

Section I

Wool Marketing



Introduction

The aim of this paper is to facilitate the better understanding of wool and mohair marketing in South Africa in order to enable extension officers to help emerging farmers play a greater role in the industries.

Legislation and liberalization

Liberalisation in the wool industry started in 1993 when the single channel marketing system was abolished. Since then producers have been able to market their produce in the way which suits them best. The Wool Board was dismantled in August 1997. The regulatory function of the Wool Board was taken over by the Wool Forum, which is still the regulatory body in the wool industry. All the assets of the Wool Board were transferred to the Wool Trust which is still managing the funds.

Basic characteristics of the wool industry

The world's wool industry and markets are characterized by a number of basic features:

- Wool consumption as a percentage of total fibre consumption is small and decreasing.
- The consumption of wool products is mainly concentrated within developed countries.
- The price of wool is high when compared to other fibres.
- The image of wool products is up-market and high quality.

Wool is treated by textile and consumer markets as a fibre which is associated with luxury and naturalness. This makes **wool products heavily dependent on fashion trends, as well as on consumer retail spending in the developed world.**

Major organisations in the wool industry

The wool industry is very well organised. The most important organisations are the Wool Forum, Cape Wools SA and the National Wool Growers Association (NWGA).

Cape Wools SA is a non-profit company established and owned by wool farmers and other industry groups who are registered with the Wool Forum, the official policy-making body of the industry. The Board of Directors proportionately represents these groups and is elected from the Forum. Cape Wools SA is committed to the sustained profitability of the South African wool industry. Cape Wools SA is also the generic name for all South African wools.

The marketing system for wool

Marketing of wool starts at farm level. The following factors all contribute to the price and the total income that the producer will receive from his wool:

- **The genetic quality of the sheep.** Good quality sheep produce better quality and more wool.
- **Lambing percentage of the sheep.** More lambs produced per year means that there are more sheep available to shear in the following seasons and excess lambs could be sold for additional income.
- **Feed quality.** Better quality feed leads to a better conversion of feed into wool.
- **Grazing quality.** The better the quality of grazing and the less the possible sources of wool contamination in the veld, the easier it is to produce good quality wool.
- **Sound management** of all the production and marketing activities will lead to higher total income for the producer.

Marketing channels for wool in South Africa

Shearing and classing

Communal shearing sheds are used for shearing, classing and marketing of wool for small-scale farmers. These shearing sheds are, however, not always in reach of small-scale farmers. In such cases the small-scale farmer can shear his sheep at home and sell the wool to the nearest hawker. Once the sheep are **sheared** in the communal shearing sheds it is **classed and baled**.

Shearing, classing, and baling of wool are done either by the producers and their families or by contractors. Wool of different classes are baled in different bales. Not all small-scale producers are trained in wool shearing and classing, and that is why contractors are sometimes used.

Marketing

Marketing of wool from the shearing sheds usually takes place through a broker. The **broker negotiates a price** (at the shearing shed) **with the farmer** and is then responsible for all the additional costs involved to get the wool to the auction floor.

