



# AUSTRALIAN SUPERFINE WOOL GROWERS' ASSOCIATION INC

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## European Report 2010

### TURKEY

#### **ALTINYILDIZ**

Oner Guner - Taner Ozgur

Altinyildiz continue to keep their heads above water, selling more into the domestic market than overseas, where their main market is U.S., U.K., France Italy and Russia. A new market for them is Iran, where they have gained a good foothold with mainly wool blend jackets, suits, and machine washable trousers.

They mentioned, as many did in Asia, that the squeeze came at retail, where price rises were considered impossible. One thing in their favour is a much shorter delivery time into Europe.

There was a discussion on mulesing, although in their domestic market and in Russia and Iran it was not an issue. They do, however, want to have certification so they can keep different lots separate.

Mr. Guner gave us a demonstration of a chemically treated fabric which repels water. They have bought the technology for two years.

### UNITED KINGDOM

#### **MARKS & SPENCERS**

Mark Yates - Alison Lyons

The discussion soon turned to the issue of mulesing. M.& S. say they understand the difficulties of not mulesing for growers, but

they need to move forward and give customers the opportunity to buy a product backed by the "5 pillar" ethos. They are sympathetic to the focus being on "Ceased Mulesing", recognising that the progress will be slow, not immediate.

On the issue of price, they pointed out the problem of buyer resistance to attempts to put up their retail prices. For them, everything has to fit in a price structure. They are aware grower returns are low, but do not know how this can be improved.

They are keen on traceability as a marketing tool, but emphasise that it must be authentic, and this is difficult with wool.

The meeting was quite cordial and frank, but the future direction of M.& S. will have a large influence on the Australian Wool Industry, because of the size of their participation.

#### **MODIANO**

Laurence Modiano - Joe Modiano - Bill Costin

Laurence outlined the situation within G.Modiano & Sons. They have had a much better first half of the year, with Najdek running at full capacity. Combing overall in Europe was less than half of former levels. Najdek are also combing more fine wool, as all the Modiano production now goes through there. They are now combing significant quantities of 16 micron wools.

We had discussions about the trend for skirtings to be worth more than fleece wool. The reasons for this are to come up with a cheaper blend, and because an increased amount is going into knitting, and length is

not so important. Blending with other fibres is also being done to cheapen the product.

Laurence's ideas for the future of AWI, and the best approach to marketing, were also discussed. Bill Costin is concerned by the prevalence of a new disease among South African flocks.

### **ANDERSON & SHEPPARD**

Anda Rowland

During a tour of the tailoring room below the shop, Anda explained the Anderson & Sheppard philosophy. The style of garment is deliberately a little different from that of the other Savile Row people, while still being very conservative, and highest quality. Anda is still keen to use a farm story as a point of difference for a special brand.

### **HRH PROJECT**

John Thorley

We spent one and a half hours with John Thorley, who heads the Prince of Wales push to promote wool from the U.K. and Commonwealth countries. This is a spin off from a similar program, also initiated by the prince a few years ago, for mutton. (The prince breeds Lleyn sheep, an old Welsh breed.) It is designed to run for perhaps five years, and the showpiece this year is to be a wool week in October, during which Savile Row is to be covered in green turf for a day, and sheep brought in.

John, who founded the National Sheep Association in Britain, has been at the forefront of giving sheep an image as being good for the environment. In general, this is the way sheep are now viewed in that country, which is in contrast with the situation here. Further research into the level of knowledge of all aspects of wool is about to start.

Nicholas Coleridge, head of the huge publisher, Kondinast, is also part of the organising group, as is Peter Ackroyd, who is steering the project in the direction of also

promoting apparel wool, especially Australian.

### **DORMEUIL**

Patrick Bunting

Dormeuil is a 168 years old French company, and is now owned by the sixth generation of the Dormeuil family, Domenic. The sales branches, such as the one in London, are pretty much autonomous. Strangely, Australia is the second biggest buyer of Dormeuil cloth, but they have markets in many countries. Recently, a sales office was opened in Mumbai.

