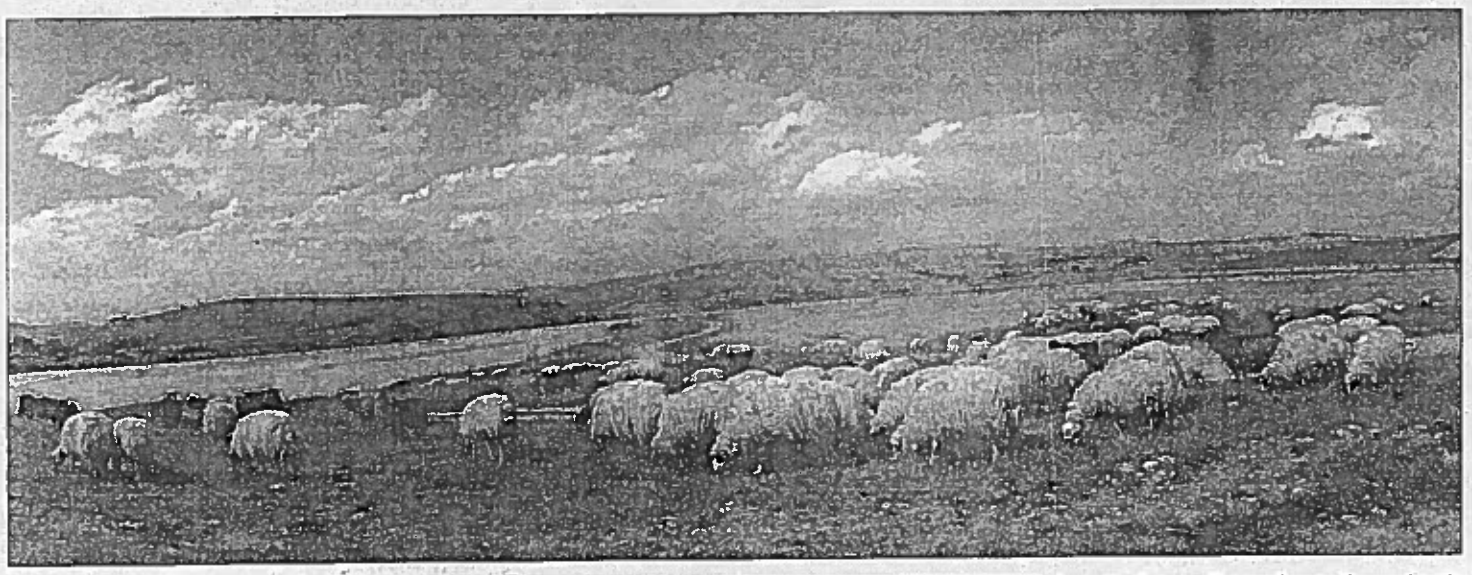
Wool | *A warm and fuzzy outlook*

Where fashion meets farming



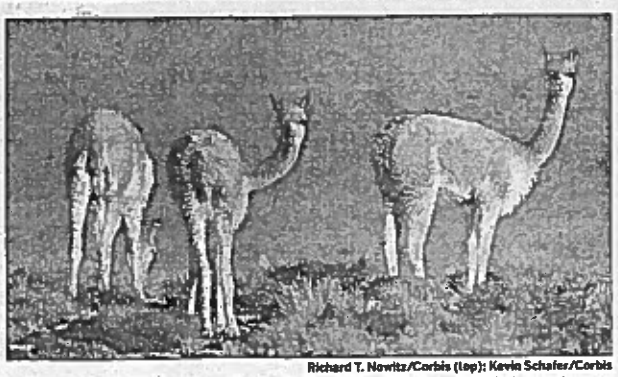
By Carolyn Whelan

The wet marshes of Wales are an unlikely place to raise guanacos, a camel-like breed whose brethren include llamas and alpacas. The flock thrives in the high and dry Andean steppes of South America.

But Ray Lerwill, who already has some 350 animals tamed from zoo and South America stocks on his Esgryn Guanaco ranch in Pembrokeshire, is looking to expand. Last week at a conference in Cordoba, Argentina, to promote the so-called camelid breeds, Lerwill said he was seeking stronger ties with Latin American ranchers, with an eye to increasing sales of fine guanaco fiber to Europe and Asia.

Conference attendees ranging from Italian and German scientists to Patagonian land barons were upbeat about a reviving wool market, particular for finer wools and, increasingly, niche fibers shorn from exotic animals such as alpacas, llamas and their rare South American relatives, whose couture-quality coats command top prices.

The reasons for optimism are many and varied. They include improving consumer sentiment in the key wool apparel-buying economies of the United States and Japan; an Australian dollar that has fallen 12 percent against the U.S. dollar just since February, which trims export prices from the world's leading producer nation; high oil prices, which and wool's dominance in the spring and summer fashion shows, even for athletic and lounge wear.



