

GUEST EDITORIAL

Farmers' first choice – Primary Wool

by Bay de Lautour

Chairman, Primary Wool Cooperative

Primary Wool Cooperative formed as East Coast Wool Cooperative in Dannevirke in 1972 under the Industrial and Provident Societies Act, later became a cooperative under the Primary



Producers Cooperative Act, and is now registered under the Cooperative Companies Act.

The cooperative was formed with 430 wool growers in Central and Southern

Hawkes Bay to return profits from wool procurement and exporting to grower members and to participate in further processing of wool by underwriting a 30% farmer stake in the yarn spinning mill New Zealand Wool Spinners Ltd, later the flagship mill of Feltex.

In 1976 a woollscour was set up, integrated fibre company directing wool from the farm to yarn, sold to carpetmakers overseas. Government-owned D.F.C. (30% owner) sold its share of the Mill to Feltex in 1980. Co-op shares had to be sold.

The cooperative continued to contract a large percentage of Feltex's quality wool supply including Farm to Yarn, a premium wool, on a contract basis farmer to mill, with a 15¢ premium for quality and continuity. In the 1980s, the co-op also became an auction seller at Napier.

In 2000, the wool interests of Elders were purchased. The following year, East Coast joined Combined Rural Traders cooperative in Dunedin to form a nationwide wool cooperative, Primary Wool Cooperative, to take forward the McKinsey proposals of a "strong wool" company.

This initiative did not gain traction as negotiations with the Wool Board were held exclusively with a large commercial organisation, and so the model failed to get off the ground.



The cooperative was then unable to expand overseas relationships as large multinational exporters and local merchant scourers competed on price. In spite of being the second largest wool procurement business in New Zealand, it was

forced to discontinue the loss-making export business, thus returning the co-op to profitability.

In 2005 the co-op took a 50% stake in a new company, Elders Primary Wool, the other owners being the local Elders stock firm and Elders Australia, owners of a large local wool export company and fine wool spinning businesses in Germany and Turkey.

We obtained a number of personnel from two recent mergers in the stock and station industry and greatly increased market share. We expect this market share to increase and Primary Wool member shareholder numbers to increase also.

The cooperative pays rebates to growers providing wool through auction, distributing \$200,000 per year in cash or shares annually. Over \$3,000,000 has been returned to members in spite of a very volatile wool market.



Bay de Lautour,
Chairman, Primary Wool
Cooperative

PHOTO: SHONA DE LAUTOUR

Unloading bales of wool

PHOTO: ALAN WHITE

With volatile exchange rates, agricultural cooperatives find it difficult to trade on overseas markets with price the main driver of market share. Fierce competition in the country sees farmers shopping for the best price on the day.

Cooperatives that were protected by single seller legislation had a stable supply base which enabled them to manage demand and develop relationships. It is argued that competition drives efficiency. Maybe. But with a stable supply base an exporter is able to engage in research and development and drive efficiency gains in the supply chain as well as having more bargaining power with large retail buyers.

The present commercial/cooperative structure should give the cooperative the strength locally of a large servicing company and the contacts and power of a large multinational in the wool business to carry out innovation to benefit its 862 members.

A Government-sponsored taskforce, however, is proposing to form a new wool cooperative to "solve" the woes of the wool industry, so watch this space.●



Primary Wool
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found online at
www.eldersprimary.co.nz

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