Their weaving is done mostly by Minova, who they part own. They also have a tie with Miyuki in Japan. As with most British cloth, the finishing is done by W.T. Johnson. At any given time, they carry 3000 to 4000 designs of cloth. Patrick emphasised the need to be trend setters rather than trend followers. He predicts that sustainability will be a major factor in marketing wool over the next few years.

There is a strong presence of blends in their collections;- wool with Kirgyz wool, Quviuk, Pashmina, Vicuna, Silk, etc. One such blend is called Vanquish, and sells at 3300 pounds per metre. Another cloth is a super 180s pure wool, called Ambassador, which the chief cutter for the firm says is the best cloth in the world.

### **HENRY POOLE**

HUNTSMAN

We made brief visits to these two Savile Row firms, but were not able to have discussions, due to the major people not being there.

While walking back to our hotel we visited some retail outlets, including AUSTIN READ, who have royal warrants.

## **MINOVA**

Bryan Dolley - Dave Smith

Bryan said the market has improved, but it is very fickle, some weeks good, some not. Their main outlet is Dormeuil, although they are always looking for small runs outside. They find it hard to plan ahead. Another problem for Minova is the increase in the price of cashmere from China.

Most of their development work is on very fine wool;- under 15.5, but crease recovery becomes a factor below 12.5. We had a discussion about the continuing supply of various very fine microns. The recent problem encountered by one Australian exporter has added to the problem, and of course, the high Australian dollar also contributes. This led to talking about the super 100s, and the sorting of this system.

The possibility of doing a short run for a specific promotional exercise was canvassed, with the use of Global Worsted and Minova, this seems possible.

In answer to the follow up to last year's invitation to become members, Bryan said it would be best raised with Domenic Dormeuil.

## **JOHN FOSTER**

David Gallimore - Matthew Simpson

John Foster are no longer at Black Dyke mill, but now operate from the former William Halstead building. They have taken over Halstead and Clayton. David acknowledged that there are some positive signs, particularly in China, but emphasised that retail has been very low. He commented that consumers did not want to buy at all, let alone at a higher price, and that a lift of 20% in raw material costs limits options. One factor for them had been a warmer winter in the Middle East, which had added to the drop in sales.

We saw their collection labelled "Cambridge", which is 150s, and has the ASWGA logo on the selvage.

There was a long discussion on the mulesing situation.

## **BULMER & LUMB**

Bill Waterhouse

This meeting took place at the Bulmer & Lumb factory, instead of at Taylor & Lodge, where most of the superfine wool is processed, and where we usually meet Bill. There is very little superfine wool at Bulmer & Lumb.

As part of the HRH project, Bill has offered to open Bulmer & Lumb to visitors to give people an opportunity to see how woollen articles are made.

Wool of 21/22 microns has become hard to source from Australia because everyone has gone finer. Bill thinks this void may be filled by more wool being grown in China.

The Edwin Woodhouse brand which they acquired last year is being used for their best cloth. Their best markets are Japan and the Middle East, but they see China as a new market.

One interesting comment he made was that even if the number of garments remained the same, because everything is finer and lighter, the amount of wool required has dropped by perhaps 50%.

## **PENNINE WEAVERS**

Garry Eastwood

As a new mill for us, we had to start at the beginning to introduce ASWGA, although Garry knew a certain amount anyway, having done much of the weaving for the top Bradford people for a long time.

They weave only on commission for others, and then most of the cloth is sent on to Johnsons to finish.. They use around 10 tonnes of yarn per week, approximately making 35000 metres of cloth, most of which is for mens suits, but an emerging end use is scarves and shawls, etc. They do a lot of

short runs for niche markets, and weave from yarn as low as 13.0 microns. The average is about 16.0 microns.

They have a staff of 73 people, all of whom were kept on during the recession by changing hours, etc. Garry sees this as an essential way of keeping skilled staff. Now they are busy again, working 24 hours per day, seven days a week. Winter is traditionally a slower time, confirming comments elsewhere about wool having become an autumn/ winter product.