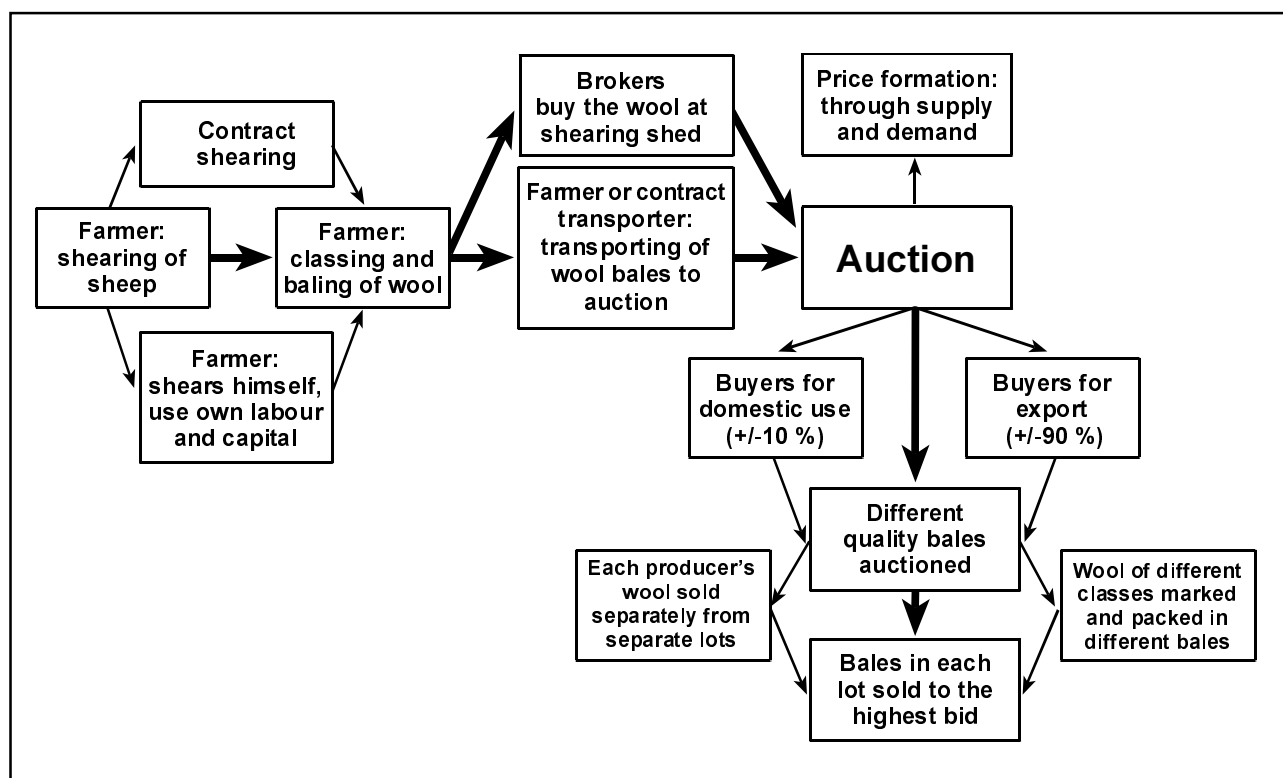


Figure 1: Diagram of marketing channels for wool

Visual aid 1

Brokers usually sell the wool through either the auction system or by private treaty (see Figure 1 for the marketing channels). The largest percentage of the clip in South Africa is sold through the auction system. Auctions have been centralised in Port Elizabeth and take place once a week during the season (August to June).

At the auction bales from individual producers are placed in separate lots. A sample gets drawn from each bale and is physically **displayed** so that buyers can view it. A sample of each bale is also **sent to a laboratory to test the quality** of the wool. On the day of auction all the lots are up for display. Buyers consist of buyers for **local use** and consumption and people that buy for **international firms**. Each lot is auctioned separately.

The **price is reached according to the quality and demand** for the specific quality of each individual lot. The lower the quality of the wool, the lower the price. The party that purchases the wool is responsible for what happens to it and must take delivery. After the auction the wool destined for export are warehoused in three of the major ports, e.g. Port Elizabeth, Cape Town or Durban.

Problems experienced by small-scale farmers

The quantity and quality of wool produced by small-scale producers vary from season to season. This is due to very difficult conditions under which they farm, which are according to the communal pastoral system, whereby the veld belongs to the community.

The following problems are common in the marketing of wool by small-scale farmers:

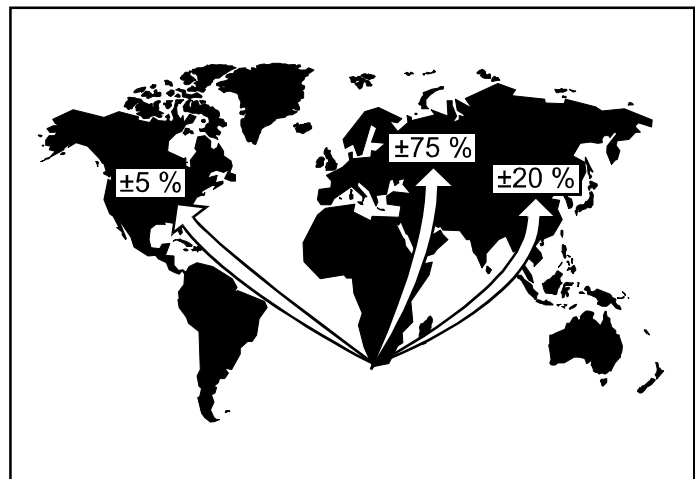
- **Insufficient shearing and wool sorting equipment.**
- **Lack of knowledge.**
Many small-scale farmers lack knowledge about **sorting, classing, packing, the marketing channel and marketing opportunities** for wool. **Training in shearing and sorting is essential.**
- **Veld and herd management.**
Communal farming makes it extremely difficult to apply effective veld and herd management. Production of top quality wool requires **breeding programmes, knowledge of breeding methods, access to good breeding stock and effective veld management**, aspects not easily accessible by small-scale producers.
- **Contamination of wool.**
Communal farming also makes it almost impossible to **keep the wool sheep from other animals**. This leads to large-scale contamination of wool.
- **Quantity.**
Insufficient quantity is produced by one producer to make up a bale of similar quality wool.
- **Buyers of wool are biased against wool produced by small-scale farmers.**
The reason for this is because this wool is well known for **contamination by foreign materials**. This wool is also frequently **poorly classed and packed**.
- **Lack of cooperation between small-scale farmers.**
Little cooperation exists between small-scale farmers in order to market more quantity together, improve marketing skills and exchange knowledge.
- **Lack of transport infrastructure.**
A lack of necessary infrastructure causes small-scale farmers to get lower prices for their wool because of the **high transport costs** from rural areas.

Pressing and shipping of wool

South African ports are situated conveniently on one of the world's major shipping lanes between East and West. High-density presses (dumps) are used at all three ports. These dumps allow for compressing bales into a third of their original size, making it possible to pack 96 bales into a 6 m² sea container.

The greasy wool exporting sector is highly experienced in designing processing blends to meet the requirements of clients all over the world. First-stage processing in South Africa is modern and technologically sophisticated and provides the wool spinning industry with quality materials to meet the most stringent requirements of the downstream textile-processing sector.

