# “Remember the wool industry”

## The China connection

*John Longworth, Colin Brown,*

*Scott Waldron et al.*

www.nrsm.uq.edu.au/caeg

THE UNIVERSITY OF QUEENSLAND AUSTRALIA

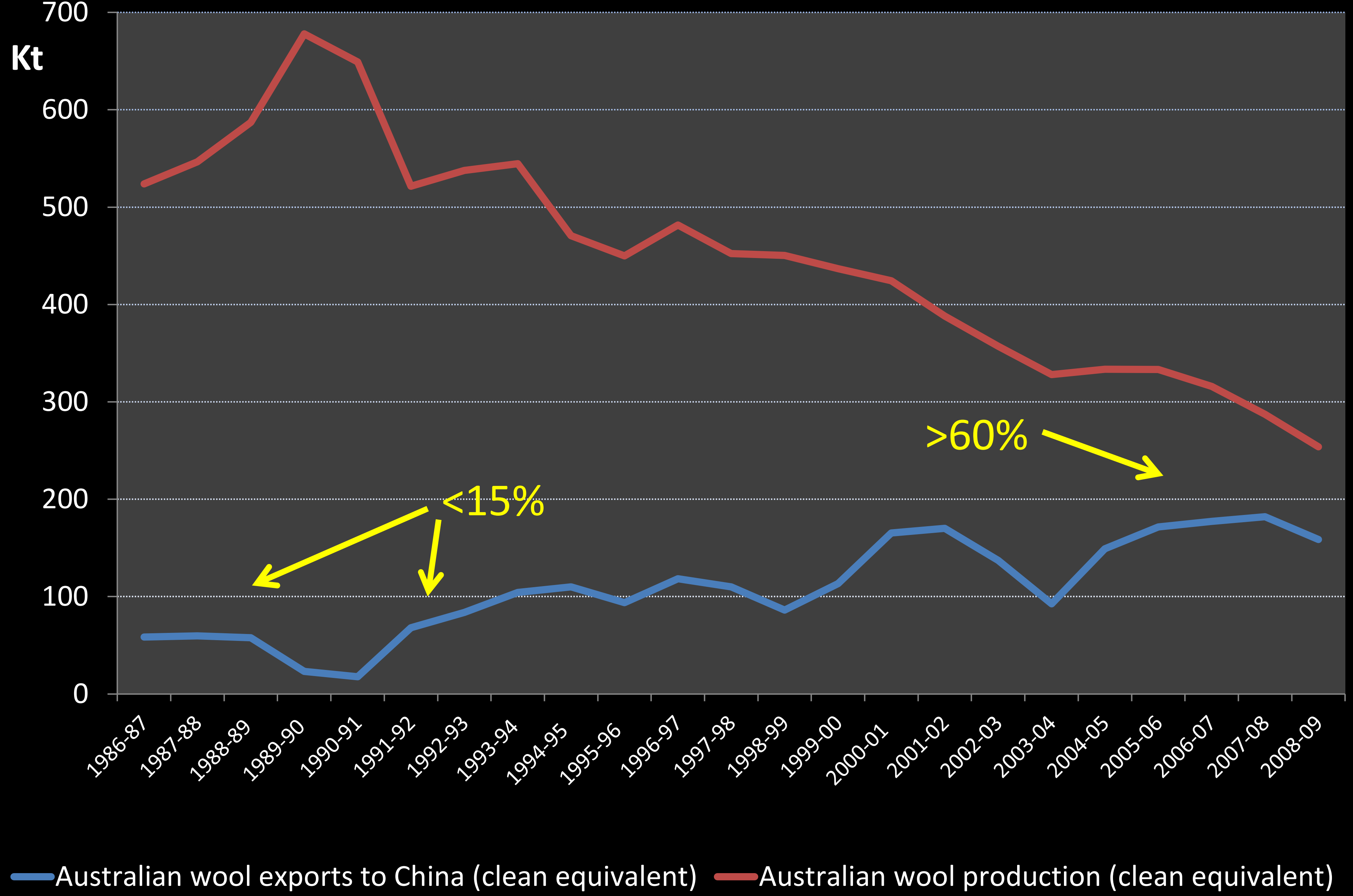
# Points of discussion

- Is China more important to the Australian industry in 2010 than in 1990?
- How has the Chinese wool textile sector changed between 1990 and 2010?
- Has the Chinese fine wool growing industry developed from 1990 to 2010?
- Is the Chinese fine wool growing industry well connected with mills producing high value wool textiles?