They aim to reinvest 10% of turnover back into the business every year. The machinery runs at a quite slow rate of 350 pics per minute, thus allowing the small speciality business. The thirty nine looms are made by Dornier, and are replaced every ten years.

As specialist weavers, they will take on any challenge, but find the ultra fine lots difficult, slowing the looms down even further. He says if you are doing cloth worth 250 pounds per metre, it must be perfect. Staff are constantly being trained on site, and it is this skill which allows them to do the top of the range products.

They do not seek work from elsewhere in Europe, concentrating on the nearby companies, Bradford and Scotland, so they can be in touch all the time with the client.

### **W.T. JOHNSON & SONS**

Paul Johnson

Johnsons are commission dyers and finishers, with their core business being in wool and wool blends. It is a fourth generation family business, just over 100 years old. The location, in Huddersfield, is due to a cooler climate, ideal for finishing, excellent water, and a strong textile heritage in the area. They have a mixture of very modern and quite old machinery, some computer controlled and others fully controlled by the operator. Some of the machines have been designed by, or adapted

by them as the need arose. They see their role as making cloth fit for its purpose. Paul suggested that superfine wool would be nothing without good finishing.

We had a very good look at the finishing side of the company. (The dyeing takes place at another factory 3 or 4 miles away.) We were shown the different machines and the different finishes they produce were explained. This was done by Alan Dolley, who is the production manager.

### **MOXONS**

Firas Chamsi Pasha

Moxons are a very high end weaver, with a very small but expensive output. In a remarkable attic above the factory, full of thousands of collectables, we explained ASWGA and its aims, because this was a first visit.

Mr. Chamsi described the company as the smallest and best weaving company in the world. They have only eight looms. Founded in 1556, and part of Allied Textiles until 1993, Mr. Chamsi bought the company in 1996. For the last three years they have been making a profit.

Some of the cloth weighs only 130 grams per metre, less than one kilogram for a suit. It can take 14 days to finish. They have super 210s. They will do unique pieces, even down to one suit length. Most of their clients are very loyal, and many customers of other high class companies which went out of business came to Moxons. Now, they have small markets worldwide, including the British Royal Family, but they only produce 500 pieces a year. This means they are selective about who can be a customer, turning away some big industry names. They are so exclusive that their website is not available to the public. They have a team of designers, and use archives from the 1930s for ideas.

During discussion on aspects of true quality, an in- principle agreement was reached

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about reviving an old Bradford competition called The Golden Bale. This could be for 5kg of wool, exclusive to ASWGA members, with ASWGA paid for the costs of organising. Mr. Chamsi does not need or want it as promotional exercise, but rather a boost to the image of quality of Australian superfine wool. A principle judging criterium would be evenness of the entry. The prize would be cash, plus a set of golden shears, (tailors variety.)

### **CLISSOLD**

Michael Harburn

Clissold are doing less business, but are moving more into the very top end. Mike explained that there is less competition from China at that luxury end of the market. He sees the sub standard items coming out of China to be a problem for superfine wool in the future, because it will turn customers away.

They almost had the contract for the uniforms for the English World Cup team, but missed out. They are negotiating for the 2012 Olympic Games. We were shown several fabrics with an accompanying story,- Jet Wool, for suits to travel well; Polar Bear, for strength and natural stretch. They use a brand called "John Cooper" in the Middle East, where they have a strong presence, because customers there identify with an English sounding man's name.

Retailer Harvey Nicholls promote garments as being made within a 20 mile radius of the store, with a fair degree of success for Clissold, Taylor & Lodge, and Hainsworth.

The Clissold sister mill in Chile recently processed a bale of 11.7 Australian wool, coming up with a super 220s, which will be blended with Cashmere.

### **ABRAHAM MOON**

John Walsh - Kevin

Abraham Moon is a very old company, having been founded in 1837.

They have positioned themselves at the top end of the High Street market, such as Marks & Spencers, but do not use a lot of superfine wool. Their production volume is around one million metres per year. Their machines are set for 22 micron wool, and although they do some work with finer yarn, that is not their core area. All areas of the business, including furnishings, are doing well.

