

18-09-2013

Asia knocking as age of golden fleece returns



Bigga woolgrower Murray Picker shows off a superfine merino fleece to Japanese buyers Daisuke Kawahigashi, left, and Toshiya Inoue during shearing. Picture: Ray Strange Source: News Limited

AUSTRALIA has begun to enjoy the early benefits of the Asian food boom, with the value of national farm production tipped to soar to \$50 billion this year on the back of rising world prices for beef, lamb and dairy products.

The tentative recovery of major world economies, such as Japan, the US and Europe, is also boosting demand for luxury clothing and wool fabrics, sending major retailers such as Japan's "hot" youth fashion company United Arrows to Australia to renew its close links with superfine merino wool growers.

Yesterday, despite the heavy but welcome rain falling at Hillcreston sheep farm near Crookwell, NSW, the mood was bright as United Arrows business strategy manager Daisuke Kawahigashi relayed the good news about growing wool demand in Japan to Bigga woolgrower Murray Picker and his three brothers.

Mr Picker said that after three years of wool prices being below what it cost to produce the soft, lustrous, superfine merino fibre needed to be spun into luxury fashion knitwear and business suits, it was exciting to hear of brighter prospects ahead.

"The industry really needs to see better prices, particularly at the fine end of the wool market, so what we are being told about the pick-up of the Japanese economy and growing retail demand for high-end fashion is good news for us," Mr Picker said.

The new record forecast by the Australian Bureau of Agricultural and Resource Economics and Sciences released yesterday caps four consecutive years of growth for the farm sector, with hopes that it signals the rise of the "dining boom" to replace the declining economic importance of Australia's mining boom.



AWGA - News Update

ABARES director Paul Morris said the recovery of the farm sector after a decade of drought in the 2000s was continuing apace, despite patchy seasonal conditions affecting northern cattle producers and some grain growers in Western Australia.

He attributes much of the current buoyancy to the keen growth in demand from China for high-quality beef, dairy products and wine, while big Chinese wheat orders are also starting to flow.

"Farmers keep on asking when are they going to see the benefits of the Asian boom but if this sort of trend continues we can start to say it is the result of strong growth in the Asian Century demand, and that is already being reflected in returns to farmers and export demand for our products,"

Mr Morris said. "But the benefits (of the Asian food boom) won't automatically fall into our laps; there are other countries out there wanting to take advantage of these food opportunities, too, and we are only one supplier -- and a high-cost supplier at that.

"Mr Morris said Australian farmers needed to tailor their production to suit the premium end of the Asian market, such as the wealthiest 150 million Chinese in Asia's predicted 3.2 billion middle class by 2030.

On the back of such forecasts, ABARES estimates farm production will exceed \$49bn this year, with food and fibre exports worth \$37.2bn.

The jump in the value of farm produce and exports follows increased world demand for food and fibre products, rising global prices for many food commodities, the dollar's depreciation, which makes exports relatively cheaper to overseas buyers, and the slow recovery of the European, US and Japanese economies.

Rising world prices of between 15 and 21 per cent for dairy products and lamb, respectively, will push the value of their exports to a record \$2.6bn and \$1.1bn this year, despite lower sales volumes. In contrast, beef and wine exports will lift by 6 per cent and 8 per cent by volume and also increase in price, with a record \$5.15bn of beef and veal exported this year and nearly \$2bn of wine sold.

Average wool prices also rebounded by 6 per cent to the end of last month, according to ABARES, and since then a further 8 per cent -- with the value of wool to be exported this year stable at about \$2.85bn.

After 20 "lost" years of economic depression, the Japanese economy is finally on the move -- and with it demand once again for top quality men's wool suits and exclusive women's luxury knitwear, most of it grown in Australia.

Woolmark's Japanese manager, Toshiya Inoue, said that with 10 million wool or wool-blend business suits sold in Japan in a good year, the predicted economic growth in Japan of 3.4 per cent in 2013-14 was good news for woolgrowers such as Mr Picker.

With 25,000 merino sheep growing 400 bales of superfine wool each year on the Hillcreston farms at Bigga, run by four brothers, Mr Picker said a pick-up in world prices and wool sales was long overdue.

"We've only seen very small price rises at the superfine end of the wool market and are only selling wool at around \$12.50 a kilogram that costs \$30 per sheep to produce," he said.

"Traditionally, we have always seen pick-up in demand for wool when the world economy in places like the US, Japan and Europe starts to recover, but the problem now is that so much (wool fibre) processing is done in China that it buys most of (Australia's) wool, but does not yet appear prepared to pay the premium for better fine and superfine wool."

<http://www.theaustralian.com.au/national-affairs/asia-knocking-as-age-of-golden-fleece-returns/story-fn59niix-1226721365981?sv=55c27b73f1099dc59f663bae7d267ec1#.Ujk28aHcm4w.email>