Richard T. Nowitz/Corbis (top); Kevin Schafer/Corbis

A sheep scene in Turkey, top; vicuñas in Peru. The global wool cycle is turning up.

After a decade of volatility — first overproduction and sluggish demand during the global economic slump, followed by tight supply as global stockpiles shrank — wool production and prices seem to be firming. Some market researchers even see an uptick.

"The fundamentals have improved," said Chris Wilcox, Australia that supplies services to the wool trade ranging from machinery to market intelligence.

Like all fabrics, wool sales hinge on household incomes and the economic and fashion trade-off. For a few years wool has been among the more expensive fabrics, selling at as much six times as cotton or nylon. But wool is trending toward its historic level of three to four times the price of cotton and synthetics, while demand from global luxury goods buyers pick up.

As for fashion, experts point to a shift to more elegant dressing — exchanging casual Fridays for three-piece suits, for example — an unexpectedly cold winter in the Northern Hemisphere and a new mania for cashmere in apparel ranging from tracksuits to baby blankets.

Wool generally weaves its way through a three-year cycle. As with all commodities, there are wild cards, weather and currencies chief among them. It is unquestionably a difficult business in a downturn, but profits can double or more on the upswing.

This month, the Chinese Textile Statistics Center said wool production inched up in February over a year earlier, while the Japanese Textile Importers' Association noted a rise in year-on-year imports of men's suits and women's outerwear and knitwear in February.

All of that is good news for Australia, where 50 percent of the world's garment wool is shorn. Australia's heretofore

Wool | *A warm and fuzzy outlook*

Fashion spurs a revival at the high end

From Page 21

thriving sheep stations have been the pride of the vast country since the 1820s, when settlers first reaped fortunes from the hardscrabble environment. "Wool was one of our first and largest industries, so is ingrained in the national psyche," Wilcox said.

But by the 1990s, after decades of industry-backed price stabilization programs ceased, so did demand as spinners and weavers worked through stockpiles. Prices peaked again in 2002 on worries of shrinking supply following a devastating Australian drought, only to dip again as the global slump dampened demand for higher-priced goods. A strong Australian dollar, which rose 40 percent against the U.S. dollar from the end of 2002 to February, also made wool expensive for overseas buyers.

Today's Australian sheep population of roughly 100 million is the lowest in 50 years; production is under half former highs, as a sharp drop in demand forced sheep stations to shut down or shift production to more lucrative products, like lamb, where prices have risen on tight supply and high demand.

Australia's wool production for the year ending June 30 is forecast at 450 million kilograms, a 57-year low. But in a perversion of the laws of supply and demand, prices have been falling, on lukewarm demand and the high Australian dollar. The average 8.40 dollars, or $5.98, that a kilogram of wool will have fetched into 2004 is 20 percent below last year's average.

In March, two major wool processors, Melbourne Scouring and Port Phillip Wool Processing, said they would shutter their doors this year, and industry experts foresee more closures.

Other "combers," which clean, degrease and comb wool for weavers and spinners in Europe and Asia, are relocating to cheaper locales, such as China, trailing earlier mill shutdowns in Scotland and Italy.

"We've reached the bottom," Wilcox said. "We're now starting to see signs of an upswing, which we can expect through 2004 and into 2005."

Exports are forecast to rise 37 percent, to 582,000 tons, over the next five years as key wool and apparel-buying economies revive. New easier-care technologies for the finished wool cloth, plus advances in yield-per-animal and satellite imagery to maximize pasture usage and feed levels, could also increase profits on each sheep shorn.

"We're reasonably optimistic," said Ross Bawden, head of the wool division at Landmark, one of Australia's largest agribusinesses. "Fine wool prices have the most upside potential."

The world is increasingly willing to pay a premium for fine soft fibers. Microns are a measure of how thin a fiber is: the lower the number, the finer the fiber. Human hair, for example, is around 90 to 100 microns, llama wool is between 25 and 45 microns, while cashmere runs in the 25- to 45-micron range.

"Fine" 19-micron wool fetches around $7.04 a kilogram, or nearly 50 percent more than what ordinary 25-micron wool commands. Around one-third of Australian wool is now fine, triple the proportion in the 1990s, and producers elsewhere are gradually looking to lower their micron level. A superfine bale of 11-micron Merino wool, for example, recently sold to a Chinese bidder for 7,500 dollars a kilogram at auction.

Other wool-producing nations like New Zealand, Argentina and Uruguay are also feeling an uptick. Argentina, in particular, is benefiting from both an improving economy and a favorable exchange rate after the country decoupled its peso from the dollar two years ago.

"We're optimistic," said Eduardo Halliday, owner of the 30,000-hectare, or 75,000-acre, Hill Station Los Pozos in Santa Cruz. "But it's survival of the fittest," he added, pointing to his estancia's shift to finer wool to meet healthy Chinese and European demand, a call he says not all his peers are heeding. Since 1990, more than half of 1,200 sheep stations in the windswept and remote province have shut down.

