

FLEECE

A Southern NSW Region Approach

Prepared by Andrew Munn
Secretary Southern NSW Region

References:

- A. Recent Grower feedback provided to the Secretary, Southern NSW Region.
- B. Animal registration statistics for the Southern NSW Region provided by the Australian Alpaca Association - current as at 01 September 06.
- C. Fleece collection statistics for the Southern NSW Region provided by the Australian Alpaca Fleece Limited – current as at 01 September 06.

Aim

This paper is intended to address the problematic issue of fleece within the Southern NSW Region (SNSWR) of the Australian Alpaca Association (AAA). This paper will address the areas of fleece harvesting, preparation for dispatch, regional collection and transport to the Australian Alpaca Fleece Limited (AAFL), grower concerns regarding classing and payment, grower education and a basis to increase the amount of fleece collected within the region.

Current Position and Grower Feedback

Although the number of registered alpacas in the SNSWR has increased yearly the quantity of fleece delivered to AAFL by the SNSWR has decreased significantly in the last financial year, FY 05/06 (see table 1).

| FY | Registered Animals SNSWR at 30 Jun | Fleece Collected by AAFL (Kg) | Total Yield Per Animal (Kg) |
|-----------|---|--------------------------------------|------------------------------------|
| 2002/03 | 4519 | 4013 | 0.89 |
| 2003/04 | 5441 | 5853 | 1.06 |
| 2004/05 | 6653 | 8210 | 1.23 |
| 2005/06 | 7768 | 5728 | 0.74 |

Table 1

Feedback provided by growers from the SNSWR has indicated that this has resulted from the combination of a number of concerns. The main points of concern highlighted in grower feedback are:

- a. Time taken to prepare fleece to the stringent requirements set by AAFL prior to delivery.
- b. Lack of grower knowledge on the correct way to prepare fleeces prior to delivery.
- c. Costs associated with transporting fleece to a regional collection point, especially if that collection point is many hundreds of kilometers from grower's properties.
- d. Freight costs levied against growers in order to have their clip transported to AAFL.
- e. Fleeces that growers believe fall into the higher payment categories being re-classed upon receipt at AAFL into lower categories, thus significantly reducing the expected dollar value of the clip.
- f. Lack of relevant feedback from AAFL on why fleece is re-classed.
- g. The six month time frame between classing at AAFL and payment to growers.
- h. The significant reduction in fleece prices being offered by AAFL in the past 12 months.
- i. Lack of opportunity to share in the value added benefits of their clip by being able to choose between receiving payment in either cash or finished product,
- j. The belief that AAFL should be doing more to provide education, training, incentives and better communication with growers to facilitate a more inclusive and co-operative approach to alpaca fleece in general, and
- k. The mindset of growers in general. Predominantly the belief that AAFL is a poorly performing business entity and that the AAFL lacks direction and adequate vision for the future in order to become an ongoing and viable business.

The Need for Change

It is a fact that for many years the alpaca industry in Australia was seen as a breed industry. Breeders received the bulk, if not all, of their income from the sale of animals as breeding stock to new entrants into the industry or to other breeders seeking genetic diversity or improvement within their herds.