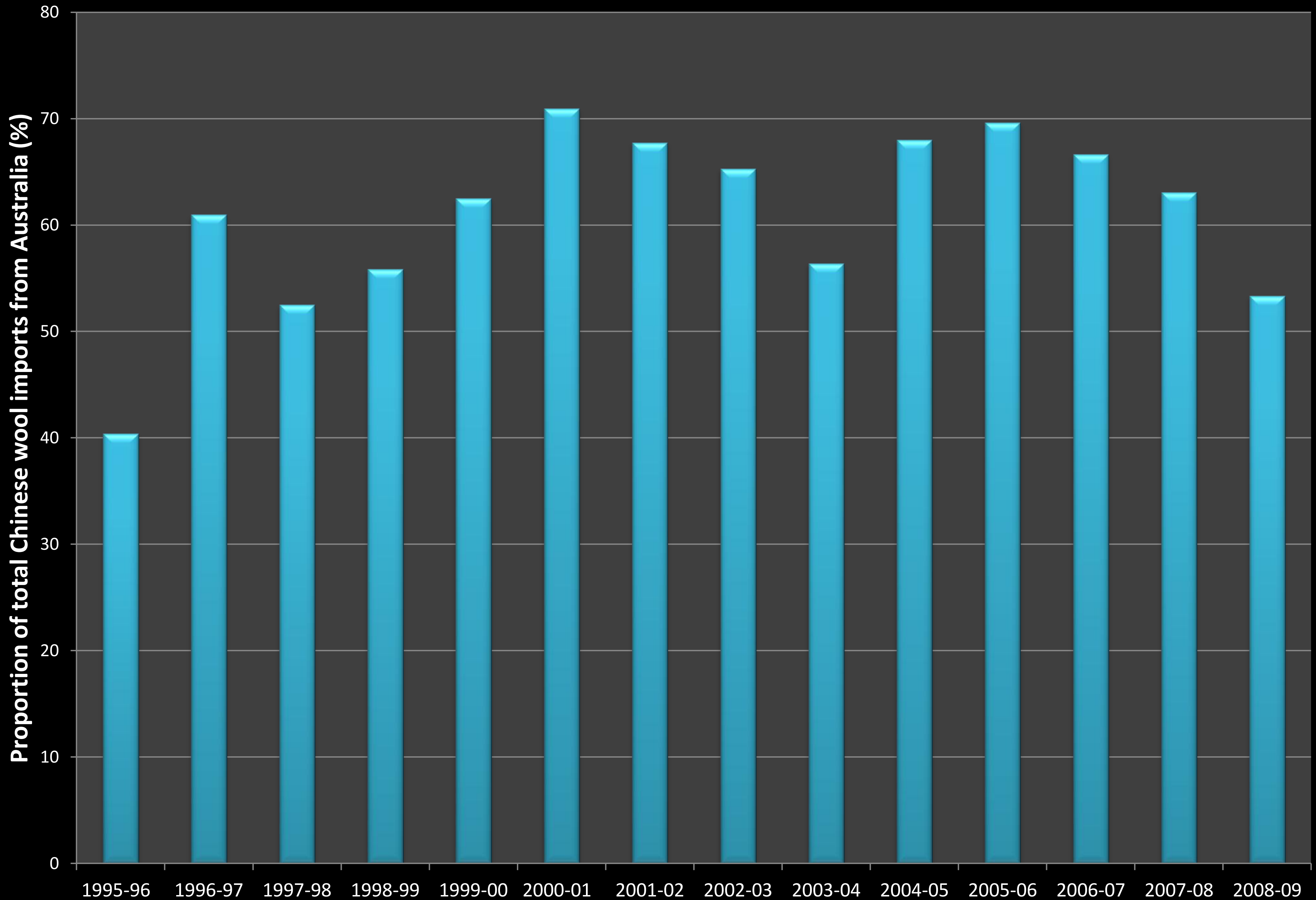
Is China more important to the Australian industry in 2010 than in 1990?

