A FARMER'S CONCEPT OF THE NEW ZEALAND WOOL INDUSTRY

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SUMMARY

This paper presents a farmer's view of the New Zealand wool industry. It reviews problem areas in the wool production, processing and marketing spheres and concludes that wool must be marketed more effectively with farmers and processors sharing problems and profits. Better training in every segment of the industry is necessary for this to be possible.

INTRODUCTION

The writer's primary interest in the New Zealand wool industry has been as a farmer trying to dispose of his clip profitably. More recently, involvement with the East Coast Wool Co-operative Society Ltd and New Zealand Wool Spinners Ltd has allowed a wider view of the problems of the New Zealand wool industry. This paper presents some observations on the problems of the industry and some suggested improvements.

INDUSTRY PROBLEMS

The three major segments of the wool industry are growing, processing and marketing. Many of the problems of the industry are due to the individuals in one segment not understanding the problems of those in other segments. Each operation is controlled by a different commercial outlook.

The traditional systems of breeding and wool selling are not coping with the realities of the 1970s. Recent developments such as inflation, synthetic fibre competition, objective measurement and computers call for the reorganization of systems. However, many farmers continue to breed sheep on type and eye appeal rather than performance and processing ability of their wool. The breed societies generally settle for the *status quo* of the individual stud breeder rather than lead the whole breed, stud and commercial, into new fields such as group breeding, market research or product promotion.

The activities of bodies such as stock firms, wool merchants, financiers and shippers with a vested interest in the industry

frequently interfere with orderly marketing, price stability and cost savings. The Wool Marketing Corporation has used marketing methods which appear to have been designed to avoid upsetting the auction brokers rather than to cut costs to the growers whom it should represent.

All these things may be good for individuals but they do not help promote a smooth flow of wool for the least possible cost and the best possible return to the growers and the country alike. The farmers' conservatism and rugged independence have not helped either. As the Minister of Agriculture and Fisheries recently told horticulturalists, "Good rough and tumble individualism may be good for some individuals but it plays hell with overseas opportunity."

SUGGESTED IMPROVEMENTS

EDUCATION

The knowledge is available to make tremendous strides in the wool industry but little of this knowledge gets through to the farmer. For instance the booklet, *Guidelines for Wool Production in New Zealand* (NZSAP, 1974), although not fully accepted by those with vested interests in the wool industry, is so basic and sound that if each farmer understood it his returns could be substantially increased. The Ministry of Agriculture and Fisheries produces an agricultural training calendar without mention of any courses on wool. Surely courses along the lines of the booklet would be government money well spent.

PRICE STABILITY

Price fluctuations affect producers and processors alike and make forward planning in either industry a nightmare. Some way to institute a seasonal farm-gate price must be found. Growers at times get higher prices for low-grade second-shear wools from their ewe flock than for top hogget fleeces because the price has altered between shearings in October and March. One grower may get less for his top-class clip than a neighbour with poorly bred, fed and sorted wool because he shore two months earlier or later. The profit from these situations is normally made by the middle-men, not by the producer or processor. These fluctuations often result in the price of greasy wool having little or no correlation to the value of the end article produced.

CONTACT BETWEEN GROWERS AND MANUFACTURERS

With the present system of selling through auction there is no liaison between grower and manufacturer. Growers should co-operate and sell jointly, directly to processors. This type of operation reduces costs substantially and allows a flow of information both ways to the mutual benefit of both parties.

FURTHER PROCESSING

This is where the greatest monetary returns can be made. G. Cumberland (unpublished) has made the point that 1 kg of wool exported greasy returns $2 to the grower and 20c to the broker handler. When that wool is made into a jersey its value can be increased tenfold giving extra employment and export receipts. The opportunity for further processing is there but it needs developing.

A FARM TO YARN EXAMPLE

An example of these concepts is provided by New Zealand Wool Spinners Ltd (NZWS) and East Coast Wool Co-operative Ltd (ECWC). New Zealand Wool Spinners has a capital of $800 000 with four groups of shareholders each holding 25% of the shares. The first group consists of townspeople and business houses in Dannevirke where the mill is situated. The others are the Development Finance Corporation, ECWC and a carpet manufacturer originally operating in Auckland but now in Australia. The semi-worsted spinning complex was built in 1975 and employs a staff of 92. In 1977 it sold $3.5 million worth of yarn with $2.6 million worth exported. Spinning capacity will be doubled in 1978.

ECWC was originally a private wool-buying company but was taken over in 1975. It supplies the raw wool requirements of NZWS as well as exporting the balance of the wool from its 400-odd farmer shareholders to processors in many parts of the world. It has its own scour and exports both scoured and greasy wool. It has core testing and grab sampling equipment for removing from bales samples satisfactory for objective testing.

The operations of these organizations show how wool growing, selling and processing can be more integrated with considerable benefit.

REFERENCE

NZSAP, 1974. Guidelines for wool production in New Zealand. *N.Z. Soc. Anim. Prod. Occ. Pub. No. 3.* 40 pp.