Around 50% of production is women's wear, and around 70% goes to export .Moons will process unusual things which no-one else wants to do.

During a tour of the mill we saw a carding line, something we have not seen elsewhere.

### **TWIST MAGAZINE**

Jonathon Dyson

We visited Jonathon at his office this year, Discussions centred on the general state of the industry, the situation in AWI, and Jonathon's impressions of the IWTO conference in Rambouillet.

We also discussed ASWGA's contribution in future.

### **BOWER ROEBUCK & CO. LTD.**

Ronald Hall

Once again this was a first time visit, and, although Ronald was fairly well conversant with ASWGA, we went through a resume of the Association.

Bower Roebuck is wholly owned by Scabal, having been bought by them in 1973. The output of the mill, however, is fiercely "made In Britain". The mill site is extremely old, wool being processed here as long ago as 1356. Some of the buildings date back to the 1700s, with the business emerging from an amalgamation of the two families in 1889.

A flash flood in 2002 led to one metre of water in much of the mill, and a number of new machines were installed afterwards. The warping side of the process, for instance,

was brought up the the state of the weaving area, thus making the mill very modern. Weaving speed, however, is not a high priority, with the machines being slowed down for finer yarn.

Output is around 5000 pieces annually, 25% of which is used by Scabal, and the rest woven on commission for others, mostly outside Britain. Among British clients are Gieves & Hawkes and Burberry. The range of wool used is from 12.5 microns to 21.5. Last year was a bad one for the company, but the first half of 2010 is much better. In fact they have put 200 pieces out to commission so far this year. Normally the easier weaving is sent to other weavers, and the more complicated done in house. Everything comes back to Bower Roebuck for checking, and is again checked after finishing.

They kept all seventy employees during the down-turn, and Ronald believes the weaving industry is a good place to work nowadays, with modern machinery and computers. Five years ago, they started a "daughter" company to make things for younger people, using the brand "Savile Clifford". This is also going well.

### **JOHN CAVENDISH**

Andrew Knight

This is a company which has downsized greatly, moved their site to a less expensive building, in Slaith, but have retained their image of high quality. They have only a very small number of employees. They buy in yarn, oversee the weaving and finishing, and then market the cloth with the Cavendish brand. With this "made in Britain" tag and the well known brand, they are holding their share of the market in Asia and the Middle East. The latter has, however, been difficult since the economic problems.

Andrew, who worked with Scabal in Belgium for some years, designs the cloth. He now consults more closely with his customers about designs. He is confident the company can slowly grow into the future. He has been

asked to go into accessories with the Cavendish brand, but although he sees some merit in the idea, he has not done so yet.

For coarser wool, 18.5 microns and broader, there is another brand, Calverton Clapham. This has a good market in the U.S. In spite of years of trying, Cavendish have been disappointed in the Indian market, and they also find Russia a hard nut to crack. Andrew thinks Latin America may be an area to try in the future.

### **MARTIN SONS & CO.**

Alistair Brook

This company, formerly part of the Huddersfield Fine Worsteds group, now use that name also. Again, they source yarn from China or India for the warp, and blends of wool and other fibres, usually from Italy, in the weft, have it woven on commission, finished, and then distribute it through their merchant contacts. They went into liquidation last year, were taken over by an American firm, H.M.S. International, and Alistair was approached while working at Cavendish to run Martin Sons.

Although most of their work is done with coarse wool, up to 24 microns, they do make some fine cloth. They have recently received an order for super 120s, from Korea. They use several labels for the coarser product, J.G Hardy in sports jackets, J.J. Minis for suiting, and Hunter Winterbottom for traditional British cloths. Japan is a big market, as is the local British maker-up.

Alistair finds yarn spun in India is very good, particularly from Atherton and RT Yarns, but the Chinese product is improving. Their weaving is done by C&J Antich and the finishing by Johnsons. Cut lengths are marketed in Savile Row by Anderson & Sheppard, Huntsman, etc. They have a small clientele in Australia, through an agent called Imperial Textiles. This market is looked after by Basil Ferns.