Wool scouring and combing has been part of the South African wool scene for a very long time, the first scouring mill dating back to 1820. Through the years, scouring and combing has developed into a primary processing industry which today is **known worldwide for its efficiency and cost effectiveness**. The South African scouring and combing industry is capable of processing a significant proportion (more than 75 %) of the annual greasy wool production. Between 60-70 % of the clip is exported in semi-processed form and the balance is shipped in the grease. Most of the early stage processing capacity is located near Port Elizabeth, with smaller mills in Durban and Cape Town.



Major destinations for Cape Wools

Prices in the wool industry

Price formation

Prices paid for Cape Wools SA are determined by free market supply and demand forces and are closely linked to the international price for apparel wool, which is determined by the Australian market.

Most of the clip is marketed overseas through members of the South African Wool and Mohair Buyers Association (SAWAMBA). Only registered members of the organisation are allowed to bid at auctions held under the auspices of the South African Wool Exchange.

Price relations between different fibres

Wool is on average more than three times more expensive than commodity fibres like cotton. The price relation of wool to other fibres is illustrated in Figure 2.

Since wool competes against other fibres in the market, the relative price ratio between wool and artificial fibres has a direct influence on the consumption of wool.

Sales of wool depend on the price ratios between wool and cotton and wool and artificial fibre. Where one kg of wool buys more than 3 kg of cotton or artificial fibre then demand for wool tends to go down. That was the situation at the end of 2000.

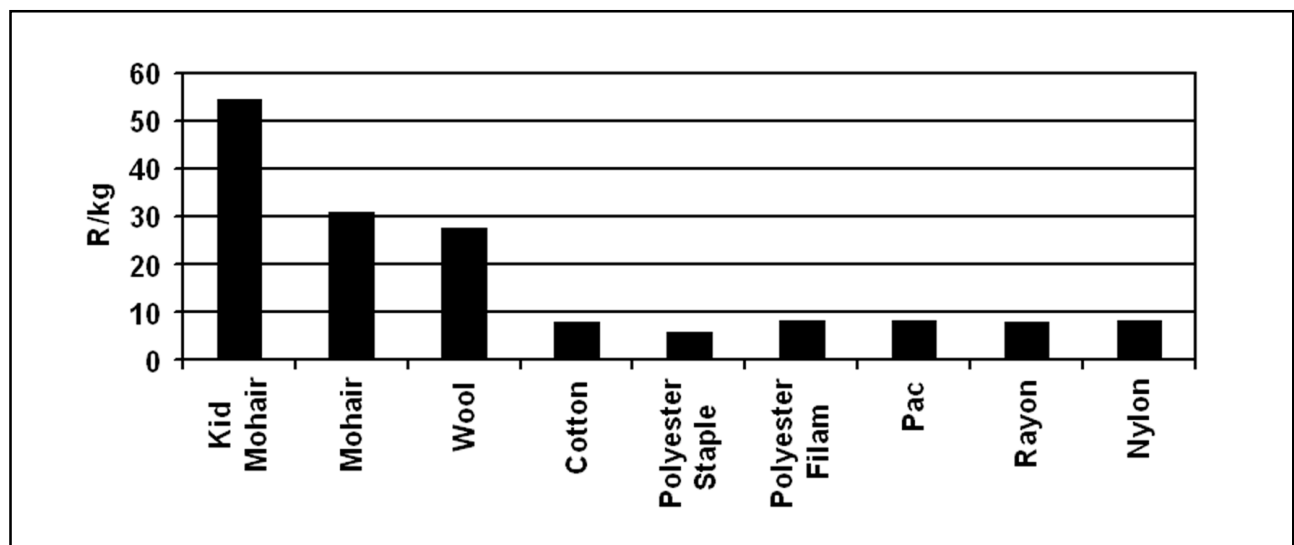


Figure 2: World prices for fibres (1997)

Quality of wool

Quality aspects to consider when competing in the wool market

The South African wool industry provides a high-quality, environmentally-sound product which meets the needs of the textile industry. **On-farm classing and clip preparation of greasy wool is of a high standard.** South African wools have, over the years, **earned a reputation for uniformity, softness to the touch** and other quality features.

Virtually the entire South African clip is tested and certified by the Wool Testing Bureau of South Africa (WTB) for mean fibre diameter, vegetable-matter content and clean yield in accordance with procedures laid down by the International Wool Textile Organisation (IWTO). Length and strength testing is available as an option for producers who wish to have their clips additionally measured, or for exporters who wish to conduct post-sale testing. The WTB is an autonomous private company and also offers fleece-testing and textile-testing services.

Over the years, **Cape Wools SA have built up a reputation for being extremely well-classed and well-prepared for the market.** Emphasis is continuously placed on quality management and the preparation of clips strictly in accordance with trade requirements. In practical terms, this means classing on the farm on the basis of a Code of Practice for Clip Preparation as laid down by the National Wool Growers' Association (NWGA). The Code comprises a set of quality guidelines which has evolved over many years and is endorsed by the buying, woolgrowing, brokering (selling) and processing industries in South Africa.

Agricultural colleges and grower organisations offer classing courses on a regular basis. Most wool producers are well trained in classing, clip-preparation and shearing-shed procedures, and all shorn wool is classed with meticulous care. There is an **ongoing programme of shearer training** to ensure that the wool harvesting process is efficient and meets trade requirements.

