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A MARKETING AND PROMOTION STRATEGY FOR WOOL

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A word of thanks to the Organising Committee for asking me to deliver the opening address at this important congress. The theme of this part of the congress is "A strategy for animal textil production". May I, on behalf of the woolgrowers and all wool interests in South Africa, thank you, Mr Chairman, and your Committee for devoting the annual congress of your professional organisation to the very topical and timely subject chosen for this conference.

I say topical because animal fibres, be it mohair, wool or other rare animal fibres, are at present enjoying a strength which has not been equalled in several decades. Definitely not since the first onslaught of synthetic fibres posed a threat to traditional animal fibres. Thus, Mr Chairman, you will realise that this is a very opportune time to analyse the position of animal fibres and, more important, to working out a strategy for the production of such fibres in South Africa. This will not only ensure that our farmers will be cashing in on the opportunities open to them but will also be to earning valuable foreign exchange to the benefit of our country.

The importance of animal fibre production in the South African economy cannot be over-emphasised. In 1978/79 wool and mohair contributed 13,4 per cent to the gross value of livestock production and if the meat component of sheep and goats is added to this, wool sheep and goats contributed almost 25 per cent to the gross value of livestock production in South Africa. Wool and mohair are also very important export products contributing almost 14 per cent to farm exports in 1978 / 79.

A large area of South Africa is suitable only for small stock farming and animal fibres are also produced in mixed farming areas. Wool is, for example, produced by 32 000 white farmers in the Republic; one third of these farmers produce about 85 per cent of the clip. There are 32 million sheep in white areas of which 26,5 million are classified as wool sheep. The current average investment in sheep farming, conservatively, is estimated at more that R3000 million. The 32 000 farmers producing wool, occupy 80 per cent of the agricultural land in South Africa.

Wool will earn more than R200 million in foreign exchange for South Africa this year. Furthermore, wool and mohair are very important net earners of foreign exchange because both need much less imported inputs than most other commodities. South Africa is the world's fifth largest wool producer; processes at present more than half of the clip locally before export; and exports 90 per cent of its production (consumes only about 10 per cent locally).

Let us take a quick look at the segmentation of production. From what has been said, it should be clear that animal fibres have a very important role to play in this country. It assists agriculture in making better use of natural resources; from an economic point of view, animal fibres are highly competitive with other farming ventures; and it earns valuable foreign exchange.

Having looked at product segmentation, it is also necessary to analyse market segmentation. Wool represents only 5,5 per cent of the total fibre production in the world; the world demand for fibres is increasing more rapidly than the demand for wool; wool's share continues to drop. However, the important fact to remember is that in wooltype endproducts in the wool textile industry, where wool does compete with man-made fibres, wool's market share continues to be about 30 per cent. Wool is thus still competitive in about 30 per cent of its traditional fibre markets. As far as mohair is concerned, South Africa is the most important producer -- more details about the mohair industry will be given in a later paper.

Taking market segmentation a little bit further, we find that wool is enjoying a sizeable price premium above competitive synthetic fibres. The proportional price premium currently enjoyed by wool against the major competitive fibre (polyester) is almost 3,0 to 1, compared to less than 1,5 to 1 in the earlier seventies.

Synthetic fibres went through a very lean time. As a result of surplus capacity, synthetic fibre prices and profits were under severe pressure over the last few years. The problem was aggravated by an unforeseen expansion in the developing countries in the Middle East and Far East, as well as the fact that the world demand for apparel and other textile fibres increased slowly due to low economic growth rates.

The demand for wool as a textile fibre remains very high in the sophisticated textile markets of the world mainly for two reasons:

a) Wool is marketed effectively and even agressively from the sheep's back to the consumer's back;

b) The International Wool Secretariat, jointly sponsored by Australia, New Zealand, South Africa and Uruguay succeeded in cultivating increasing consumer awareness of the outstanding qualities of wool. The IWS researched and promoted wool successfully in the main consuming countries in the Northern Hemisphere over the past forty years. This integrated approach to marketing continues to sustain the demand for wool, even at a time when the general economic outlook in the main consuming countries is rather cloudy.