It is of interest that we ran into both Andrew Knight and Alistair Brook in Asia earlier in the year, one in Osaka, and the other in Seoul. While formerly members of the same firm, they were both in Asia to find business for their respective companies now.

### **JOHNSTONS OF ELGIN**

James Dracup - Sinclair Paterson

A new contact for us, Johnstons are a very large force in the city of Elgin, Scotland, and have been for more than two hundred years. We visited their much smaller knitting mill in Hawick last year. Once a vertical mill, they now start with yarn and go through to garment. There are four divisions in the company,- Cloth, Knitwear, Accessories and Retail. Not all the product from the first three areas goes to their own retail outlets, of course. Brands such as Hugo Boss use cloth and knitwear from Johnstons.

At raw wool level, their suppliers are mainly Fox & Lillie, and Dawsons. This lambswool and cardings is blended with Cashmere in various mixes. The trend has been to use more cashmere, but with supply under pressure, James thinks this will be good for superfine wool demand. Cashmere prices have doubled in the past year, so this makes a business like Johnstons very difficult.

One interesting comment made by James was that the emergence of China has had more effect on business than the financial problems of recent times. We discussed this in some detail, along with the effect of seasons and trends on the Australian wool clip, and how economic change had effected companies like Johnstons.

We had a tour through the operations of the mill,- dyeing, carding, spinning and weaving. We also spent some time looking at the range of Johnstons products available at the retail outlet on site. The overall impression was of a very efficient company, employing 700 people, continually looking to adapt to more targeted, niche markets. I believe we

should keep in close contact with Johnstons in future.

### **HOLLAND & SHERRY**

Sarah Clare - David Scott



(L-R) - David Scott, Helen Cathles, Allan Morton and Sarah Clare, Kevin & Margaret Dunn.

In the absence of Malcolm Campbell, Charles Stuart and Lindsay Taylor, we met with Sarah, who was formerly at Clissold. She fills the role of Merchandise Director and is also a designer. She was not aware of ASWGA to any extent, so we had to start at the beginning.

The parent company, Tom James, has suffered the downturn, as everyone else, and are now recovering,- up 20% after being down 30%. This, of course has flowed back to Holland & Sherry. But they did still make a profit, albeit a smaller one.

Sarah is very interested, as are many others, in a story line. Escorial and Snowy River are two of Holland & Sherry's favourites, and both have a good story.

British cloth is heavily promoted, and is gaining favour, even in Italy, where the trend is into something a little heavier. Japan has always been a difficult market for Holland & Sherry; China is slowly starting to open, but is not large for them. India is also emerging, but there needs to be education about quality and price. Russia stalled, but there is some business, and certainly potential, and the Middle East is a small but important market. Less tailors are in operation, as customers move towards "off the rack" suits.

Discussion about raw prices was not productive, as Sarah said they were too remote from raw wool. They keep an

inventory of one million metres of cloth, and order to despatch times are very short. Their expertise is to anticipate what might sell, so as to order the right material. They rely on growth of sales, which are almost all in the high end men's suiting cloth. Sarah said womens wear is too difficult for tailors to work within the main.

During a tour of the operation with David Scott, we saw the cutting and filling orders process, and the making of bunches, which has always been a Holland & Sherry speciality. That part of the factory has 18 employees, out of a total of 86.

### **BARRIE**

Jim Currie

We called without an appointment at knitters, Barries, in Hawick on our way through. Mr. Currie was rather pessimistic about the future for the company, and for the whole industry in general.

In their heyday they used a lot of "Geelong" lambs wool, using tops from Todd & Duncan, but use very little today. Most of their production is now Cashmere, with France and the United States the biggest customers. Competing with China is very difficult. Marks & Spencers, for instance, sell knitwear at a lower price than Barries can buy yarn spun in Scotland. Their only option is to aim at the high quality market where price is not such an issue.

There would be little use in keeping Barries on our list of visits.