To support a policy of promoting environmentally friendly processes throughout the industry, Cape Wools SA runs a monitoring programme on a seasonal basis on sample and tests a cross-section of wool that is offered weekly at auctions. Corrective action by means of feedback is implemented if suspect clips are identified.

The Code of Practice for Clip Preparation (Classing Standards) includes strict measures for shearing-shed management and quality-assurance procedures on the farm to avoid any unwanted material entering the wool in the bale, and ongoing shearer training courses are also structured around shed management procedures to ensure clip quality.

Issues that affect or restrict small farmers access to the wool market

Training and marketing development

The fact that in many cases small-scale sheep farming is conducted under communal land tenure systems imposes problems, such as over grazing, spreading of diseases, etc. for developing profitable sheep farming systems. Hence, in order to overcome such difficulties such problems need to be identified and solved to develop profitable communal farming systems. The practical value of demonstration farms can be very useful. Success has already been achieved with a number of well-established community projects. The involvement of the Small Stock Centre has led to the appointment of two additional Agricultural Research Council-paid (ARC) production advisors, seconded to the NWGA for work on wool industry projects.

This arrangement has proved to be successful in broadening training and development. Negotiations are currently undergo for the seconding of a number of extension officers to the NWGA Training and Development programme. The NWGA bears the responsibility of non-salary costs, like transport, telephone and subsistence in such an arrangement.

Training of farmers in the basics of sheep handling, wool classing and sheep health control, is a high priority. Particular **attention** is given to **minimise the problems of wool contamination.** Separate sheep dipping facilities are promoted, while the problem of contamination is an integral part of information spread through Press and information days.

Liaison with an important role-player such as the Eastern Cape Department of Agriculture is of great help. **During the past year, nearly 9 000 farmers have been reached through the training programme.**

Wool marketing presents costly problems for many small producers. For this reason a coordinated effort between farmers, producer services, brokers and the Department of Agriculture is necessary to improve marketing conditions. **The shearing shed concept has proved itself well**, and through ongoing efforts, **money for the erection of more sheds is made available and spent in viable community projects.**

The **communal shearing sheds are used as a basis for shearing, classing and marketing (through brokers) to ensure market-related prices** for small-scale wool producers. Furthermore, shearing sheds provide the **infrastructure for training**. The NWGA is involved with the National Department of Agriculture and ARC to maintain the momentum of this successful development project. Since 1997, an additional 27 new shearing sheds with associated infrastructure have been erected, whilst many others have been upgraded. Current negotiations aim at an ongoing programme to erect 20 shearing sheds per year.

It is important to maximise the use of existing infrastructure. Therefore an initiative was launched in 1999 to **empower farmers with shearing sheds, the necessary skills to class, pack and market wool for neighbouring communities**. Advantages include value adding within the wool farming communities, while entrepreneurial skills will be developed, resulting in job creation.

The proven success of the NWGA in Transkei and Ciskei led to the establishment of the Integrated Livestock and Crops Development project, where formal partnerships with the Small Stock Centre, National Department of Agriculture, Eastern Cape Department of Agriculture and other commodity organisations were established.

Shearer training

Shearer training is currently performed by the NWGA as part of the Producer Services Business Plan. **Shearer training is given on request** and is managed from the Bloemfontein office. To save on costs, course examiners are identified (e.g. shearing contractors) and trained to perform regional examining on a contract basis. Shearing instructors are also used for practical training like sheep handling in off-seasons.

Four shearer training courses are given, e.g. beginner courses (both hand and machine shearing) and advanced courses (both hand and machine shearing). To motivate shearers to reach the highest levels, shearing competitions are organised.

Opportunities

Opportunities for extension officers to assist small-scale wool producers

Extension officers can play an important role by providing the link between the farmers and the relevant organizations. This includes the following:

- Training in wool sheep flock management.
- Feeding.
- Breeding.
- Selection of breeding stock.
- Dosing.
- Dipping.
- Classing, packing and marking of wool.

Extension officers can also contribute to development by:

- **Organising working groups** in rural areas at which proper extension could take place.
- **A pool can be established to which producers can supply their clip**. The contents of the pool can then be **classed, packed and marked** and producers each can receive payment according to his or her individual contribution after the contents of the pool have been auctioned.

This system could ensure that central gathering points (pools) in developing areas are established, from where proper extension and marketing of wool can take place.

- **Distribute marketing information on a regular basis** to farmers in rural areas. By doing this, small-scale producers would start to **get the feel for the market** and should **be inspired to produce better quality on a more regular basis**.

Most of these aspects are already, at different levels, planned by organisations like Cape Wools SA and the NWGA. Extension officers should see how they could get involved with this. There are ongoing projects in the Eastern Cape province.

Availability of market information

Dissemination of market information to small-scale farmers is a great problem in the wool industry. The following factors contribute to these problems:

- Poor and sometimes non-existing roads to small-scale farmers.
- Nonexistence of telephone lines to some areas.
- Many small-scale farmers do not understand English.

The only way that small-scale farmers could obtain market information is through extension officers. The main offices relevant to wool for extension officers are in Port Elizabeth and East London. These offices are run jointly by the Department of Agriculture and the NWGA. All the information is freely available to commercial producers and can be obtained through these offices.