Halliday narrowly avoided bankruptcy in 2000 but today is adding finer Merino rams from Australia. He estimates that, on average, their wool will be 24-micron and under this year, versus 27-micron and below in 1997.

Private investors are steering towards exotic mammals to meet booming demand for fine fibers.

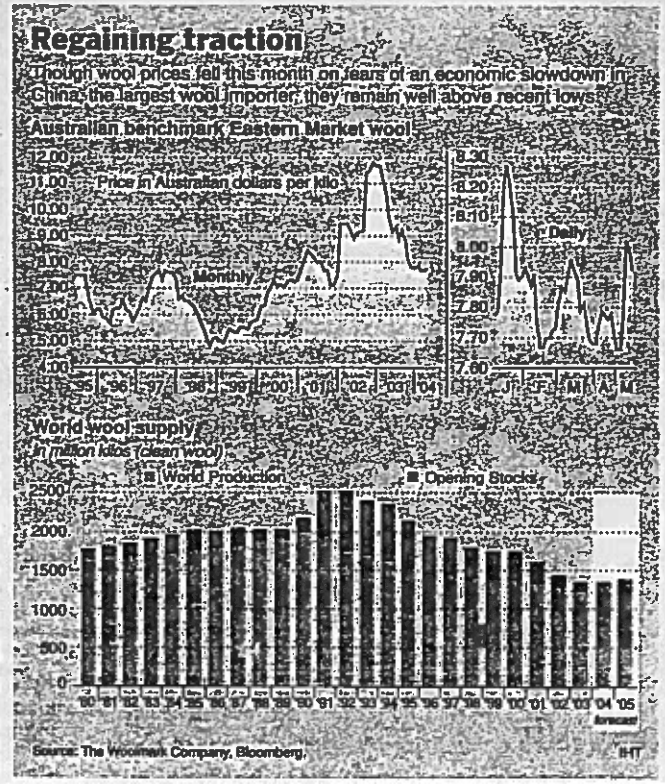
Australia's alpaca population, for example, grew to 50,000 from 8,000 in under 10 years and is expected to top a million animals by 2020. Prices range from $8 to $25 a kilogram, lifted by demand for Alpaca blends with other fabrics. Alpaca fiber production is expected to rise 25 percent in the year ending June 30, to 35,000 kilograms, for revenue of around 765,000 Australian dollars.

The country's biggest industry cooperative, Australian Alpaca Fleece, plans to go partly public in June by opening up shares to around 20 outsiders. A stock market listing is expected as early as 2006.

"We've got a bright future," says Kerry Dwyer, president of the Australian Alpaca Association, pointing to orders from Britain and Hong Kong, enthusiastic reception at garment shows in New York and Tokyo, and better fleeces in new breeds. "Hong Kong and China will be the bulk of it." China takes 40 percent of Australia's wool output.

And in the remote wilds of Patagonia, guanaco breeders are getting company. Today there are 18, up from 12 five years ago, according to Julieta von Thungen, a researcher at Argentina's agrotechnical institute. Guanaco fiber sells for about $150 a kilogram raw and $350 a kilogram processed to fabric companies in Italy, Japan and Britain.

International Herald Tribune



Hector Villalba/Newscom

A vicuña in Argentina. Nearly extinct 40 years ago, the animal is now a global business.

Fast, sleek and expensive, vicuña makes a comeback

The Andes mountains of northwestern Argentina are an unlikely place for fashion-forward joint ventures. The region's high-altitude desert and isolation makes even nourishment a struggle for impoverished indigenous communities brushing up against the Bolivian border.

But one industry has a silver lining: fine fibers shorn from the vicuña, a llama ancestor saved from near-extinction 40 years ago.

The sleek mammal grazes on wild grasslands and produces a coat luxury goods makers in Japan and Italy are clamoring for. But it's a catch-me-if-you-can animal, like the roadrunner, able to leap over the average human being's head and sprinting across the desert at 40 kilometers, or 25 miles, an hour.

The animal's light-as-a-feather coat, which once clothed Incan nobles, sells for an eye-popping $500 a kilogram. Vicuña scarves, containing far less than a kilo, fetch double that. Harvesting vicuña is a laborious process, as each animal yields only 200 to 300 grams, or 7 to 10 grams, every two years. Only 36,000 kilograms of fibers were reported in exports by the vicuña-harboring nations of Peru, Bolivia, Chile and Argentina from 1994 to 2001.

To protect and profit from the endangered species, the country's agrotechnical institute is in a partnership with local indigenous communities with backing from the European Union to collect and commercialize the rare 12.5-micron hair.

This year's first annual ceremonial round-up, which uses huge funnels and corrals to pen in hundred of vicuñas, yielded just 15 kilograms. Communities that will market vicuña wool through the llama cooperative Los Pioneros ultimately pocket 80 percent of sales.

"This is a win-win situation," said Bibiana Vila, an environmental scientist who spearheaded the project.

— Carolyn Whelan (IHT)