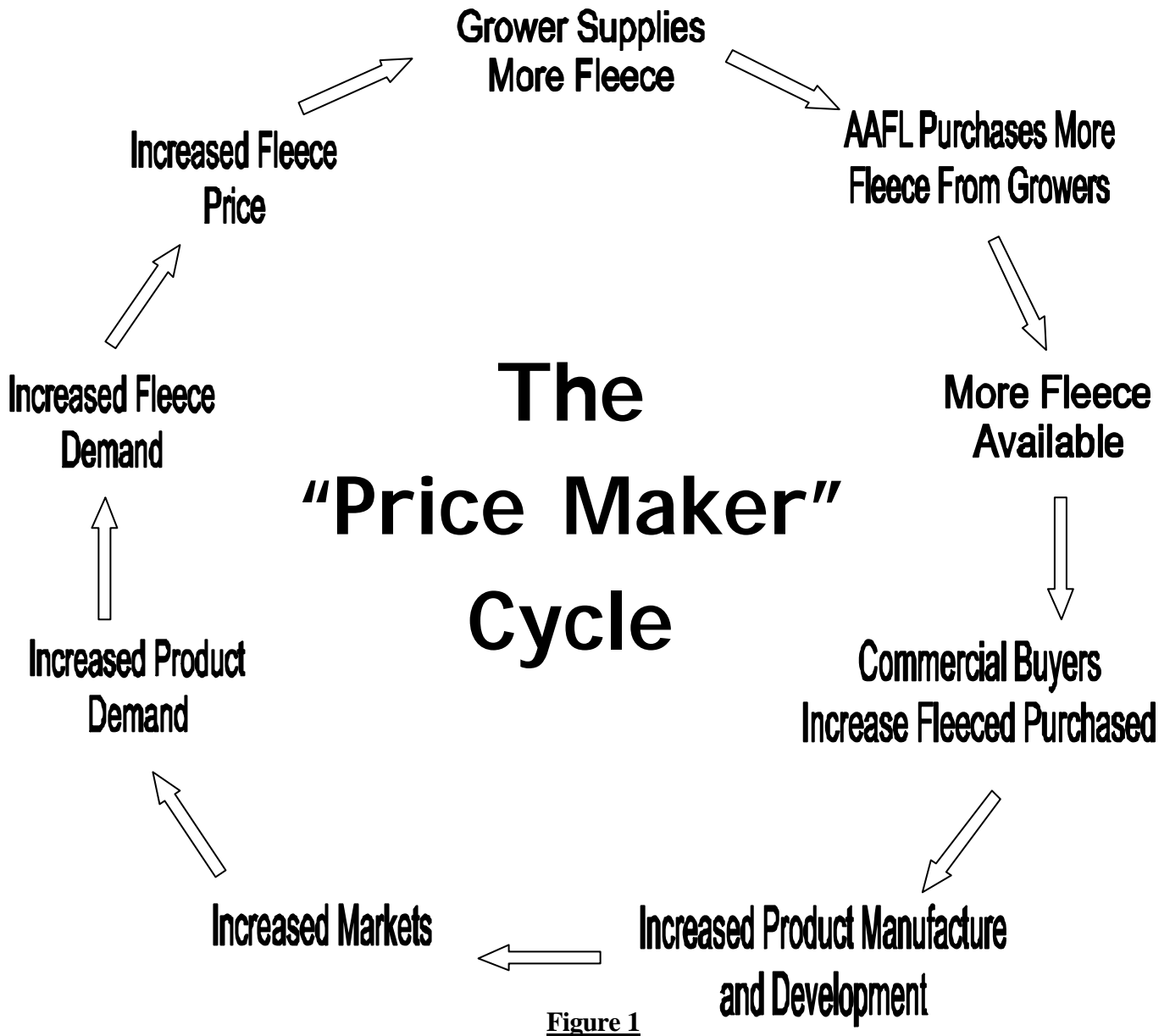
Although some breeders have diversified into the retail market by developing business relationships in the craft and cottage sectors, this area of the industry is not able to utilise the increasing quantities of fleece produced within Australia. This area of the market is also subject to significant volatility and can not be relied upon as a sustainable long term solution.

The craft and cottage market has its position in the marketplace. However, commercial production and use of alpaca fibre will provide long term sustainability and growth for the alpaca industry. This long term growth will not only provide a market for the fleece produced by growers but will also prove the sustainability of the industry. This will in turn show the industry as a viable alternative to potential entrants into the world of alpacas and have the flow on effect of maintaining demand for good quality breeding stock. It is therefore imperative that the alpaca fleece industry is supported by all growers in order to continue to grow the industry in both breed and fleece areas for the ongoing benefit of the industry as a whole.

Alpaca fleece is a commodity and is subject to world price fluctuations. Therefore growers will always be subject to these fluctuations when selling fleece. This, as a general rule, will place growers in the position of “price takers” rather than “price makers” when selling their fleece on the world market. Due to the geographic remoteness of Australia and the industries ability to supply high quality fleece to local commercial businesses it will always be preferable to those local business if they can source their raw product locally rather than import. By sourcing fleece locally, these businesses have a greater level of control over regular and reliable supply, quality assurance on that supply and can also benefit from the ability to promote their products as Australian Made using Australian Alpaca.

Increasing the demand for locally grown fleece is the only way in which Australian growers can have influence in transitioning from being “price takers” to “price makers”. This works on the age old business rule of supply and demand. If local businesses are convinced as to the benefits of using Australian alpaca fleece in their products and demand for fleece increases then those businesses will be competing against each other to gain access to the supply of this fleece. This will put AAFL in a position to negotiate the sale of locally grown alpaca fleece at a premium to that paid for fleece on the world market. This demand driven increase in pricing would then flow back to the local breeder by the way of increased prices paid for the fleece at the farm gate.

