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Assisting Wool Producers in Accessing an Emerging Global Market

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Assisting Wool Producers in Accessing an Emerging Global Market

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Abstract: A centralized marketing scheme was initiated to assist small sheep producers in adapting to an emerging global market. The goal of the effort was to create an educational environment that facilitated improved wool quality and preparation, which will ultimately lead to increased prices. The ultimate goal was to develop a product that could directly enter the global marketplace. Approximately 150,000 pounds of wool from 140 producers are marketed. Premiums obtained range between 10 and 50 cents per pound depending on quality and can be attributed to both improvements in marketing efficiency and improved quality of wool.

Introduction

One of the most significant challenges facing small producers of agricultural commodities is the efficient marketing of their products. A significant percentage of these growers produce, or have the potential to produce, high-quality product. When these producers are presented with an economic incentive, they will make the effort to properly prepare their smaller volumes to capitalize on the value of their product.

Adapting to the requirements of a global market is particularly a problem for wool producers. Traditionally, wool producers have pooled wool from growers within a defined geographical area. This has been successful

In the past because domestic market diversity allowed wool-buying firms to purchase and profitably utilize or remarket the entire offering by each wool pool. Currently, processors are interested in purchasing the types of wool that meet their current and short-term projected needs. Different processors are interested in purchasing only certain types of wool. Marketing wool from producers with small volumes of wool is clearly at a crossroads.

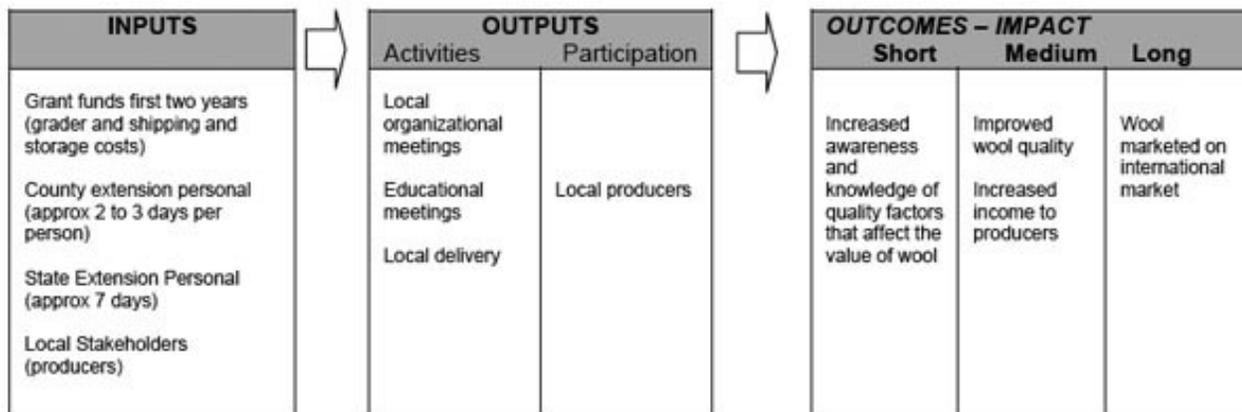
In order to achieve the objective of maximizing wool income for small flock owners, innovative management and marketing strategies must be explored and implemented. The difficulty is that these producers generally do not have sufficient funds or expertise to develop and implement a comprehensive program (Vossen,1992; Renquist, 2007). MSU Extension is assisting growers in adapting to emerging marketing needs through this project.

Program

Program Development

The Eastern Montana Consolidated Wool Pool is a project initiated through a proposal developed by Extension agents from Phillips and Blaine counties. The objective of the project is to develop localized marketing groups and then combine production from these localized entities over a large geographical area, creating large marketable volumes of similar types of product. The development of this program involved the use of a modified logic model planning process (Figure 1) involving state level and county Extension agents as well as local stakeholders. In all cases local stakeholder groups retained the ultimate decision making authority.

Figure 1.
Wool Marketing Logic Model



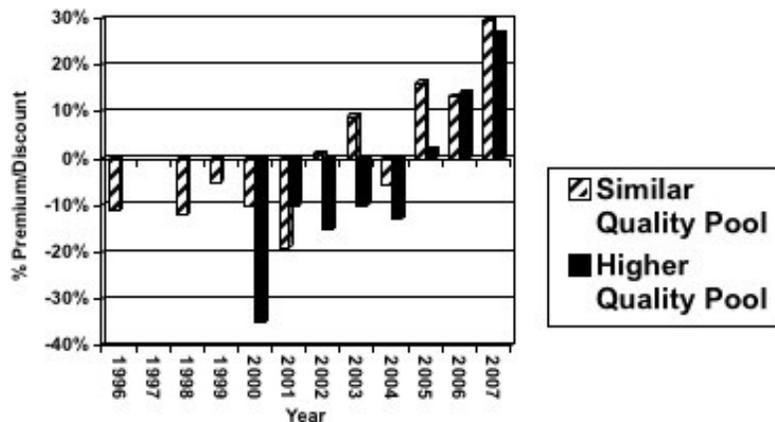
The key has been developing a system where wool from a large number of growers over a large geographical area can be effectively combined while controlling quality and marketing expenses. Once at the collection point, wool is bag graded into the predefined quality lots. The concept of doing as much wool preparation as possible at the farm is implemented effectively by growers with large numbers of sheep and was the guiding force for developing a system for combining and packaging smaller clips of wool.

Based on quality, wool is sorted into four white face lines, two black face lines, and a belly line. All lines except bellies are core tested to determine micron diameter, yield, vegetable contamination, length, and strength. Implementation of the program cost 6.93 cents per pound.

Figure 3 presents a comparison of prices received for a similar and higher quality Montana pool prior to (before 2002) and after the formation of the consolidated effort. Premiums obtained by participating growers range between 10 and 50 cents per pound grease price depending on quality (medium-term outcome). Increases observed in 2006 and 2007 are attributed to both improvements in marketing efficiency and improved quality of wool. Growers are motivated to invest in improving quality when differences in quality are reflected in price differences at the marketplace. In 2007, the best quality line of wool was marketed and shipped directly to China (long-term outcome).

Figure 3.

Comparison of Prices Received to a Similar and Higher Quality Montana Pool Prior to and After Formation of the Consolidated Project^{abc}



^a Prices used for comparison prior to the formation of the consolidated effort (2002) was an average of prices received by the individual pools that comprised the consolidated effort

^b Bars below the 0 axes indicated that prices received were below comparative pools while those above indicate prices were above comparative pools.

^c Premiums/discounts observed in marketing years 2004 and 2007 was partially an influence of date of sale. However, especially in 2007, market timing cannot account for all the premium.

In addition to facilitating the marketing of producers' wool, the opportunity for Extension was more extensive. County Extension personnel have developed contacts with a large group of their clientele and conduct numerous educational efforts with a greater chance of implementation.

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