Information can be obtained from:

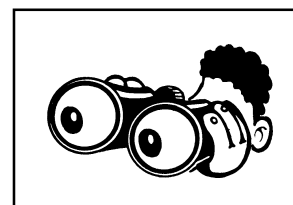
- The Department of Agriculture.
- The National Wool Growers Association (NWGA).
- Cape Wools SA.
- Some radio stations (Radio Sonder Grense and Radio Algoa) broadcast information about the wool market on an *ad hoc* basis.
- Two magazines, namely Landbouweekblad and Farmer's Weekly, publish information about the wool market on a regular basis. These magazines can be bought from most outlets e.g. supermarkets, CNA.

Cape Wools SA offers a comprehensive information service with aggregate statistics and information about all aspects of the wool industry. This includes price analysis and production statistics. They also supply statistics to the International Wool Textile Organisation (IWTO), other wool producing countries, the Department of Agriculture and agricultural economists.

The information products available from Cape Wools SA are:

- Weekly market report.
- Accumulative Auction Results.
- Analysis of Merino Offerings by Micron.
- Analysis of weekly, monthly and accumulative receipts by port.
- Analysis of offerings by type.
- Analysis of offerings by handling method.
- Analysis of offerings by main class.
- Analysis of offerings by length.
- Wools processed in South Africa.
- Shipments from all South African Ports.
- Buyers Purchases 1998/1999 Season.
- Market Indicator Movement in Foreign Currencies.
- Australia/RSA Indicator Trend Line Analysis.
- Seasonal Market Performance.
- AWEX Regional Indicators 1998/99 Season.
- Micron Segment Indicators.
- RSA/Australian Price Comparisons.
- Mass of wool received and sold by port (weekly and accumulative).
- Monthly wool update.

Focus points for the extension officer



What the extension officer needs to know

- What are the basic characteristics of the wool industry?
- What are the market requirements in order to sell wool at the best possible price?
- How are prices formed in the wool industry?
- How could small-scale farmers be assisted to overcome obstacles in the marketing of wool?
- What are the opportunities for extension officers to assist small-scale wool producers?
- Where could market information be obtained in the wool industry?
- What value adding opportunities exist for wool?

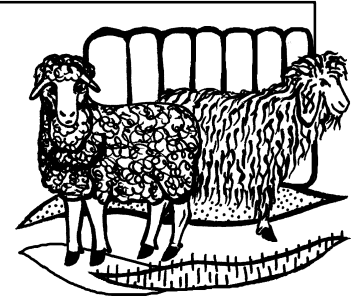
What the extension officer can do

- The extension officer could organise study groups of 5 to 15 small-scale farmers and together explore the following:
 - How does the wool quality of small-scale farmers compare with that of the commercial farmer at the auctions?
 - How can small-scale farmers improve the quality of their wool?
 - What are the premiums to be received for producing good quality wool?
 - What is the best way to class and pack small quantities of wool?
 - What is the best transport alternative to get wool to the markets?
 - How could the profitability of small-scale wool production be enhanced?
- Provide small-scale farmers with a marketing strategy to obtain the best price for their product.
- Gather market information on a continuous basis.
- Identify trustworthy wool buyers in the region.
- Bring small-scale farmers in touch with these wool buyers.
- Organise wool shear and classing training days for small-scale farmers.
- Use current shearing sheds as a basis from which to distribute important information to small-scale farmers.
- Help small-scale farmers to get access to shearing sheds.
- Motivate small-scale farmers to join producer organisations.
- The extension officer could also explore ways of adding value to wool. This entails finding out what market opportunities exist, what equipment is needed that it suitable for small-scale value adding processes, where such equipment could be purchased, and what technical knowledge is needed for cleaning and spinning of wool.

Strategies for the wool producer

The following table gives a summary of the strategies for the wool producer.

| Market | Opportunity | Weakness |
|---|--|--|
| Sell wool at the auction in Port Elizabeth. | When selling the product directly at an auction it is possible to minimise brokerage fees. | Only bales of wool can be sold at the auction. Small-scale farmers rarely produce enough wool to make up a bale of the same quality wool. The producer has to organise his own transport to the auction. |
| Sell directly to a broker. | A trustworthy broker could help the small-scale producer in his marketing. Selling to a broker on the farm minimises the marketing effort. This is the easiest way to access the market. | The producer will have to be informed about market related prices at the time of the sale. Brokers could disappear without paying for the wool. Additional brokerage fees will be charged. |
| Add value. | This will increase the producers share of the consumers rand, open up additional marketing opportunities and create job opportunities. | The cost of purchasing machinery for cleaning and spinning wool could be expensive. Knowledge on how to add value to wool could be a problem. |



Section II

Mohair Marketing



The evolution in the mohair industry

The structure prior to market deregulation

The mohair era started in the early 1950's with the establishment of an Advisory Board which was later followed by the establishment of the Mohair Board and the Mohair Scheme. **South Africa has become the undisputed leader in mohair producers in the world.**

The introduction of the statutory marketing scheme for mohair has enabled the industry to take the lead in clip preparation, production research, product development, textile technology development to enhance mohair use and the promotion of mohair.

