

The New York Times

SE **Business** Day; International **Business**
HD **As Wool Demand Shrinks, New Zealand's Sheep Farmers Scramble to Adapt**
BY By MIKE IVES
WC 1,283 words
PD 13 October 2014
SN NYTimes.com Feed
SC NYTFEED
LA English
CY Copyright 2014. The New York Times Company. All Rights Reserved.
LP

ST. ANDREWS, New Zealand — About three decades ago, when Andrew Fraser began raising sheep, wool was among the star exports of this sparsely populated nation. Its other sheep products — lamb and mutton — were supporting actors.

Today, the situation is reversed. [New Zealand](#)'s sheep meat exports are up, while wool, whose export earnings have been sliding for decades, faces intensifying competition from synthetic fibers. Although sheep farming is still enmeshed in the fabric of New Zealand's cultural identity, it is another economic activity that this remote South Pacific nation is retooling for an increasingly globalized world.

TD

"The boot is sort of on the other foot now," Mr. Fraser said recently while driving a four-wheeler through sheep pastures that he manages on New Zealand's South Island. By a nearby fence, fuzzy newborn lambs the size of lap dogs were congregating shyly at their mothers' heels.

"Wool has traditionally been — and still is — a very good product," he said. "The trouble is that now, a similar product can be manufactured out of used Coke bottles and all sorts of stuff."

From 1982 to 2011, New Zealand's sheep population declined to 31.1 **million** from 70.2 **million**, according to government data, as many sheep pastures were converted to **dairy** farms or other uses. The roughly 17,000 sheep farmers who remain still earn money from selling the fleece from their animals. But on many sheep farms, meat has replaced wool as the primary profit maker.

Since 1990, the value of New Zealand's annual exports of raw wool and manufactured wool products has declined to about \$700 **million** from \$1.2 **billion**, according to government data. By contrast, lamb and mutton exports have increased almost threefold to \$2.3 **billion**. And **dairy** exports, worth \$1.9 **billion** in 1992, have soared to \$14.1 **billion**.

New Zealand, with 4.4 **million** people, is the world's third-largest wool producer behind Australia and [China](#), according to Beef and Lamb New Zealand, a farmer-owned industry **group**. It supplies 45 percent of all carpet wool globally, the Australia and New Zealand Banking **Group** said in a report last year.

Yet more than 90 percent of New Zealand's wool is exported in raw form, rather than in finished products like carpets or upholstery, leaving it vulnerable to swings in commodity markets. And the global popularity of synthetic-fiber carpets is viewed by many New Zealand wool growers as an existential threat.

To increase their profits, sheep farmers are increasingly turning to crossbred varieties that produce more meat. Still, farmers said, the wool industry would benefit from having a unified voice to promote New Zealand wool abroad as a high-end fiber that, in their view, beats synthetic alternatives in several categories, including overall quality and environmental sustainability.

"It's the difference between the Model T Ford and the Ferrari," said William Rolleston, president of Federated Farmers of New Zealand, a lobbying **group** based in Wellington.

Having a single voice, the argument goes, could help New Zealand's wool growers and manufacturers reach beyond **China**, their primary export market by far, into relatively untapped

markets like the United States. It could also advance the New Zealand wool agenda in talks for the [Trans-Pacific Partnership](#), an American-led trade accord among a dozen nations that is likely to affect several agricultural commodities.

But New Zealand's wool industry, unlike its **dairy** industry, is viewed as highly fragmented. Even with a recent wave of consolidation, there were 35 wool exporters operating across the country last year, "a huge level of decentralization" given the industry's relatively modest export earnings, the Australia and New Zealand Banking **Group** reported.

"Everyone's sort of undercutting each other," said Ross Andrews, a South Island farmer who earns around \$1.40 a pound for his carpet-grade wool.

There is also disagreement among both growers and industry leaders about reinstating a nationwide tax on sheep farmers that until 2009 had supported an industry **group** called Meat and Wool New Zealand.

Many in the wool industry considered that **group** ineffective when the tax was voted out in 2009. The **group** then changed its name to Beef and Lamb New Zealand and focused on meat products.

A referendum on reviving the tax took place on Friday, and the results will be announced this week.

Sandra Faulkner, leader of a campaign for the tax, said it would cost farmers about a penny a pound of wool **sold**. That would translate to about \$3.3 **million** a year, she added, and the money would be invested in "communication, education and innovation," including teaching fellowships and complementing the work of independent marketing initiatives.

Wool growers long assumed that their industry would somehow look after itself, but there is now a clear need to promote wool over synthetic fibers, Ms. Faulkner said. According to Beef and Lamb New Zealand, wool accounts for 1.3 percent of global fiber production and synthetics 61.4 percent.

"It's about identifying ourselves in the luxury marketplace, which is where we've always belonged," she said.

The pro-tax campaign has support from Brent Wollaston, the chief executive of Cavalier Carpets, a carpet giant based in Auckland. He said that the tax was a logical vehicle for promoting New Zealand wool overseas and that it could complement the Campaign for Wool, a British international marketing initiative led by Prince Charles that collects voluntary donations from New Zealand growers.

But Mark Shadbolt, chairman of Wools of New Zealand, a sales and marketing **company** that represents around 1,000 wool growers, said an existing consortium of New Zealand wool businesses, Wool Industry Research Limited, should receive a broader mandate to be the industry's voice.

"Look, I'm a farmer at the end of the day, and I don't like complicated structures," Mr. Shadbolt said in a telephone interview from northern England, where Wools of New Zealand has a satellite office. "So why establish another structure when you've got one there that's well recognized and operating successfully?"

However the industry changes, New Zealand's sheep will still grow their fuzzy winter coats and require the occasional haircut.

On a recent weekday morning, dozens of merino sheep, a fine-haired variety whose fleece is typically used for clothing, shuffled reluctantly — like young children entering a doctor's office — into a drafty South Island shearing barn, called a wool shed.

A team of young shearers, each holding a jumbo razor, buzzed the animals one by one before releasing them, fully shorn, into a nearby pasture that overlooked some rugged hills. The wool was then gathered off the floor, sorted at metal tables and packed into bags for export to Britain.

Peter Lyon, the supervisor of the shearing team, stood nearby, chatting over the drone of razors with the farm's owner, Andrew Preston.

Mr. Lyon said farmers' views on how the wool industry should evolve typically depend on factors like whether they have reliable export contractors, the quality of wool they produce and their level of debt.

But, he said, rising costs coupled with diminished earnings certainly make many sheep farmers nervous about their financial security.

In the mid-20th century, wool growers were often “asset-rich and cash-poor,” Mr. Lyon said. “But you can’t afford to be cash-poor today or you’ll get thrown out. They’ve got to make a profit and stack it up for the banks.”

* [Seeking Even Faster Growth, an E-Commerce **Company** Stumbles](#)

* [Not Just for Sweaters Anymore](#)

IN i0100124 : Sheep/Goat Farming | i0 : Agriculture | i01001 : Farming | ibnk : Banking/Credit | ifinal : Financial Services | ilsfarm : Livestock Farming

NS c312 : External Markets | mwool : Wool Markets | c31 : Marketing/Markets | ccat : Corporate/Industrial News | m14 : Commodity Markets | m141 : Agricultural Commodity Markets | mcat : Commodity/Financial Market News | mlvstk : Livestock/Meat Markets | ncat : Content Types | nfact : Factiva Filters | nfce : C&E Exclusion Filter | nfcpin : C&E Industry News Filter

RE nz : New Zealand | austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

IPD Fraser, Andrew

PUB The New York Times Company

AN Document NYTFEED020141012eaad00335