the State’s clip has been to prove to customers that our wool performs well in overseas mills.

Recent analysis of 132 commercial consignments of Australian wool processed at a single mill in India found that the selling centre and climate had no influence on the processing performance of wool with the same specifications. A 22.5 micron wool with 65 millimetre predicted hauteur bought through Fremantle for example (the most common type produced in Western Australia) performed no differently to a similarly specified wool purchased at auction in Sydney or Melbourne.

Before this study, it had been suggested that wool from Mediterranean climates such as Western Australia processed poorly compared with similar wool from more uniform climates. But although much evidence has been obtained, changing perceptions and buying habits can take years, particularly when major buying houses have their offices interstate. Orders on a particular day can be filled in Sydney or Melbourne before the Wool Exchange in Fremantle opens its doors.

Late in 1997 two Agriculture WA researchers, John Stanton and Andrew Ritchie, spent time in Europe talking to users and following consignments of wool through the processing pipeline. They were stunned to find that in some quarters WA wool had a reputation for having a high proportion of black fibres. This seems to have resulted from the effects of burning during clearing in the heady days of the 1960s when the target was a million acres of new land cleared a year. Thirty years on and that soot is still sticking to the State’s reputation!
The greatest uses of wool for apparel at present are men’s suiting and knitwear, but these garments contain significantly different types of wool. Lightweight suiting contains predominantly fleece wool while knitwear uses shorter, often coarser fibres. Knowing for which segment of the market they are aiming to produce can help growers target production and become more profitable.

Increasingly, leading processors are specifying exactly what they need and ignoring anything that does not fit the order book. Growers and traders who are prepared to adjust to the new requirements will become the preferred suppliers for these companies, but others will be part of the undifferentiated section of the market.

One group of growers that is moving with the changing times with help from Agriculture WA is the Darkan Wool Marketing Group. In October 1997, after three years work, they became the first group of commercial wool growers in Australasia to obtain the ISO 9002 quality assurance accreditation and are marketing their product under the ISOWOOL label. The quality assurance system is applied to husbandry, production, preparation and handling of the wool, making it more comprehensive than the clip care systems used by some brokers.

The Western Australian wool clip contains less superfine and less very broad wool than the rest of Australia. Most wool is of good commercial quality, suitable for making a wide range of apparel from suits to knitwear.

Chairman of the Darkan Wool Marketing Group, Mark Wunnenberg, Primary Industries Minister Monty House, Quality Assurance Manager Bob Hall and Mike Redmond, Managing Director of Quality Assurance Australasia Pty Ltd were all smiles at the official launch of ISOWOOL in October 1997. ISOWOOL was the first wool from commercial growers in Australia or New Zealand to gain ISO 9002 quality assurance.
Most Western Australian wool is exported without processing. After sale it is compressed or dumped, into groups of two or three bales, and transported in shipping containers to many different destinations.

Members of the group run about half a million fine wool Merino sheep yielding 12,000 bales a year. Sheep are shorn from December to March with the wool marketed between January and April. This narrow shearing period maintains a low variation of type, fibre diameter, length, strength, yield and other factors.

The group has been selling some of its wool direct to processors and is building up experience in marketing, as well as a reputation for being a reliable, consistent supplier. This year they expect to sell four consignments direct to Indian processors, and while this is only a fraction of the group members' output, it will help develop relationships. This is important because although several different grower groups indicated interest in direct trading, Indian processors have complained that little wool has actually been offered.

More information services
Since the Australian Wool Corporation ceased its services a few years ago there has been a vacuum in some market information. The Wool Program is helping the industry by providing information for growers, buyers, brokers, processors and end-users whenever it can.

During 1997 a new office was opened in Fremantle to be closer to the wool buying, broking and handling trade. Staff include a trade specialist, forecaster and experts on wool processing. If growers choose to visit Fremantle to see their wool being sold at auction, they can drop in at the Agriculture Western Australia office to collect marketing information or arrange to talk to staff.

One of the major tools available to help industry is a computer database covering all wool sold at auction in Australia from 1988-89 (when additional measurement began to be used for significant quantities of wool) to the present. Analysis of this database has enabled staff to develop skills in understanding wool production and trade.

Differentiating the clip into special uses based on objective measurement is another way in which returns to growers can be increased. How wool can be tracked by fibre diameter and hauteur (length of fibre in the wool top, after the greasy wool has been scoured, carded and combed) for different yarn types is shown in Figure 1.

For the weaving process, finer fibre diameter can partly be traded off against length and still suit the same end uses. For example, wool for high twist weaving yarn could range from 19.5 micron diameter and 70 millimetre hauteur to 26 micron diameter and 90 millimetre hauteur or somewhere between these limits. However, the three knitting yarn types have relatively fixed hauteur requirements as the diameter changes.

The diameter and hauteur ranges shown are typical orders by spinners. Shorter wool below 65 millimetre hauteur are used mainly for the knitting process while longer wools are destined for weaving yarns.

The price paid by spinners depends heavily on the diameter and the hauteur of the top. Higher returns can be obtained by producing finer and longer fleeces. Figure 2 shows the price differentials over the six main yarn classes from the average of 22 micron with 70 millimetre estimated hauteur averaged from all tested wool in WA from 1991-92 to 1993-94. In some parts of the grid, however, (mainly above 65 millimetre) buyers paid no premium for longer wool. Extra value in the fleece was not being rewarded by the market, so growers should review some of their on-farm processes to bring hauteur into the target range.

Note that a small decrease in the fibre diameter (sometimes less than one micron) over much of
Figure 2. Price differentials over yarn classes on a fibre diameter-by-hauteur matrix. The price differentials are the percentage changes from the price of 22 µm/70 mm wool (averaged from all tested WA wool from 1991-92 to 1993-94).

the hauteur range could produce significant increases in price.

These figures allow wool producers to position their production within those wools being offered, relate this production to yarn types and examine the effect of moving to a different diameter and hauteur combination.

The market for wool fibre has been changing significantly in the last few years and new technology in the processing industry is also leading to tighter specifications and lower fault tolerances. Many processors are no longer dedicated to wool but can adjust their machinery to process blends of wool and synthetics or even pure synthetics if price or fashion dictates that course of action. There is no inherent loyalty to the wool industry and a few bad experiences such as having to stop machines to rectify excessive numbers of faults, and they seriously look at alternatives.

It is important for growers to “meet the market” as modern lifestyles are demanding lighter fabrics, often produced from finer wools and using different processes. The use of small amounts of lycra in traditional woollen suiting to give greater comfort, wool blended with denim or tencel for jeans and many other uses are all becoming commonplace.

To some growers, changing clip preparation or style of production with likely associated costs is a very big ask, especially if there is no guarantee that the wool cheque will increase as a result. “I will change when I get paid for it,” is a common response, but Wool Program researchers such as John Stanton believe that growers who ignore the opportunity to position their wool in the market will soon be left behind.

Their wool will become part of the broad undifferentiated mass that is used for blending with other wools but will attract no premiums. This may be fine if wool is a small part of the farm operation, but not if it is the major enterprise.

It’s a difficult time for many, but changes will have to be faced if wool is to survive as an important fibre and prevent relegation to the expensive novelty category now faced by some other animal fibres.

Western Australia’s only wool scour at Jandakot works around the clock during busy periods and can process 500 bales a day. Scouring in Australia is increasingly attractive to some buyers because it reduces shipping weights and effluent disposal problems in their own countries.