The structural changes

In the mohair industry the change to a free market occurred in 1994. Previously, producers were only concerned with production, but they now have to make informed decisions concerning marketing.

The new Marketing Act came into effect at the end of 1996, whilst the end of 1997 saw the abolition of the statutory Mohair Scheme under which the industry was regulated by the Mohair Board. While some producers resented the confines of single-channel marketing and statutory involvement, many miss the security and comfort that this afforded.

The industry is now served by an inclusive body, namely *Mohair South Africa*, that was set up to function in the best interests of all directly affected groups. These groups, as defined in the Act, are any group of persons, including producers and consumers, which are party to the sale, purchase or processing of an agricultural product, and labour employed in the production or processing of such a product. Individually any one of these groups has, under the new Act, the right to ask the Minister of Agriculture to institute levies payable by the primary producer and other statutory measures.

The three segments of the mohair market

The world mohair market can be divided into three distinct segments, namely the:

- Elite market.
- Fashion market.
- Non-fashion market.

Elite market

This sector is the smallest but also the most consistent of the three market outlets. Kids mohair is extremely well-established mainly in the production of sophisticated men's and ladies' wear. Although the demand is fashion driven it is relatively stable. Competition in this market comes mainly from speciality fibres like Angora rabbit hair and fine wool.

Fashion market

Demand for mohair in this market is a function of fashion trends that are ever changing. The result is that demand is relatively unstable. Consumer demand is created by leading designers who set trends, and when a look or feel becomes fashionable, a huge demand develops. This demand usually only lasts for relatively short periods, sometimes only for one or two seasons.

Prices usually follow demand trends, e.g. if demand increases so will prices. The main competitors of mohair in this market are other look-alike fibres. Also, more and more blending takes place in order to maintain retail prices. Fashion demand and the consequent price increases play havoc with the traditional non-fashion demand. For example, bulk spinners turn to other fibres when prices increase substantially and return to mohair only when prices bottom out.

Non-fashion market

This sector is considered as the stepchild of the industry. Large volumes of mohair are involved, but because its use is dictated by the price of the fibre, it is the area which is the most affected when a strong fashion demand develops. This is an unstable and fluctuating market.

Conclusion

The market for mohair lies in a small high quality market which is stable and two larger markets where the demand fluctuates markedly.

Functioning of the mohair market in South Africa

Marketing channel

Figure 1 shows the marketing channels for mohair in South Africa. The marketing of mohair is similar for both commercial and small-scale producers.

(1) Shearing

Farmers decide to shear goats (this is usually done during the season from late August to July).

- Larger farmers use own capital and labour.
- Smaller producers usually make use of contract shearing.
- In cases **where farmers produce small amounts of mohair** they usually participate in **collective shearing at a central point** (community shearing sheds).

(2) Classification

Mohair is classed into different texture and quality classes by the farmer at shearing sheds. This is done by the farmer himself or any person with the applicable classing knowledge and experience.

- **Hair is classed according to texture, length and strength.**
- **Different classes** of mohair are then **packed into different bales** and individually marked.
- **Marking includes the quality class** of the mohair in the bale and a **producer number** (each registered mohair producer has a producer number).
- Individual bales can weigh up to 150 kilograms.
- Mohair produced by **small-scale producers is usually classed at the shearing sheds.**
- Bales are packed in a similar way to the mohair of large producers. **Producers keep a record of their individual contributions** to each bale and **receive payment based** upon that.

(3) Transportation

Bales get transported **to the broker, or middleman**, who is responsible for the further marketing of mohair. There are currently five companies that handle the marketing of mohair for producers in South Africa.

- Large producers usually transport bales themselves using their own trucks.
- Mohair clip from **small-scale producers** can be transported either by using **contract transport, or the broker transports** the bales to the auction.
- Transport for smaller producers can be a **problem if the farmer does not collaborate** with other producers to make up bales.