YES

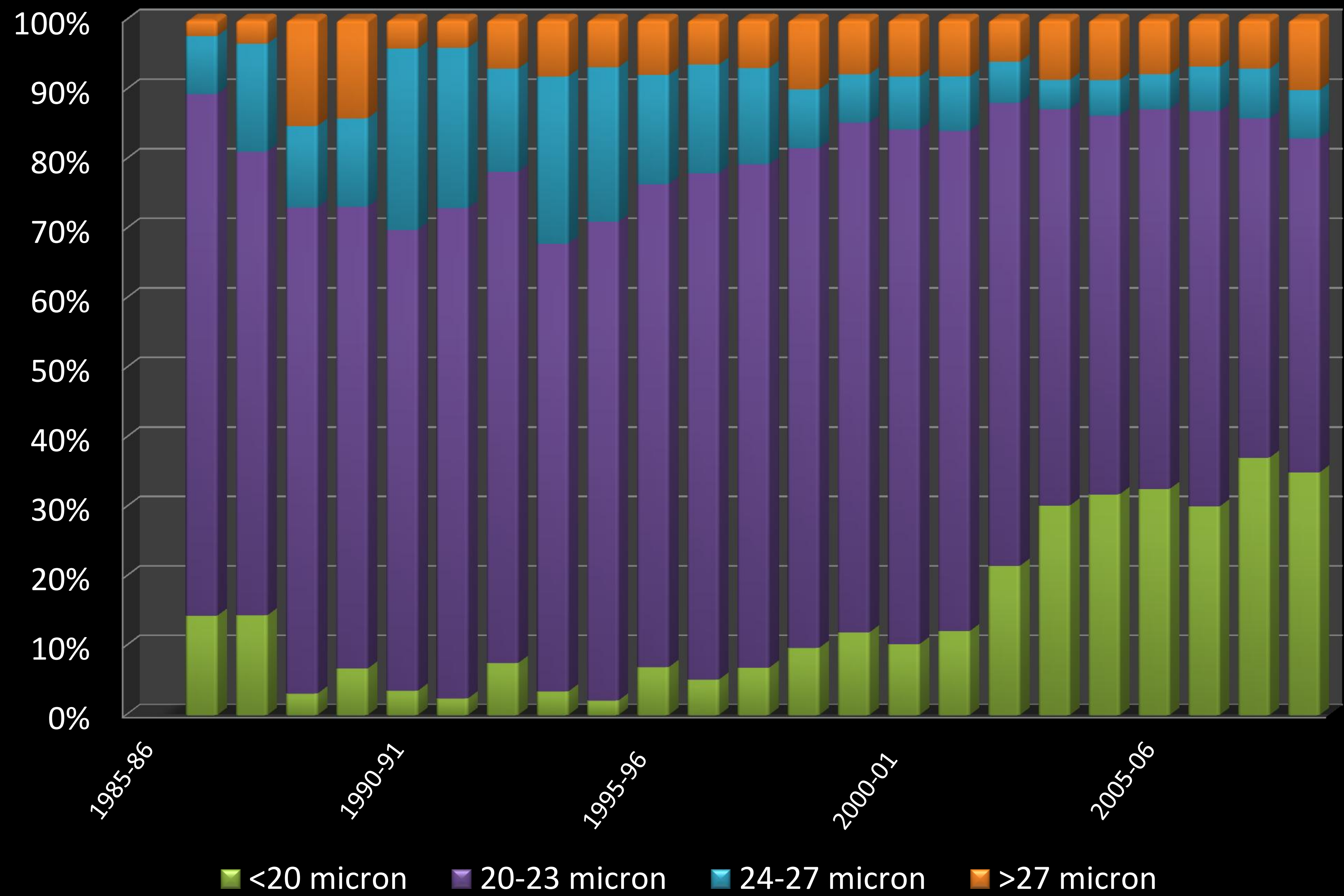
# Australian wool production and exports to China