### **REID & TAYLOR**

Richard Ryley

The relocation of the factory talked about last year did not happen as they were able to negotiate a lower rent on part only of the existing site. Now owned by S. Kumar, an Indian textile company, Reid & Taylor are currently making around one hundred thousand metres of cloth.

Part of the group to which they belong is Hart, Schaffner and Marx, a large and well known American clothing retailer, who have the famous "Hickey Freeman" brand. This should allow Reid & Taylor to gain a bigger share of this important top end market. Brooks Brothers is another important customer in America.

They also have a large share of the "Escorial" weaving, and sales in this area have picked up recently, possibly due to a new finishing technique called "London Shrink". They are now looking at the "Saxxon" range, which is aimed at a lower price point. "Escorial" and "Saxxon" sell well because of their story in the U.S.A. , Europe and Japan, but the story has not made any difference in China and Hong Kong. They have also gone into a sort of partnership deal with Henry Bertrand in Savile Row, selling by the metre through that outlet. They will sell as little as 30 metres at a time to gain business.

The three main problems they are encountering are the increase in the price of raw materials, cash flow caused by customers taking longer to pay, and finding experienced staff to replace those retiring due to age.

The Neil Johnson business, which they had just acquired this time last year has been doing well. It is a womens wear range, mostly silks, fancy yarns and wool cashmere blend, but does not use any superfine wool.

We spent a considerable time talking about the mulesing issue, the potential benefits of membership of ASWGA, and the possibilities of marketing with a story.

## **GERMANY**

STOHR

Peter Schmickler - Andreas Diebenbusch

In the absence of Andreas, the first part of the meeting was just with Peter Schmickler. Stohr are spinning more yarn for knitting now

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than for weaving. The market has picked up from last years very low point for their yarn, to the point that, with their reduced capacity, they are working very hard to keep up.

The talk quickly turned to mulesing, and a very detailed discussion ensued. Peter said they were not the ones pushing this agenda, only responding to requests from further down the chain. He told a story about one retailer who sent back a delivery when they realised it was Australian wool. There was also a discussion about marketing, and the role and achievements of AWI in the past. The issue of traceability back to farm for the purposes of promotion was discussed at great length, with Peter believing it to be outside their capacity to help. It was the responsibility, he suggested, of the retailer to initiate, and the key player in the chain regarding the amount of wool needed was the top maker. If such a thing was done, a guarantee must exist for the same or greater amount the next season. This has been a problem in the past; "one -off" things have very little impact.

Andreas joined the meeting, and we went back over much of the ground. He explained that Stohr have gone from around 15 million tonnes of product ten years ago to 4.5 million now. He thinks that it will become increasingly difficult to compete in Europe because some Chinese manufacturers will cheat on mulesing, etc. Investors are reluctant to invest in the textile industry. Andreas is very happy with the results for the first half of the year, but with increases in the cost of raw material, he is unsure how sales will hold up in the next six months, given the necessity to negotiate new contracts.

One interesting observation from Peter was the lack of readiness everywhere to hold stock. This has lead to retailers stocking only a very basic product, such as a black suit. This, in turn, leads to lower sales because of lack of flair and design. Andreas said the big jump in prices for synthetics and cotton should be a plus for wool.

In general, Stohr are not optimistic for the immediate future, citing the perception that Australia is not heeding the message on mulesing as being depressing factor on wool prices and usage in Europe, particularly after 2010.

## ITALY

### **ERMENEGILDO ZEGNA**

Paolo Zegna - Franco Feraris

We met in Milan with Paolo and Franco. Once again, much of the time was spent on the mulesing issue. Zegna are keen to be seen as leaders in corporate responsibility. There was also a continuation of the talks which I had with Paolo in Melbourne in April regarding AWI's structure and their plans for the future.

The most pressing issue, however was the proposed changes to this years Zegna Competition. Once again, we pointed out that taking out the "protected" section this year may not be a good idea, but Paolo felt it to be necessary. There was a long discussion about pain relief, and how this might be incorporated into the way payments are structured after the competition.