In my opening remarks I mentioned that wool is at present strongly positioned -- we are now reaping the benefits of many years' of sophisticated research and promotional efforts in the face of severe competition from our synthetic fibre manufacturers. In many ways this was an uneven battle with the woolgrowers of 4 producer countries lined up against the chemical giants of the world (which are producing synthetic fibres). The fact that the inherent properties of natural fibres have no equal, is an important reason for our success. A second reason is the very fact that wool interests of the Southern Hemisphere which market more than 80 per cent of the wool that enters the export markets of the world, joined hands and launched a major offensive against the odds against them. It was done with great foresight. Initially the synthetic fibres made a lot of headway, but their unco-ordinated actions led to big surplusses and price cuttings.

The challenge to the wool industry (and for that reason the mohair industry) is to continue its co-ordinated efforts, employing the most sophisticated marketing techniques available in order to stabilise markets for animal fibres.

Wat produksie betref, is daar sleutelaspekte wat in die beperkte tyd slegs kortliks aangeraak kan word:

- Wat is, tegnies gesproke, die plek van veselproduserende kleinvee in Suid-Afrika? Hier moet streke en boerderystelsels bestudeer word om te verseker dat behoorlik aangepaste veebedryfstakke gevestig word.

- Die volgende vraag is watter kleinveebedryfstakke? Die natuur skryf vir ons voor dat in sekere dele van ons land, byvoorbeeld die Noord-Weste, Karakoel— en vleisskape goed aangepas is, terwyl Angorabokke weer baie goed aard in die Suidoos-Kaap. In die grootste gedeelte van die Karoo, aangrensende dele van die Oos-Kaap en die Suidelike deel van die Vrystaat, word hoofsaaklik met wolskape geboer, met 'n sterk oorvleueling van suiwer vleisskape. Vleisskape bestaan hoofsaaklik uit Dorpers wat spesiaal ontwikkel is vir die dor gedeeltes van ons land.

Wat wolskape betref, moet baie duidelik besef word dat die wolskaap beide wol en vleis produseer. Verskillende wolskaaprasse produseer wol en vleis in verskillende verhoudings. Die belangrikste wolskaapras, die Merino, produseer wol en vleis teen vandag se pryse in 'n nagenoed 60/40-verhouding. Ander wolskaaprasse produseer wol en vleis in verhoudings tot so laag as 30/70. Elke boer moet besluit met watter ras hy die mees winsgewende kan boer. Dit is natuurlik 'n onderwerp waaroor 'n paar kongresse gehou kan word.

Ons moet net onthou dat die grootste deel van ons skaapproduserende gebiede gekenmerk word deur droogtes en dat teen vandag se kostestrukture dit ontsettend duur is om droogtevoeding oor 'n lang tydperk te finansier. Daarom dat dit so belangrik is om aangepaste kleinvee in sulke gebiede aan te hou. Hier word veral na Merinoskape verwys wat bekend is vir hulle droogte-oorlewingseienskappe asook die feit dat hul met droogtevoeding darem nog wol produseer, terwyl suiwer vleisrasse dan geen inkomste gee nie.

Ander wolskaaprasse, wat in verhouding meer vleis produseer, het 'n besliste plek in die hoër reënvalgebiede van ons land. Daar is egter nog heelwat meer navorsing nodig om 'n duideliker gebiedsegmentasie tussen rasse te kan omlyn.

- Daar is so pas van droogte-oorlewing gepraat! Een van die grootste prioriteite in kleinveëboerdery is beslis die handhawing van 'n konserwatiewe veelading op ons plase tesame met korrekte weidingstelsels. Dit, tesame met 'n skaapras bekend vir sy droogte-oorlewingseienskappe, is die beste belegging vir stabiliteit, veral in ons lae reënvalgebiede.

- Dit is egter nie slegs die tegniese eienskappe en voortreflikhede van 'n ras, hetsy kleinvee of grootvee, wat bepaal met watter vee in 'n bepaalde gebied geboer moet word nie. Die doelstellings van enige boer is sekerlik om sy boerdery so winsgewend as moontlik oor die langtermyn te maak. Daarom moet hy na die winsgewendheid van die verskillende veebedryfstakke kyk.