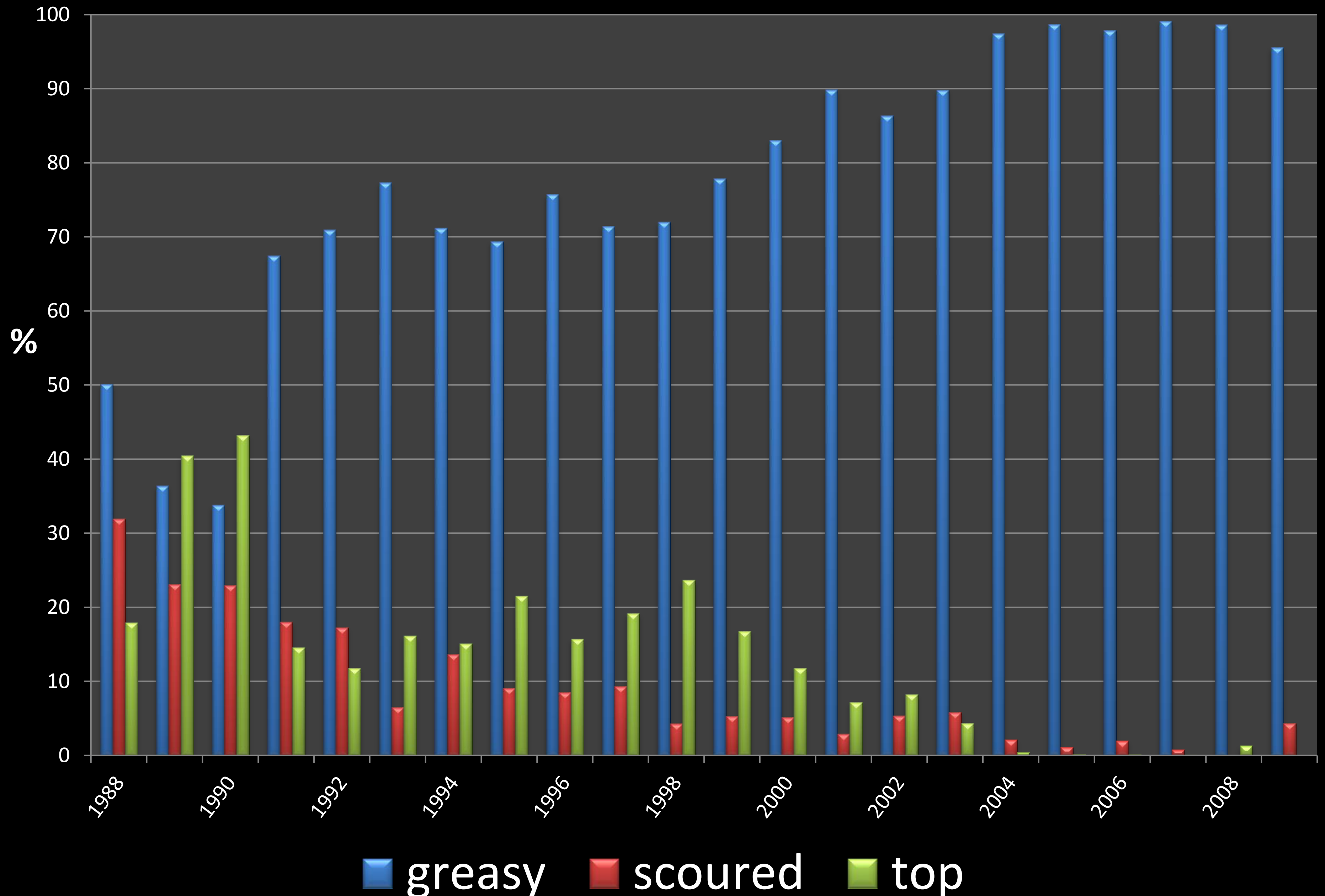
# Share of wool imports to China from Australia



# Australian wool exported to China by micron



# Proportion of Australian exports to China by type



How has the Chinese wool textile sector changed between 1990 and 2010?