In the evening, we attended a huge gala function at the Triennale function centre to celebrate the centenary of the Ermenegildo Zegna company. This was a very glamorous event, the highlight being the Zegna family, including Angelo, taking part in a traditional birthday cake ceremony. It was a great honour to be invited to such an occasion.

### **In Trivero**

Matteo Loro

We were driven to Trivero to meet with Matteo. We had a discussion about the previous night's function, and the book which has been done to mark the centenary. He also outlined the history of the amalgamation of Agnola into the company, and the

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functions of each brand now. He emphasised the fact that the site is an industrial site, with 450 employees.

He showed us around the factory, showing us the dyeing, recombining, spinning and weaving lines. The emphasis is on the high quality end of the market. Anything used in cheaper products is bought in from other weavers. Zegna, in turn, weaves for others at the quality end.

We were very privileged to spend an hour or so with the director of the Zegna Museum collection, housed in the former Zegna family villa behind the mill. It gave us a fascinating insight into the early years of the company, and the personality and philosophy of Ermenegildo.

### **BARBERIS CANONICA**

Gianni Tonella - Alberto Barberis

Although not members of ASWGA, Barberis has had a close relationship with us over a long period, with New England Wool, of which they are part owner, buying much of our members wool. Ninety-five percent of the wool used in the mill is under 18.5 micron.

We had a long discussion about the types of wool grown by our members and the types used by Barberis. They want traditional, saxon style, wools. They used to be able to get traditional types down to as broad as 21 microns, but this no longer happens. They believe that the traditional wools make much better cloth.

Following a remark about premiums being necessary to keep growers in business, Mr. Tonella went away to get a paper with a list of the premiums they instruct their buyers to include in their baremes. The dominance of China in the market means this effect is diluted.

With an annual buying pattern of 20,000 bales, except for last year, they are an extremely important part of the superfine

industry. Last year was such a bad year for sales of cloth and garments, Barberis worked mainly with stocks, and did not buy much new wool. This year, with some improvement in sight, and stocks now well down, they expect to be back in the market quite strongly, but not to the extent of, say, five years ago.

Mr. Barberis reinforced his belief that Australian growers should not continue to seek finer microns, but concentrate on style. The best cloth, he said, is made from wool of 15.8 to 21.0 microns. He made the remark that he had also told the last ASWGA president to pass back this message, but the push finer had continued. He is also critical of the role of traders in the auction system.

### **ZEGNA BARUFFA**

Alberto Rossi

We met at the mill of Guiseppi Botto in Lessona. This was due to the recent merger of Zegna Baruffa, Guiseppi Botto and Chiavassa to form one group. All three are spinners, but with different processes and end markets, so they complement each other, and benefit from group management and economies of scale. Alfredo Botto Paola left a letter of apology for me for not being able to be present. I had spoken with Alfredo, briefly, at the Zegna Centennial function.

As well as the three mills in Italy, which will all continue to work as before, they have a mill in Hungary. This mill originally started at raw wool stage, but now they buy in tops. However, a close check is kept on the quality of the raw wool used in the tops. Together, the group employs one thousand people, and produces around six million kgs of yarn. (In 2000 this figure was 11 million kgs.) The Zegna Baruffa company was founded in 1850, and is a worldwide organization, having offices in Japan, Hong Kong, China, France and Germany.

Alberto has the view that the global financial crisis has made Italy stronger, because it has a much higher level of private savings than

other European countries, thus balancing any private debt. He thinks Italy will recover and grow much faster in the next three years than the rest of Europe. Italy becomes more competitive with China each time the euro drops in value.

One problem he sees in the future is the need to buy more tops from China, as less combing is done in Europe. It is more difficult to be confident of what you are getting from China.

Because of the financial security of the company, they do not have a problem with credit insurance, taking that risk themselves. There is, however a problem with the Italian labelling law, requiring country of origin to be the country in which the raw wool is combed. This makes it difficult to have "made in Italy" on a product, because of the small amount of topmaking now done in Italy.

In looking through the production lines, we saw two different types of spinning, classical, (traditional), and ultrafine. The latter is growing in importance because it produces a more casual, younger look.