Navorsingsresultate dui daarop dat wolskape meer ekonomies as vleisskape is en verder, dat wolskape feitlik tweemaal soveel netto inkomste per hektaar lewer as vleisbeeste. Daarom dat ek onomwonde aan die veeboere van ons land stel dat, in streke waar wolskape aangepas is, hul vir 3 redes beter daareen toe sal wees met wolskape. Eerstens, weens wolskape se droogte-oorlewingseienskappe; tweedens, omdat die wolskaap as dubbeldoelskaap (wol en vleis) 'n laer risiko dra en, derdens, in elk geval ietwat meer winsgewend as vleisskape is.

- Wat die hoër reënvalgebiede van ons land betref, bestaan daar by my geen twyfel dat daar 'n herstrukturering van ons veeboerdery sal moet plaasvind nie. Oor die afgelope dekade was daar 'n onverklaarbare tendens om wolskape met vleisbeeste te vervang in streke waar beide skaap en bees aangepas is. Daar was nóg 'n tegniese, nóg 'n ekonomiese basis vir ir hierdie tendens wat ons boere (en die land) miljoene rande potensiële winste gekos het. En dit in 'n tydperk van dalende bruto-inkomstes as gevolg van inflasie en weersomstandighede.

- Ons weet dat in groot dele van ons land (hoër reënvalgebiede) 'n skaap / bees-verhouding van 1:6 of 1:8 heeltemal veilig is. Ons weet verder dat uit 'n veldbestuurs oogpunt hierdie verhouding na weerskante gerek kan word mits dit gepaard gaan met goeie bestuurspraktyke.

- Maar wat vind ons in die praktyk? In die hoër reënvalgebiede is die skaap / bees-verhouding dikwels so laag soos 1:3, waar dit maklik 1:6 of 1:8 kon gewees het. Maak self u sommetjie om te bepaal hoeveel geld ons boere in daardie gebiede verloor het. As 'n drakrag van 2 grootvee-eenhede (GVE) per hektaar aanvaar word, is die netto-inkomste per hektaar uit vleisbeeste ongeveer R12,50 terwyl wolskape ongeveer R25,00 per hektaar lewer. Kan ons boere so 'n tegniese- en ekonomiese wanbalans in hul boerderye bekostig?

- Die volgende aspek wat baie deeglik bestudeer moet word, is die voedingsvereistes van vleisskape / wolskape / vleis-wolskape. So dikwels word die prestasies van 'n gemiddelde wolskaapkudde met 'n 80 persent lampersentasie vergelyk met dié van 'n vleisskaapkudde (hoofsaaklik ooie) wat 'n 110 persent of selfs 120 persent lampersentasie het. By vleisskape is voedingsvereistes per skaap beslis veel hoër as in die geval van die wolskape. Die vraag kom op Wat is 'n vergelykbare kleinvee-eenheid? Hierdie is beslis 'n belangrike veld van studie vir ons tegniese kollegas.

- Die mees verontrustende tendens in kleinveeboerdery is die verbastering van goeie wolskaapkuddes met vleisrasse, veral Dorpers. Hierdie praktyk kan nie sterk genoeg veroordeel word nie. Afgesien van die besoedeling van wol met hare, leef boere wat sulke praktyke toepas, in 'n gekkeparadys. In die eerste paar jaar het hulle 'n baie goeie inkomste uit die wolskaap se wol en 'n basterlam, maar hulle vergeet dat wanneer die ooi verplaas moet word, die aansienlike wolinkomste wegval.

- Wat navorsing betref, is die vraag of daar voldoende bedryfsgerigte navorsing uitgevoer word, by voorbeeld die oorwintering van wolskape in die hoër reënvalgebiede. Die verbouing van wintervoer het weens kostestygings in kunsmis en brandstof ontsettend duur geword. Boere trek ook minder na Swaziland en ander plekke. Windervoeding is een van die sleutelprobleme van ons kleinveebedryf en ek voel beslis dat meer aandag hieraan gegee moet word.