Dramatically

# Wool processing

## Spatial

- Demise of inland mills
- Consolidation in southern Jiangsu region

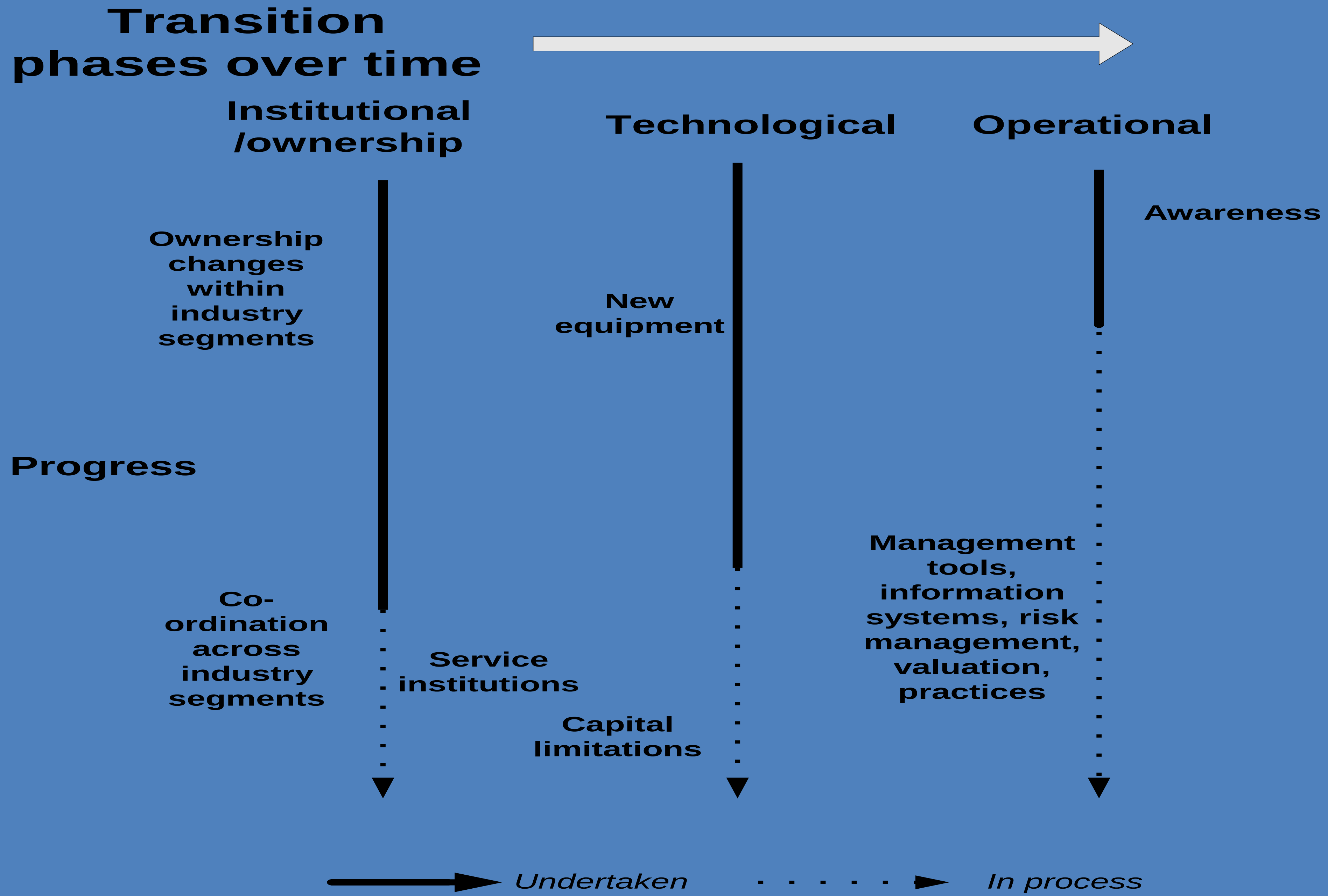
## Ownership & integration

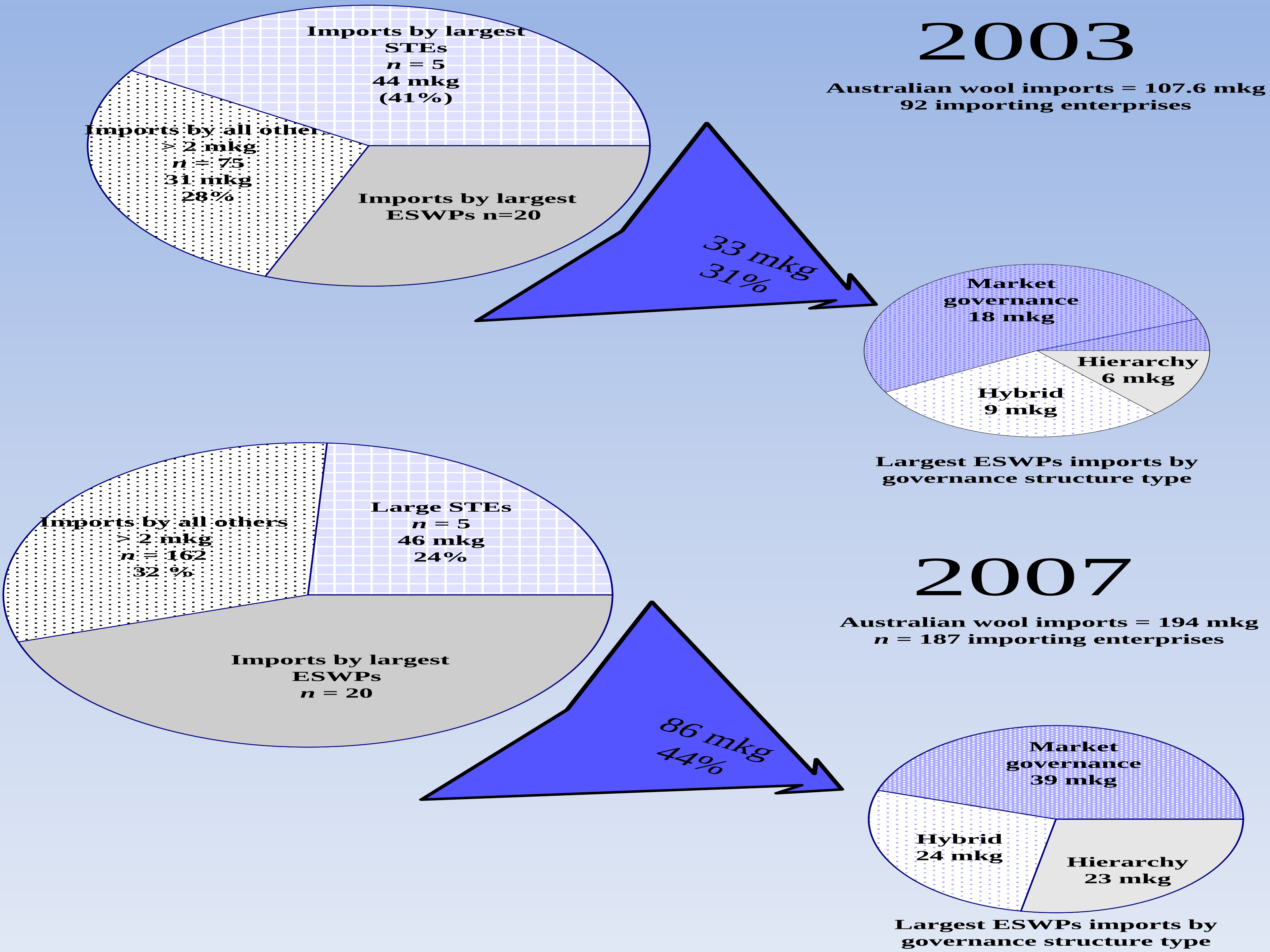
- Restructuring of State owned enterprises
  - Asset Management Commissions, group structures and shareholder companies
- Worsted mills and garment makers
  - Garment makers undergoing own significant transition and global reconfiguration

## Early stage wool processing

- Global reconfiguration
- Different mode of operation and competition with existing top makers

# Sector transition




2003
Australian wool imports = 107.6 mkg
92 importing enterprises
Imports by largest STEs
n = 5
44 mkg
(41%)
Imports by all other > 2 mkg
n = 75
31 mkg
28%
Imports by largest ESWPs n=20
33 mkg
31%
Market governance
18 mkg
Hierarchy
6 mkg
Hybrid
9 mkg
Largest ESWPs imports by governance structure type
2007
Australian wool imports = 194 mkg
n = 187 importing enterprises
Large STEs
n = 5
46 mkg
24%
Imports by all others > 2 mkg
n = 162
32 %
Imports by largest ESWPs
n = 20
86 mkg
44%
Market governance
39 mkg
Hybrid
24 mkg
Hierarchy
23 mkg
Largest ESWPs imports by governance structure type

Has the Chinese fine wool growing industry developed from 1990 to 2010?

No!

# Sheep numbers

## While …

- Australian sheep numbers **FELL** from 174 million in 1989/90 to 77 million in 2008/9
- Chinese sheep numbers **ROSE** from 113 million in 1990 to 152 million in 2005
  - Since gone down to 129 million in 2008

# Wool production

| | *circa 1990* | *circa 2010* |
|---|---|---|
| *Total wool (kt greasy)* | 240 | 368<br>*(393 in 2005)* |
| *Proportion of fine wool (%)* | 50 | 34 |