### **CHARGEURS**

Gian Luca Antoniotti - Luciano Gandini

As we did last year, I arranged by telephone to call for a short visit to the Chargeurs office in Biella. Luciano, who is the customer manager, and Gian Luca, administrative manager, spent an hour or so with us. Both had some knowledge of ASWGA and the involvement of Chargeurs as a member. We filled in the basics of who and what we are.

Among a number of issues covered were the consumer reaction to higher prices at retail, and the effect this has on the price of wool to growers. We also talked about the economy in Europe, and sales there and in other markets. Some time was spent on the relative increases in price of other fibres, and how this might effect decisions about blends and usage of raw materials.

### **LORO PIANA**

Pier Luigi Loro Piana

Due to P.G. having only a short time available, we were driven to Quarona for a working lunch with him. During the lunch we had a very good discussion about the future for superfine wool, the mulesing problem and the possibility of a group of young growers going to Biella to learn about the industry.

Later we were given a look at the garments and fabrics in the company show room.

### **REDA**

Francesco Botto Paola - Fabrizio Botto Paola

Andrew Blanch drove us up to the REDA mill, first stopping at the original family house and mill, now the offices. Andrew joined us for the meeting with Francesco and Fabrizio.

The issue of mulesing was very quickly brought up, and throughout the one and a half hour time, it was continually part of the conversation. REDA are requesting unmulesed wool from their buyers for almost all their orders. Francesco understands the arguments on all sides of the debate, but the bottom line is that his clients ask for unmulesed wool, and he must, in turn, ask for it to fulfil the order.

Francesco outlined the drop in demand for Italian cloth over recent years, and the large drop brought on by the global economic crisis of the last two years. He thinks the situation is still far less than resolved, with some European economies still very shaky, and this drags down the confidence throughout Europe.

Competing in the mainstream market with China is extremely difficult, but would be easier if the price of greasy wool was much higher, because the percentage of raw material cost to labour cost would then move in favour of higher labour cost manufacturers. This means companies like

REDA must move more into the niche high end of the market.

As with many other companies we visited in both Asia and Europe, Francesco is critical of the way AWI operates. He believes that growers are getting very little value from the levy money taken from wool incomes.

We spent some time discussing the reasons behind ASWGA talking to The Merino Company about a joint project, and where this might lead. Andrew and Francesco asked us to include New England Wool in any recommendation we might make to our members.

We were then taken through the mill by Fabrizio. This re-enforced the impression received last year that it is among the very best manufacturing environments.

### **OVERALL IMPRESSIONS**

The mood is one of subdued optimism. Following such a disastrous year in 2009, almost everyone is experiencing an upturn in sales and orders. Most take a cautious view in case of "double dip" recession and renewed loss of confidence.

Mulesing remains a very dark cloud on the horizon. Almost everyone understands the problems created for growers by ceasing mulesing, but they are reacting to requests and demands from further down the chain. It is most important that opportunism does not derail united industry moves within Australia over the next two years.

The price of wool for growers is totally dependent on demand for product at retail,

and the only way to influence greasy wool price is to influence retail product demand. Simplistic schemes and ideas will make no difference.

ASWGA is a highly regarded organization in Europe, and also in Asia. Our views are sought and respected, and industry people there confidently use us as a channel for relaying their thoughts back to Australia, rather than other structures.

Chinese dominance in processing is making competition very difficult for European companies. Consequently, Europe is retracting into the very high end, niche areas, leaving the bulk middle range products completely in Chinese hands. This is a restriction on any general lift for prices at any stage of the pipe line.

Some manufacturers believe a story will become important in marketing in the future, but are aware of the difficulties involved in an authentic portrayal of such a story.

The upturn in knitting and corresponding drop in weaving should, in theory, lessen the importance of tensile strength in determining greasy price for superfine wool.

The relationship between fleece and oddment prices is likely to be different in the short and medium term, with prices much closer together.

There are still opportunities for increasing mill membership over the next couple of years, but attention will have to be given to retaining our present members as well.

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