

Hope rains as wool prices soar to 23-year high

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Superfine woolgrowers Helen and Ian Cathles on their property, Cooradigbee, in Wee Jasper NSW. Picture: Kym Smith Source: The Australian

GRASS is growing, pastures are green and the wool price is high in the foothills of the Brindabella range outside Canberra.

Rain has restored Wee Jasper graziers Helen and Ian Cathles' parched 3600 hectares to their Arcadian glory; and with wool prices soaring to a 23-year high it's good news for everyone -- except tailors.

In Sydney, John Mutton, managing director and co-founder of Australian clothier Herringbone, sweats over a 10 to 20 per cent increase in raw materials costs and wonders how long he can suffer the assault on his bottom line.

It's been a tough couple of decades for woolgrowers. After prices crashed with the end of communism in Europe and the reserve-price scheme at home, there was the drought that shrouded much of Australia in dust and misery. But in the past 12 months, mostly the past six, prices have doubled. Ms Cathles describes watching the numbers climb as "like watching the clouds come in when the drought's on, knowing it could come to nothing". Thankfully, it didn't. "These clouds are bringing more than rain -- they're really bringing hope," she said.

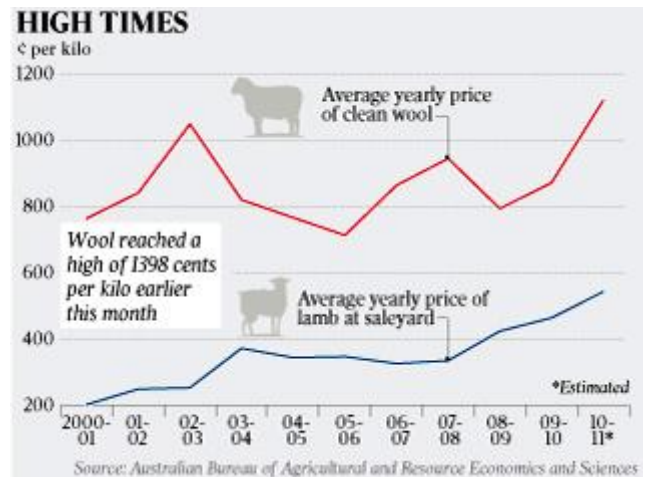
In the depths of the drought and slump, many switched to raising meat sheep or tourism -- anything to keep their animals fed and food on the table.

Australian wool production fell from about a billion kilograms annually in the late 1980s to 340 million kilograms today. That, together with low sheep numbers and increasing demand around the world, helped push up prices.

But they were not the only factors, as Don Hamblin, president of Wool Producers Australia, explains. "What's particularly driven the surge in wool prices over the last

12 months or so has been the surge in the cotton price," he said.

The more cotton goes up, the more wool looks good. Sadly, that's no comfort for Mr Mutton, whose fine suits use both.



Source: The Australian

"It's not just the wool price, but the cotton price as well, so it's a double hit," he said. "We are trying to reorganise our supply chain so we don't have to pass on the price rise, not only in our suits but our shirts as well."

Not everyone has been successful in that respect. Many European manufacturers plan to increase prices by 10 per cent this year; others are cutting costs by switching to cheaper fibres.

Another factor in the rising wool price has been the Chinese demand for luxury brands, suits and accessories, which Mr Hamblin described as "mind-boggling".

"The Chinese market is really opening up: consumers are becoming sophisticated and we are really competing with them for raw materials," Mr Mutton said.

Part of that demand is driven by better marketing, such as last year's Gold Woolmark advertising campaign that tempted Chinese executives to express their wealth through labelling.

However, in real terms, wool prices are now only back where they were in the late 80s.

Ms Cathles, president of the Australian Superfine Wool Growers Association, says those for the finest grades are still below cost and need to increase before young people will be attracted back to the industry.

Australian Wool Exchange chief executive Mark Grave has been surprised at the robustness of the wool market, which could show the fibre has been undervalued for a long time.