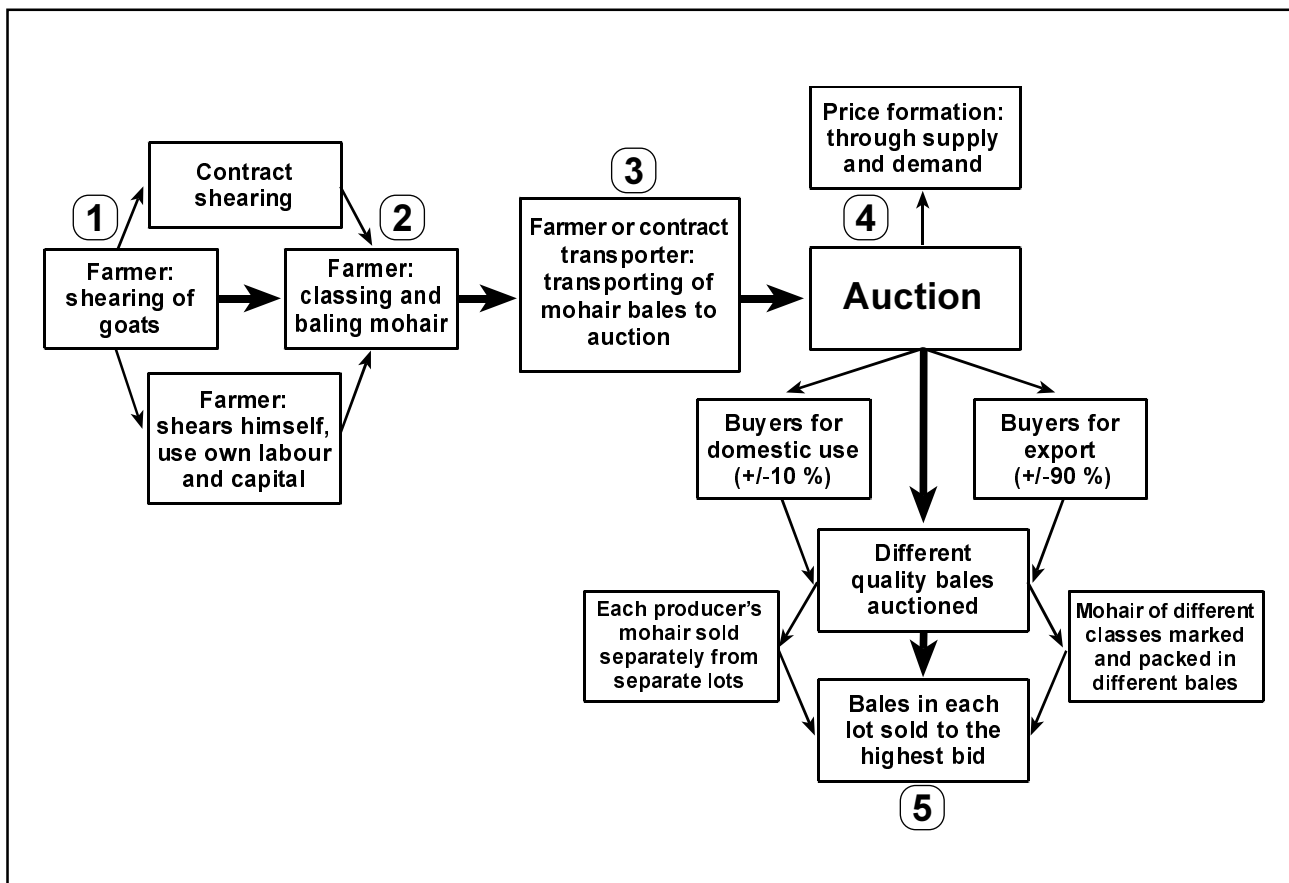


Figure 1: Marketing channels for mohair

Visual aid 2

(4) Auction

Approximately 32 large auctions take place in Port Elizabeth throughout the year. Marketing brokers also hold individual smaller auctions.

- **Bales from individual producers are separated** into different lots.
- A **sample gets drawn from each bale** and is physically displayed so that buyers can view it.
- A sample of each bale is also sent for laboratory analysis in order to test the quality of the hair.

(5) Lots presented for display

On the day of auction lots are presented for display. Buyers represent people purchasing for the domestic market and people that buy for international firms. **Exports account for more than 90 per cent of the whole mohair clip.**

- Each lot is auctioned separately. Price is set according to the quality and demand for the specific quality of each individual lot.
- **The lower the quality of the mohair, the lower the price.**
- The party that purchase a "lot" of mohair must take delivery and is responsible for further handling and processing.
- 85 to 90 per cent of the whole clip is sold by the auction system, either through large auctions or by smaller individual auctions held by brokers.
- The rest of the clip is bought directly from the producer. This is done during any time of the season on a contract basis. Buyers represent local and international consumers.
- Auctions are held on average 14 times per year, 7 during the summer and 7 during the winter season in Port Elizabeth. Mohair produced in Lesotho is mainly sold outside the auction system.

The importance of market information

It is clear in the market place that **well-prepared, good quality clips enjoy a good demand and fetch high prices**. It is essential, therefore, that **producers should aim to deliver a product as well prepared as possible**. This enables the broker to **win the buyer's confidence and to bargain for a good price**. In short, there is no secret or clever method of marketing. It is all about exploiting the demand with the best possible product.

Future mohair marketing information is very difficult to obtain. The reason for this is that it is extremely difficult to forecast international price movements which are a direct function of mohair demand. Factors that further contribute to the mohair market and domestic mohair prices being unpredictable are:

- The uniqueness of the mohair market globally.
- The fluctuating exchange rate.
- Fluctuating trends of consumer demand caused by the availability of substitute fibres such as synthetic materials.

Pricing structure

Price trends and cycles

In 1988, the South African share of world production was 46.9 percent but this had increased to 62.5 percent in 1999. The strong increase in the price of mohair in 1999 and the first half of 2000, indicates that world demand is exceeding the supply of mohair at this stage, and this may enhance the production of mohair in the near future. Figure 2 indicates the seasonal sales price trends of mohair.