- Wat vir navorsing geld, geld ook vir voorligting. Daar is aanduidings dat daar nie voldoende bedryfsgerigte skaap- en wolvoorligting is nie. Voorligting wat spesifiek sentreer om die kernprobleme van ons produsente, bv. Wintervoeding, droogtevoeding, korrekte tipe skaap, skaap / bees-verhoudings, ens.

- Wat die bestuur van kleinveeboerdery betref, is 'n redelike peil van doeltreffendheid bereik. Meer doelgerigte bestuursvoorligting kan egter 'n baie belangrike rol speel om die tegniese peil en winsgewendheid van skaapboerdery te verhoog.

  Die produksieverwante probleme van dierlike tekstielveselproduksie is kortliks geskets. 'n Stragegie, waarby die veekundige en landbou-ekonoom diep betrokke sal wees, moet uigewerk word om die vele probleme wat genoem is, te bestudeer. Met al hoër eise wat aan die wolboer bestel word, dra die doelgerigte bepaling en uitvoering van 'n strategie vir 'n dierlike tekstielveselproduksie 'n hoë prioriteit.

Marketing strategy for animal fibres

Both wool and mohair have drastically rationalised their marketing systems during the seventies. I can state, without fear of contradiction that the wool and mohair industries in South Africa have the most sophisticated marketing systems for animal fibres in the world. The two marketing schemes are basically the same. I will concentrate on wool marketing only.

Any agricultural commodity can be marketed successfully only if modern marketing techniques are employed. More so, if a commodity like wool is engaged in a continuous battle for survival with the chemical giants of the world.

Modern marketing techniques can be effectively employed only if the product is marketed in the right form, at the right place, at the right time and at the right price. Add to this the crucial importance that the seller must be in a strong bargaining position to negotiate the best price for his product.

The marketing strategy for wool can be summarised in a short sentence -- "to market wool from the sheep's back to the consumer's back".

Wool marketing, in its broader definition, can be briefly summarised as follows:

Internal marketing

- The wool marketing scheme, under the Wool Marketing Act, empowers the SA Wool Board to acquire all wool produced in South Africa, as well as wool from neighbouring territories being marketed in South Africa. The SA Wool Board is thus the sole seller of wool in the Republic. It accepted full responsibility to perform all the necessary marketing functions, even beyond the fall of the hammer at auctions, where necessary. We have appointed an agent (B.K.B.) to handle the wool clip on our behalf, according to an agreed procedure. This includes receiving the wool, weighing, drawing the samples for objective measurement, typing the wool, pressing, displaying, compiling catalogues, aftersale services to wool buyers, etc.

- About 80 per cent of wool clip is objectively measured in our laboratory in Port Elizabeth -- fibre diameter and clean yield is measured according to international standards. Subsequently a certificate is issued with each lot of wool offered for sale, guaranteeing its fibre diameter and clean yield. The fact that the Board has the power to acquire the clip, enabled it to introduce objective measurement and "sale by certificate" in a very short time.

- As the sole seller of the wool clip, we are in a very strong bargaining position. The Wool Board has an agreement with Australia and New Zealand on minimum floor prices, which applies for each wool season. The agreement is that no wool will be sold below the agreed price. Furthermore, minimum selling reserve prices are administered on a day-to-day basis *above* the agreed floor price, exerting a continuous upward pressure on wool prices. When a lot of wool does not reach the minimum selling reserve, it is declared unsold and taken into stock. The Board has the financial resources to carry stocks for a year or more and will only sell the stocks when market conditions warrant.

- A "voorskot" (first payment) is paid to all woolgrowers within 35 days after arrival of the wool in the store and a final payment ("agterskot") is paid at the end of the season. This means that irrespective of market conditions, whether the wool is sold at an auction or not, the woolgrower is being paid for his produce. The "voorskot", in recent years, amounted to more the 80 per cent of the net payment to the farmer.

- Over the years it has been the declared policy of our woolgrowers to build up strong reserves for the rainy days. At present cash reserve is available equal to about 45 per cent of the annual value of the clip. No other commodity has proportionately nearly as big a reserve. The huge financial reserve is in no small way responsible for their relative stability in the wool industry over recent years. (Reserves are also used for financing wool buyers at very competitive interest rates.)

