

## THE AUSTRALIAN

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### Superfine plan to revive wool's golden age

SUE NEALES THE AUSTRALIAN 12:00AM April 17, 2017

Chinese wool tycoon Qingnan Wen is nostalgic for the glory days of Australian wool.

A passionate lover of wool since he started his own fashion chain in the 1980s, Mr Wen now owns Tianyu Wool, one of the largest wool importers, scourers and top-makers in China and the biggest single buyer of Australian wool every year.

It's an investment in the global wool industry that has taken Mr Wen from the design floors of Italy and China to three years ago buying one of Australia's most lovely farms, \$20 million Lal Lal Estate near Ballarat in Victoria, with its 2000ha of rolling country, black swan-dotted lake, shady gardens and 17,000 sheep.

He is now looking for more high-production Australian sheep farms to buy.

"I've worked backwards through the wool value chain — I started in fashion and fabric, went to textile manufacture, then wool scouring and top-making and now I've finally become a wool farmer," laughed Mr Wen this week, enjoying the cool misty morning amid the tall gums and grassy tussocks of Lal Lal.

"It's given me a good understanding of the whole wool industry — and how we might be able to make it better."

Mr Wen's latest ambition is to rekindle the passion that Australian farmers once had for Merino sheep and their lustrous soft fleeces that used to power the nation's economy and the world's textile mills.

But low wool prices, chronic price volatility, and the rising world demand for meat have forced many traditional woolgrowers to switch to growing more profitable crops, in-demand beef cattle or sheep breeds more suited to producing lamb meat than wool.

Since the 1990s, Australia's wool production has crashed from 1.1 million kilograms to just 330,000kg annually, and the number of sheep dwindled from 120 million to fewer than 75 million.

During the same rocky period, wool prices paid to farmers have bounced between \$8 and \$28 a kilogram, currently stabilising at about \$18-\$22/kg.

“The biggest problem of Australian merino wool is volume — or lack of it — and the way the quality of Australian fine wool has started to go backwards,” Mr Wen laments.

“It is understandable there is less wool now because if wool prices are too low, farmers are not making enough profit and there is no money or incentive to keep them improving their farms; I want to change that.”

The parallel problem stemming from lack of wool is that fashion designers and textile companies in China — and it is now the dominant determinant of global material demand — walk away from using wool in their clothes. Middle-class aspirational consumers then stop wearing it because it is hard to find, or the few wool clothes available become too expensive, and the vicious downward spiral continues.

Mr Wen has a twofold solution for fixing Australia's languishing merino wool industry.

The first is to abandon Australia's traditional wool auction system through which most wool now sells to the highest bidder, usually a processor or importer from China such as Mr Wen's Tianyu Wool, which currently buys 10 per cent of the national clip.

The system gives farmers — who rarely attend auctions despite a 180kg bale of fine wool currently selling for a whopping \$4000 each — virtually no feedback on who bought their wool, why it fetched its price, and why it was preferred by the winning bidder.

There is equally no market signal to tell the woolgrower how he might have done a better job or attained a higher price, perhaps by growing a longer-length wool, shearing more frequently, or focusing more on wool tensile strength to meet modern processing needs.

Mr Wen believes the way to keep wool prices more steady — and encourage woolgrowers to do a better job — is to directly link large-scale woolgrowers or local groups of farmers — to the Chinese processors who buy most of their wool.

He wants to see long-term or 10-year contracts at fixed prices become the norm, believing current prices of \$18-22/kilogram are “about right” for both parties to be profitable and commit to industry expansion.

He also would like an end to the practice of mulesing — cutting the rear skin of a merino sheep so it isn't so prone to fly or maggot infestations — as he observes animal-welfare consumers demanding and paying more for wool from non-mulesed sheep.

In May, Mr Wen will bring together the powerful China Wool Industrial Association at Lal Lal Estate, the first time the wool processing and manufacturing group has met outside China.

The intent is to discuss a gradual end to the auction system and its replacement with direct farmer-to-processor contracts.

In the wind too are plans to spend \$10m improving the pastures, sheep genetics and wool productivity of Lal Lal Estate, with a plan to use it as a laboratory to show Australian farmers how to improve their profits and wool quality to suit buyers like Tianyu Wool.

Chinese tourists — who are now coming to Australia in ever increasing numbers — will also be invited to visit Lal Lal Estate, with a new woolshed and special wool interpretative centre to be built to teach Chinese consumers about why wool clothing is so special.

“We have 5 billion people and Australian grown food and wool will become increasingly precious; I want Chinese consumers to see how natural wool from Australia is, how it is produced and to see the beauty of this Australian farm and its sheep for themselves,” Mr Wen enthuses.

“Buying this farm was about reassuring Australian wool growers that I think the industry has a very bright future

“If everyone in China wants wool clothes, sees versatile the fabric is and thinks it is affordable, the demand and price of wool will have to go up.”

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