The key factor in this process is in increasing demand. To increase demand you have to increase competition for fleece. To increase competition for fleece, businesses need to be able to develop new markets for their products. To achieve this they need to know that they have the ability to supply these new markets. To do this they need a reliable supply of fleece from within Australia or they will source their fleece from overseas. This whole process is evolutionary and each step in the process relies on each other step in the process to be able to grow (see figure 1).



As the producers of the raw fleece, which is critical to evolving this process, it is fundamentally each and every breeder's responsibility to provide the raw product necessary to start this cycle in motion or we will all be forever doomed to be "price takers" at the mercy of the world market.

The issues relating to the delivery of fleece to AAFL are not confined to the SNSWR. Alpaca numbers have increased regionally Australia wide each year but the consistency of supply of fleece has varied dramatically within each region. This inconsistency of supply poses additional stress on the industry and also poses a significant risk in guaranteeing availability of raw product to commercial buyers (see table 2). Of interest is the substantial reduction in the total quantity of fleece collected last financial year. It is envisaged that this working paper will also provide a starting point to progress a way forward in addressing grower concerns and fleece issues in other regions.

Fleece Received by Region (Kg)

| Region | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|--|----------------|----------------|----------------|----------------|
| NSW Central West | 625 | 801 | 866 | 2166 |
| NSW Sydney, Coast and Highlands | 763 | 1188 | 2652 | 1523 |
| NSW Central Coast and Hunter | 1426 | 766 | 2569 | 840 |
| NSW Hawkesbury, Blue Mountains | 1273 | 1053 | 4536 | 1667 |
| NSW Southern | 4013 | 5853 | 8210 | 5728 |
| VIC Central | 5350 | 3708 | 4173 | 5618 |
| VIC Eastern | 5283 | 5403 | 6695 | 7260 |
| VIC Western | 2437 | 2850 | 2592 | 2757 |
| WA Central | 1297 | 2541 | 1332 | 3901 |
| WA Southern | 88 | 294 | 372 | 402 |
| SA | 2187 | 2758 | 4509 | 4183 |
| QLD | 488 | 777 | 1248 | 1178 |
| TAS | 0 | 297 | 399 | 536 |
| Nthn NSW & Sthn QLD | 257 | 11 | 185 | 216 |
| Other | 5480 | 4848 | 4456 | 2170 |
| Total | 26958 | 33148 | 44794 | 40147 |

Table 2

How Do We Change

Critical to achieving any measurable level of change is in changing the mindset of growers towards AAFL and AAFL towards growers. This requires a significant shift in the arrangements currently in place to handle all aspects of fleece in the SNSWR. There is scope for making vast improvements in streamlining the delivery of all services associated with the production of fleece in the region.

These improvements will lead to a dollar cost saving for growers, the region and AAFL, a reduction in the administrative burden currently experienced by the regional committee and Fleece Liaison Officer/s (FLO's) and set in place the basis for a standardised procedure for all fleece handling into the future.

There are a number of options available, one of which is to do nothing. As this option will only compound the current tenuous position, this option will not be explored. Recommendations for improvement in the areas of shearing, fleece preparation on farm, regional fleece collection, dispatch and delivery to AAFL, grower payments, grower feedback and education and training are detailed below.

RECOMMENDATIONS

Shearing.

Current feedback from members has highlighted a number of concerns in this area. The main concerns from growers are:

- a. The costs associated with shearing their animals. Discussions with growers has shown that costs for shearing can vary greatly, ranging from \$7.70 to \$25 per animal. I know of one shearer, operating in this region, who charged \$100 to shear two animals that were owned as pets.
- b. The number of shearers that shear alpaca and thus the availability of shearers during shearing season, and
- c. The lack of a standardised protocol for shearing.

Costs

Alpaca are a fleece producing animal and must be shorn annually (Suri's excepted). This is a cost that is unavoidable and must be factored into the business plan for any alpaca breeding enterprise. Clearly there is a huge cost differential between having 25 animals shorn at \$7.70 (\$192.50) and \$25.00 (\$625.00).

As the time taken to shear an alpaca is longer than that taken to shear a sheep, it is unrealistic for growers to expect to be paying a per animal price similar to that charged by sheep shearers.

Recommendation One

The SNSWR committee has already identified a number of shearers on its regional website. The regional website should also include the cost per animal (and any associate charges such as travel costs) levied by each shearer. This will allow growers to better budget for shearing season.