- Time does not allow the details of the marketing system to be detailed, but we confirm again that our marketing system is wihtout doubt the most advanced of all the important wool growing countries, and that it empowers the Wool Board to meet the 4 basic requirements for a healthy marketing strategy, namely that you must be a strong bargainer who has the product in the right form, at the right place, at the right time and at the right price.

- Apart from marketing the wool clip, the Wool Board is also involved in textile research, product development, extending technical advice to the textile industry, and the promotion of wool in South Africa.

- The Wool Board is also indirectly involved in production research and sheep and wool extension work.

In summary, as far as internal marketing is concerned, the Wool Board is involved in an integrated programme serving wool as a textile fibre from the sheep's back to the consumer's back.

Overseas marketing

- The policy and strategy for marketing wool overseas is embodied in the activities of the International Wool Secretariat which was formed in 1937 by Australia, New Zealand and South Africa. I am proud to say that it was South Africa who proposed the formation of an international wool research and promotional body in the late thirties, after the first man-made fibres appeared on the scene. Today the IWS, with its headquarters in London, has offices in about 30 countries and operates or is involved in between three to four dozen countries of the world, even behind the Iron Curtain. Its' activities cover the whole pipeline from scouring to retail selling and the consumer.

About one-seventh of its budget is spent on research and product development and the balance on the promotion of wool as a textile fibre. The main marketing vehicle employed is the well-known WOOLMARK, as well as the Woolblend-mark. The Woolmark is by far the best known textile trade mark in the whole world and only one other trade mark is better known in the world today.

- The annual budget of the International Wool Secretariat approaches R80 million per annum, to which the South African woolgrowers contribute almost 10 per cent.

- A highly sophisticated international team of marketeers is responsible for pulling and pushing wool through the pipeline. Our overseas activities could best be described as "Priming the pipeline" from the moment the wool arrives in the Northern Hemisphere markets till it reaches the consumer's back.

- Time does not allow a discussion of wool's very interesting overseas marketing activities. I want to state, quite categorically, that no other agricultural commodity spends nearly as much as wool to safeguard its future. In spite of determined onslaughts of synthetic fibres on wool, pouring even more money into product development and promotion -- wool is at present enjoying a strength and a market preference unequalled since the first man-made fibres were produced. As already mentioned, despite the depressed synthetic fibre prices and the fact that the chemical companies have lost hundreds of millions of rand on their fibre departments over the last few years, wool is at present enjoying a very comfortable price premium. This is the fruit of many years of farsighted expenditure on research, product development and promotion.

Samevatting

Ons tema is 'n strategie vir dierlike tekstielveselproduksie in Suid-Afrika. Na 'n ontleding van die produksie- en bemarkingstragegië wat tans gevolg word, kan die volgende tersaaklike opmerkings gemaak word:

- Aan produksiekant is navorsing na verskeie aspekte waaronder die weidingsbehoeftes van verskillende skaaprasse en die oorwintering van wolskape in ons hoër reënvalgebiede dringend noodsaaklik.

- Wat voorligting betref, wil dit voorkom asof meer produksie-ekonomies gerigte voorligting drigend noodsaaklik is. Hier word veral verwys na die feit dat die wolskaap meer winsgewend as die vleisskaap is en tweemaal meer wins per hektaar lewer as die vleisbees. Ek wil nogmaals herhaal dat in groot streke van ons land daar boere is wat hul netto-inkomste in hierdie moeilike tye betreklik vinnig kan verhoog deur doelgerig wolskaapgetalle te verhoog ten koste van vleisbeeste. Dit is die taak van voorligting en 'n belangrike voorligtinstrategie moet beplan word om hierdie belangrike feite onder ons produsente se aandag te bring. Dit is voorligting se taak om die plek, die winsgewendheid en die toekoms van wolskaapboerdery in duidelike perspektief te stel.

