Submission by the Cooperative Research Centre
For Premium Quality Wool

The proportion of locally-produced wool processed through to top in Australia is only 15 to 18%; well below the proportions of 60 to 70% experienced in other major apparel wool exporting countries in South America and South Africa.

The reasons are largely historical and include:

- The sheer size of Australian production relative to other exporting countries,
- The comparatively small population in Australia precluded any significant domestic demand,
- Labour costs in Australia were much higher than South Africa,
- Government subsidies and export incentives favouring processed wool, encouraged investment in South American countries,
- Topmakers based in consuming countries wished to retain an option of blending lower cost wool (eg. from South America) with the more expensive Australian wool (a practice that is now less common).

Whatever the reasons, the low level of early stage processing in Australia has contributed to the poor vertical integration between the Australian raw wool industry and overseas worsted spinning mills.

What should we expect for the future? The continued location of most worsted spinning mills relatively close to global consumer markets is understandable, but Australia should have a major long-term goal to progressively increase the proportion of our apparel wool production combed in this country.

At current levels of production, the potential exists to add several hundred million dollars to the export value of Australia's wool clip by processing most of the combing wool through to top.

As a long-term goal (exceeding five years), such an outcome is achievable, but three factors need to be addressed:

(1) A more attractive investment climate needs to be created through which to encourage the transfer of combing capacity from offshore to Australia. At present, excess global capacity and low returns on investment provide a major disincentive to expand combing capacity in Australia.

(2) Spinners internationally have tended to disassociate their raw material needs from the supply of raw wool. They prefer to rely on regional topmakers to convert the raw product into a textile raw material (top). This has contributed to a continuing reliance on traditional suppliers and a preservation of conventional practices which has prevented the full spinning potential of raw wool being realised.

(3) Australia is disadvantaged in terms of the long delivery periods to major consumer markets relative to South Africa and South America. At present, those delivery delays occur principally while wool is still in its unprocessed state, helped by a forward market for raw wool which is better established than for top (topmakers in consumer countries are more likely to meet short-period delivery orders out of stock).

The Cooperative Research Centre for Premium Quality Wool (Wool CRC) has sought to contribute to resolving these issues by generating objective information on which to mount a program of reform in the way in which Australian wool is produced, handled, traded and converted into a textile product. Central to the Wool CRC's approach has been the principle of cooperative research – between scientists and between researchers and industry.

Examples of how cooperative research is contributing to an improved climate for adding value to Australian wool prior to export, can be provided in a subsequent submission. However, a current project provides a good illustration.

The Wool CRC is conducting an international study to demonstrate to worsted spinners the considerable advantages to be gained from using longer top when spinning finer types of wool. The project, involving collaboration between CSIRO (Textile and Fibre Technology) and Agriculture WA, has brought together growers (Australian Merino Society), a trader (Lempriere Australia), a local processor (AusTop) and spinners in five countries (Italy, Mexico, Italy, Japan and Australia). The results of the spinning trials will be used to encourage all spinners to be more flexible in specifying their top requirements and will enhance opportunities for local processors to exercise flexibility in compiling combing consignments.

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