Recommendation Two

That centralised shearing days be conducted within the region to provide a cost effective means of shearing for owners of small quantities of animals. These can be conducted either by growers themselves or with the assistance of the regional committee. To further reduce down the line costs of collection and transport of fleece, these shearing days should be conducted at the local fleece collections points that will be discussed further in the recommendations for 'regional fleece collection'.

Recommendation Three

That recommendations one and two relating to the number of shearers and recommendations one and two relating to shearing protocol below be initiated as soon as possible. As these options will have a flow on effect in reducing the costs of shearing.

Number of Shearers.

The number of shearers identified on the SNSWR website totals eight. Assuming that these are the only people in the region conducting shearing for growers and that the registered number of alpacas in the region is now approaching 8000, then each shearer would need to shear 1000 animals per season. Remembering that these animals are spread amongst 230 breeders in the region, this would require each shearer to visit 29 different properties in order to shear the regions entire herd.

These figures do not take into account the number of unregistered animals in the region and owners of animals who are not members of the AAA. It is obvious that this situation is untenable and will very soon become critical with the exponential increase in the number of breeders and animals in the region.

Recommendation One

The SNSWR canvass its members to identify other shearers that operate in the region to add to the list contained on the regional website.

Recommendation Two

That the SNSWR provide training opportunities to growers that have a desire to conduct their own shearing and are willing to conduct shearing for other growers as required.

Recommendation Three

That sheep shearing contractors be contacted and canvassed to gauge the level of interest in becoming alpaca shearers.

Shearing Protocol

At present there is no standard protocol for the shearing of alpaca in Australia. The AAFL did produce a video detailing a method for shearing alpacas and fleece preparation some years ago. This video has subsequently been withdrawn and is no longer available.

The lack of protocol for the shearing of alpaca is a result of there being no nationally recognised training for alpaca shearing. Both of these issues go hand in hand and require a combined approach between the AAA and AAFL.

Recommendation One

That the Education and Training Sub-Committee of the AAA investigate and progress the development of a nationally recognised training package in 'Alpaca Shearing' to be conducted at regional TAFE's.

Recommendation Two

That the Education and Training Sub-Committee of the AAA investigate and progress the development of a nationally recognised training package in 'Alpaca Fleece Classing' to be conducted at regional TAFE's.

Recommendation Three

That the Education and Training Sub-Committee consult extensively with current shearers in order to formulate the training packages in one and two above to ensure that they are suited to the needs of shearers as well as the AAFL.

Recommendation Four

That the AAFL be intimately involved in the development of the training packages in one and two above to ensure that its concerns relating to presentation of alpaca fleece are adequately addressed.

Fleece Preparation on Farm.

A great deal of the feedback from members indicate a high level of confusion and frustration at the requirements of fleece preparation conducted on farm prior to the fleece being dispatched to AAFL. This confusion and frustration stems from what appears to growers as AAFL's constant changing of its requirements.

Although the majority of growers believed they were doing the right thing in the preparation of their fleeces they were disappointed upon receiving their clip reports from AAFL indicating that a high quantity of their fleece was downgraded when classed at AAFL. Most growers indicated that they understand the reasons for downgrading but also expressed concerns as to why their fleeces were downgraded.

Growers believed that with better education and training in on farm fleece preparation that they would be able to better prepare their fleeces and in a shorter time frame. Growers also indicated that they would be happy to do this in order to increase the dollar value of their clip.

Growers also believe that by doing this that it would reduce the workload at AAFL and this should ensure their clip is classed quicker and therefore payment for their clip should be provided in a shorter turn around time than the current 180 days.

Recommendation One

That the SNSWR committee in collaboration with the AAFL conduct fleece training workshops for members in order to provide training on current best practice for the preparation of fleece prior to dispatch to AAFL. (Note: The first instance of this training is planned for the 18/19 Nov 06)

Recommendation Two

That the AAFL develop a comprehensive fleece preparation information package that is directly aligned to the instruction and training that it provides at fleece preparation training days. That this package be provided to the AAA and regional committees for dissemination to its members. This package should also be available for download from the AAFL website.

Recommendation Three

That the AAFL consider producing a Video/DVD on fleece preparation that can be provided at a nominal cost to all members to better assist them in on farm fleece preparation.

Recommendation Four

In the interim, that the SNSWR committee investigates the feasibility of providing members nationally recognised training in fleece classing at either TAFE or on farm, on the understanding that those members trained at the regions expense will avail themselves of other members at shearing time.

Regional Fleece Collection.