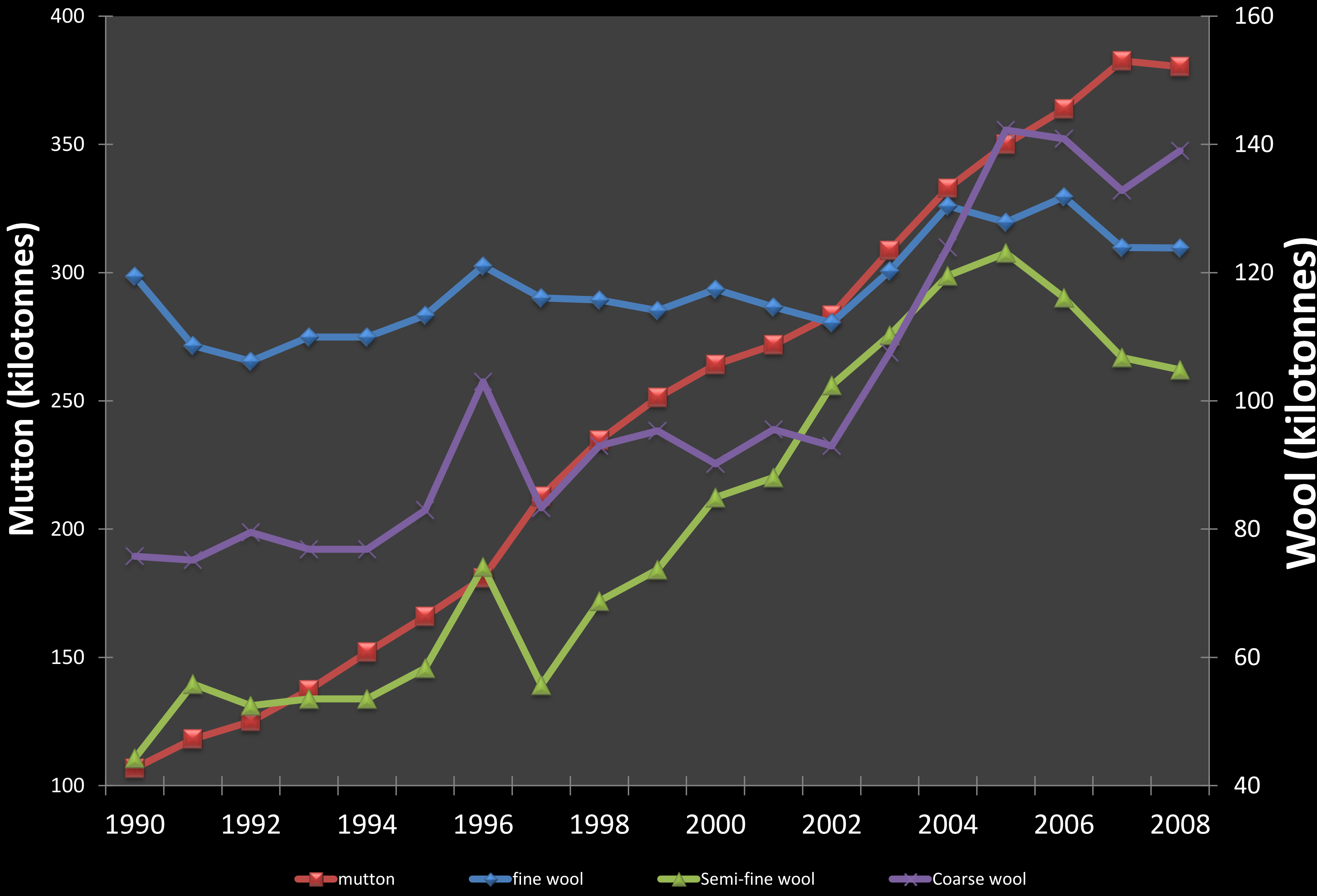
Mirrors sheep numbers, BUT…

- Proportion of fine wool decreased according to official statistics

AND …

- Genuine fine wool much lower (10-40kt)

# Chinese wool output by type



# Production factors – grassland degradation

- Long a severe problem in pastoral areas
- BUT policy attention, funds and grazing restrictions only in 2000s
- Push to intensive pen feeding of ruminants but economics marginal

# Production factors – Industry policy and support



- Integrated wool industries in minority/border regions
  - But other options for minorities / regions
- Livestock industry push and agricultural restructuring
  - Shifting focus from numbers to quality
- Reduced State capacity in wool
  - R&D, extension, testing, “attention

# Production factors – relative profitability

- Meat sheep and other ruminant livestock more profitable
- Implicit in 1990s, explicit in 2000s
- Magnified by reforms on State farms allowing more autonomy

Is the Chinese fine wool growing industry well connected with mills producing high value products?

No!