- Wat bemarking van wol betref, bestaan daar 'n strategie wat, gemeet aan alle standaarde, doeltreffend opereer. Daar bestaan nog leemtes wat reggestel moet word en navorsing na alternatiewe hanteringsmetodes en verbeterde bemarkingstegnieke vind steeds plaas. Binne die bemarkingsstrategie vir die toekoms is daar een aspek, binne die kommersiële raamwerk van bemarking wat aandag behoort te geniet. Dit is statutêre beperkings. Ek wil dadelik sê dat die statutêre reëlings waaronder wol as tekstielvesel bemark word, groot lof verdien. Dit sentreer magte binne 'n enkele organisasie wat aan wol 'n groot bedingingsmag gee en sodoende sy kompeterende posisie grootliks versterk. Daar is egter sekere statutêre bepalings wat aandag verdien omdat dit beperkend inwerk op die geïntegreerde bemarkingsproses.

- Korporaatplan vir dierlike veselproduksie

  Die soeklig val op 'n strategie vir dierlike tekstielveselproduksie vir Suid-Afrika. Ons hoor aldag van die noodsaaklikheid dat enige organisasie 'n behoorlike plan moet opstel om sy doelstellings te omlyn, sy omvang van werksaamhede af te baken en sy strategie te implementeer.

  Die vraag kom by 'n mens op of 'n belangrike uitvloeisel van hierdie kongres van Professionele Veekundiges nie die opstelling van 'n korporaatplan vir dierlike veselproduksie in Suid-Afrika kan wees nie. 'n Plan wat eerstens uit 'n produksie-oogpunt 'n navorsings- en voorligtingstrategie beplan; en tweedens die samewerking van landboukoöperasies en die privaatsektor in die breë in die strategiese plan betrek.

  Wat bemarkingstrategie betref, kan in samewerking met ander professionele verenigings of sekere bemarkingsliggame aandag gegee word aan die strategie ten opsigte van bemarking, verwerking, en veral werkverskaffing. Suid-Afrika se grootste probleem in die tagtigerjare sal die skepping van voldoende werksgeleenthede vir sy vinnig groeiende bevolking wees. Die tekstielbedryf is een van die weinige bedrywe wat nog arbeidsintensief is en kan in hierdie opsig 'n groot bydrae lewer.

  In so 'n korporaatplan sal die strategie van die Staat ten opsigte van dierlike tekstielveselproduksie nie buite rekening gelaat kan word nie. Dierevesels lewer nie alleen groot hoeveelhede buitelandse valuta vir die Staat nie, maar landboukundig speel dit 'n baie groot rol in sekere van die mees kwesbare streke van Suid-Afrika. 'n Strategie ten opsigte van beleid oor boerepraktyke, beide in goeie jare en in tydperke van droogte, sal ernstige aandag moet geniet. Die Staat sal ook sy strategie ten opsigte van uitvoerbevordering vir uitvoerbedrywe duidelik moet omlyn. Wat bemarking en pryse betref, is tekstielvesels op hulle eie aangewys. Ongelukkig is dit so dat ander kommoditeite, soos bv. mielies, waarvan die pryse deur die Regering vasgestel word, 'n groot invloed uitoefen op onder andere die skaapbedryf. Ook hieroor is verdere besinning nodig.

'n Feit is egter dat, selfs nadat 'n korporaatplan vir binnelandse produksie, binnelandse bemarking en Staatsbeleid opgestel en uitgevoer is, die grootste uitdaging aan tekstielvesels steeds die doelgerigte navorsing, produkontwikkeling en bevordering van sy produk in die buiteland is. Daarom dat die wolboere van Suid-Afrika, gesteun deur die uitvoerbevorderings-pogings van ons Regering, moet voortgaan om saam met sy vennootlande die toekoms van wol ook in die verre vreemde te bevestig.

Dit was 'n voorreg om 'n paar gedagtes oor die produksie- en bemarkingstrategie vir dierlike tekstielvesels met u te kon wissel.

Ons wens u nogmaals geluk met die keuse van u tema en wil graag die wens uitspreek dat u kongres besonder beslaagd sal wees en dat die besprekings oor die volgende paar dae 'n groot bydrae tot landbou in Suid-Afrika sal lewer.

Met hierdie woorde verklaar ek u 1980-kongres as amptelik geopen.