This is the single most critical area in the whole fleece issue facing the SNSWR. Even if growers choose to do the bare minimum in fleece preparation on farm this issue can be overcome at AAFL by the Classers. If growers are either choosing to or not bothering to dispatch their fleece to AAFL, regardless of their reasons, they are in effect retarding the industry's ability to proceed to a viable fleece industry (see figure 1).

Currently the SNSWR has one FLO and two collection points, one at Yass and one at Canyonleigh. Neither of these collection points is readily accessible to a vast number of the region's membership. Growers have indicated that on top of the cost of shearing, the cost of transporting their clip to one of the regional collection points makes it uneconomically viable and diminishes the value of their clip payment from AAFL to such a point they are actually accruing a loss.

It is therefore imperative that the SNSWR and AAFL work collaboratively to assist growers in being able to dispatch their clip in the most cost effective manner possible.

Recommendation One

That the SNSWR committee investigates the feasibility of the provision of more collection points in the region. It is preferable that these collection points have the ability to press fleece into bales but not mandatory. It is recommended that 11 collection points be established and located in the following areas:

- a. Far South Coast area,
- b. Wollongong area,
- c. Bowral area,
- d. Goulburn area,
- e. Crookwell area,
- f. Young area,
- g. Bungendore area,
- h. Cooma area,
- i. Yass area,
- j. Wagga area, and
- k. Albury/Wodonga area, (possibly in conjunction with VIC Central Region)

This will provide growers the capacity to take their clip to a collection point within a minimal travel time of their property, therefore reducing the costs to growers significantly. This initiative alone should see a substantial increase in the quantity of the fleece collected within the region. Almost every grower that provided feedback indicated that if this recommendation was a reality that they would definitely take their clip to a collection point.

Recommendation Two

That training is conducted for the members providing the collection facilities on the correct way of labeling and packaging fleeces prior to dispatch to AAFL. These collection facilities would also be the first point of contact for growers in their region for the resolution of fleece collection problems and advice on fleece preparation and labeling etc.

Dispatch and Delivery to AAFL

The uncoordinated approach to this issue in the past has resulted in higher than necessary costs and administrative overheads for the grower, regions and AAFL. It is imperative that a more cooperative and coordinated approach be developed for the benefit of all concerned. This will only be achieved with time, effort and innovative thinking, and it should not be expected to be achieved overnight. This process will no doubt be an evolutionary one and will have its teething problems. The onus is therefore on all parties that have a stake in this issue, to remain focused on achieving the aim of a coordinated and cost effective method of delivery of fleece to AAFL.

Recommendation One

That once each collection point has received the bulk of the clip from growers for the shearing season, that either a transport contractor or other means of transporting the collected clip be utilised to centralise the regions clip at Yass prior to bulk transport to AAFL. The cost of this transport is a matter for further negotiation, but AAFL needs to absorb at least some of the cost of this initiative if it is to realise a greater quantity of fleece being delivered through its doors.

Recommendation Two

Currently the SNSWR FLO is responsible for collating the pro-rata freight charges that are to be invoiced by the regional Treasurer to growers for the cost of transporting their clip to AAFL. This arrangement is highly time consuming and not cost effective. It has resulted in the committee having to chase up growers for the payment of these invoices for many months. This arrangement adds a significant burden to the regional committee and one that it could well do without.

It is therefore recommended that as the AAFL receives the total clip from the region, knows its total weight and also knows the total freight cost that it would be a relatively simple process for AAFL to levy the charge (on a cents per kilo basis) to each grower for freight costs and deducted the charge from growers clip cheque.

The AAFL already provides payment and clip reports to each individual grower and the inclusion of this additional information and the administrative overhead of this additional task would be of little consequence to AAFL. The removal of this burden from the SNSWR would have an enormous positive impact. It would allow the FLO to concentrate solely on the issue of collecting fleece and getting it to AAFL, a clear positive consequence for AAFL.

Recommendation Three

That AAFL negotiate a contractual arrangement with a national transport company for the freighting of fleece to AAFL from all regions in Australia. This could be coordinated for the eastern states to facilitate pick up in Queensland, Northern NSW, Hunter, Hawkesbury/Blue Mountains, Sydney Coast and Highlands, NSW Central/Western, NSW Southern and Vic Central and Eastern Regions and then delivery to AAFL. This would significantly reduce overall freight costs. The same

could be achieved with a collection for WA Central, WA Southern, South Australia and VIC Western.

Fleece lots delivered later to collection points could either be held for future delivery or transported as received. The transport of smaller fleece lots would obviously incur greater overall freight costs and would not be the preferred option.