# Marketing challenge

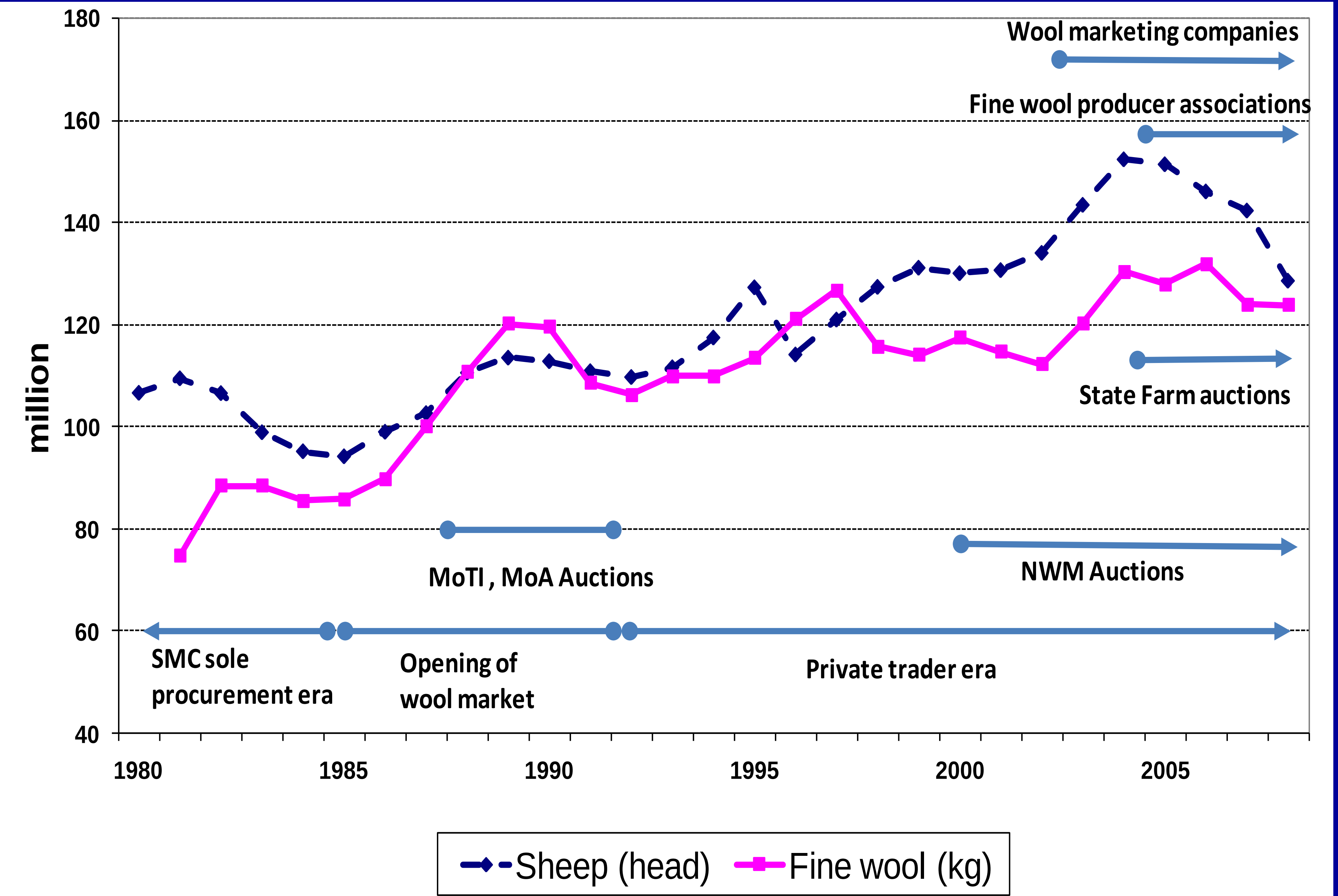
- Difficult to sustain ruminant livestock numbers in pastoral region let alone fine wool sheep numbers
- BUT some areas have sought to specialise in fine wool
- Challenge of how to connect these areas with East coast worsted mills

# Pastoral regions/provinces and fine wool growing areas

# Domestic market developments

- Macro measures in 1990s led to “chaotic” private trader system
- Rudimentary market and exchange system …
  - BUT “efficient” for bulk of Chinese wool grown
- Inadequate for fine wool and as supply chain for high quality mills
- Various market reform measures and trials to overcome supply chain shortcomings
  - Measures unsuccessful

# Overview of domestic marketing reforms and attempted innovations



# Modernising fine wool supply chain

- Wool auctions
  - Long history but no impact
- Wool marketing companies
- Producer associations
  - Organic or coerced
  - Capacity and organisation
- Price accuracy
  - Essential for profitability
  - Information breaks
  - Measurement and credit

# Reflections and Expectations

- Chinese wool textile industry vital to Australian wool industry
  - Smooth trade and information flows
  - Awareness of problems and issues
- Remembering the Chinese fine wool growing industry in 20 years time may be a challenge???
- Synergies between Australian and Chinese industries
  - Wool profile with other ruminant livestock industries
  - Wool textiles profile with other textiles