Recommendation Four

That the regions and AAFL develop a preferred time and motion flow chart to ensure close coordination between shearing, collection, transport to main regional collection point and freighting to AAFL. Growers that are able to meet the time lines for the bulk collection and delivery of fleece to AAFL will therefore be able to take advantage of significantly reduced freight costs for their clip.

Recommendation Five

That the SNSWR committee, FLO and AAFL work closely to achieve a coordinated and cost effective standard procedure for the transport and delivery of fleece within and from the SNSWR. It is further recommended that the SNSWR and AAFL view this as a starting point for future fleece collection methodologies in other AAA regions.

Grower Payments

This is one area in which growers were unanimous in their criticism of the AAFL. Growers indicated that the combination of the costs of freighting their fleece to a collection point and also the costs of freight to AAFL, the reduction in fleece prices and then having to wait 180 days posting classing for payment was a significant factor in not forwarding fleece to AAFL last FY. One comment from a grower sums up the mindset of many growers that provided feedback.

“I have to pay to have my animals shorn, and then I have to spend hours and hours preparing it to AAFL’s stringent requirements. It costs me time and money in petrol to get my fleece to a collection point, and then the freight charges to get it to AAFL. Once my fleece arrives at AAFL it gets downgraded and I get paid hardly anything for it, and then to top it all off AAFL have the hide to make me wait 180 days for a cheque worth bugger all. Why should I send my fleece to AAFL at a loss? Nevertheless it makes good mulch in the garden.”

Grower payments are an area in which AAFL has total control. It can make a rapid change in its business practice that will have a considerable effect on grower satisfaction.

Recommendation One

That AAFL take a critical look at its current policy of delaying payment to growers for 180 days post classing. This situation is clearly seen as unacceptable by

growers, and as indicated above, AAFL have total control over this issue and thus the level of influence they wish to have over grower satisfaction and the subsequent mindset of growers towards AAFL.

Grower Feedback

Many growers indicated that they believed the feedback provided by AAFL in their clip reports was inadequate. This was especially the case when they had forwarded what they believed to have been high grade fleeces only to find that AAFL classed them as a lower grade. The lack of quality feedback from AAFL as to why these fleeces had been downgraded into lesser quality classes left many growers confused and despondent. This has led to growers being less than inclined to forward fleece in the future.

Recommendation One

Although it will place an added burden on AAFL in supplying each individual grower a detailed report on their fleeces including reasons why fleeces were classed into each grade it is recommended that AAFL investigate providing more detailed feedback to growers. This feedback will provide growers with information that will allow them to take a more critical approach to fleece preparation in an effort to mitigate the possibility of downgrading of future fleece consignments.

Education and Training

This is an area where a collective and collaborative approach is required between the AAA, its regions and the AAFL. It has been recommended earlier in this document the need for Nationally Recognised training in the areas of shearing and classing. It is also vitally important that structured training be delivered at the grower level to better educate and train growers in fleece preparation and handling.

Recommendation One

That the SNSWR develop an ongoing training program for delivery of fleece training within the region. That this training is delivered not only within the regions traditional core area of Goulburn/Yass/Canberra but that the training is provided within the geographically dispersed areas of the region. This will have the added benefit of encouraging all growers to become involved within their own geographic area and also provide possible options for the collection facilities mentioned earlier.

Recommendation Two

That the AAFL develops a training package that can be delivered to growers by facilitators from within each region, therefore reducing the reliance upon AAFL to deliver this training to growers. This will allow regions to program training at short notice and deliver that training where it is needed or requested. It will also reduce the

dollar cost to AAFL and regions in having to utilise AAFL personnel to provide this training.

Conclusion

This document is not intended to be exhaustive in its content but is provided as a starting point for the ongoing development of a viable approach to fleece related issues in the SNSWR. This document is intended to be thought provoking and generate further discussion to develop an ongoing evolutionary approach to fleece in the SNSWR.

It is important to understand that the recommendations made in this document are not meant to be taken in isolation. Rather that the recommendations are interrelated and provide a holistic approach to mitigating the current situation. It is appreciated that some of the recommendations may take far more effort, determination and time to implement but all recommendations should be given serious consideration by all stake holders.

If as an industry we continue to do the same things that we have always done, then we should not be surprised when the results are the same as they have always been.

The viability of developing a sustainable and profitable alpaca fleece industry falls squarely in the lap of each and every individual grower.

Do we as growers want to be?

“Price Takers or Price Makers”