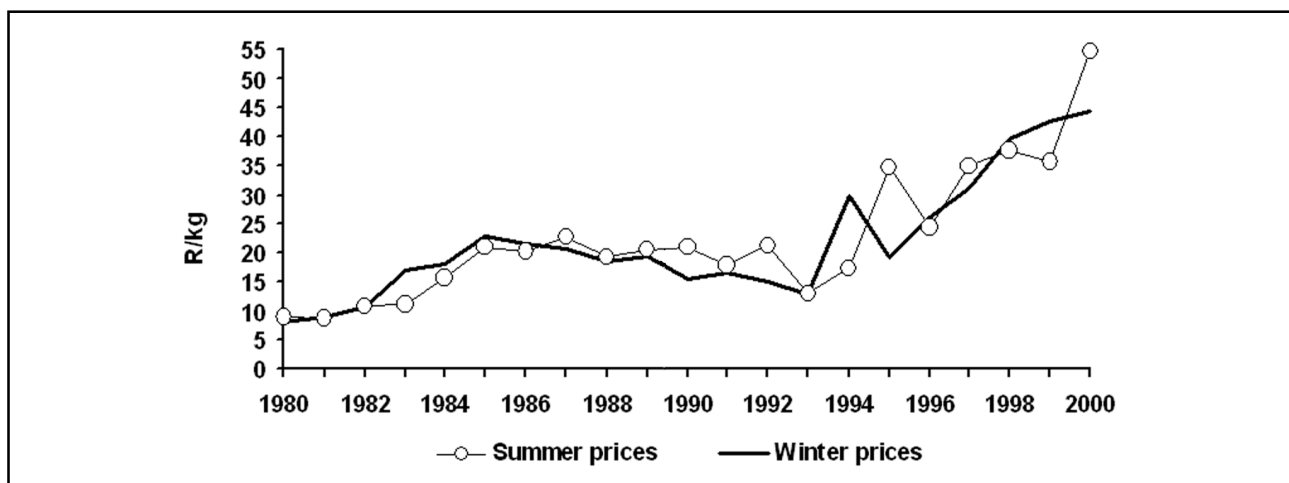


Figure 2: Average auction prices of mohair

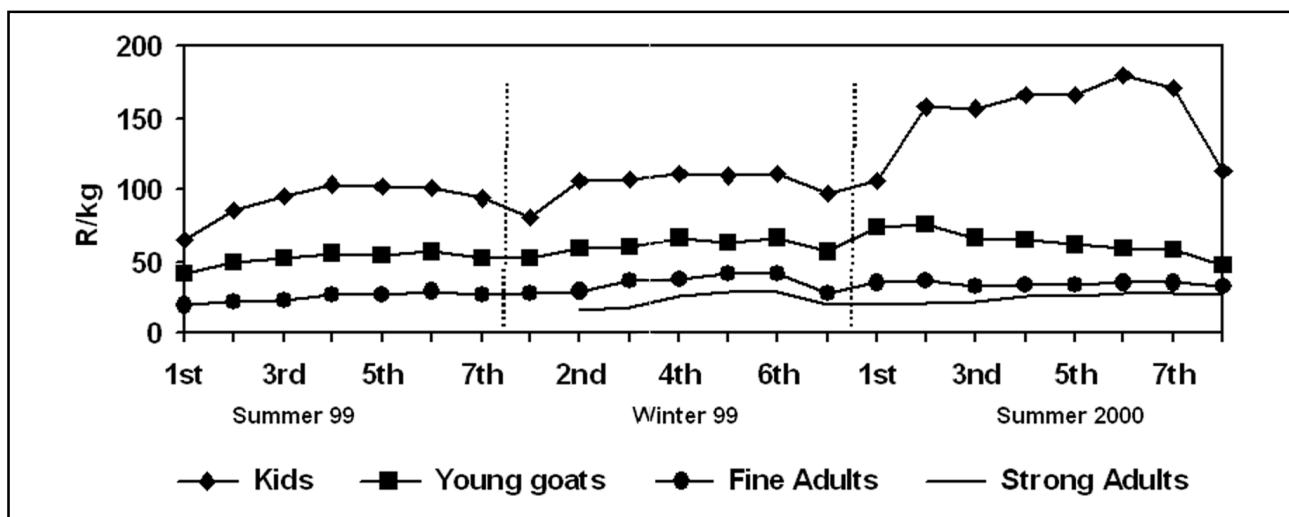


Figure 3: Average prices per auction of the different types of mohair

Price differences between different hair classes

The clip is usually separated into three categories:

- Mohair from kids goat.
- Mohair from young goats.
- Mohair from adult goats.

Under these three categories, after goats are sheared, the clip is classed into different classes according to certain criteria. The different classes of mohair are auctioned separately and receive different prices. (See Figure 3.) It is therefore important for the producer to ensure the highest quality hair in order to receive the highest prices.

Table 1 shows the different classes under each category and an example of price differences between these classes. The **price differences are very noticeable** and indicate that even a **slight improvement in quality can have a significant impact on producers' incomes**.

Table 1: Classes and prices of mohair

| Goat type | Class | Average price (R/kg) |
|--------------------|---------------------------|----------------------|
| Kids | Good long fine (A/B) | 82.96 |
| | Average long fine (A/B) | 67.49 |
| | Good long strong (A/B) | 64.84 |
| | Average long strong (A/B) | 49.60 |
| | Good medium fine (C) | 79.94 |
| | Average medium fine (C) | 74.68 |
| | Good medium strong (C) | 60.15 |
| | Average medium strong (C) | 51.17 |
| Young goats | Good long fine (A/B) | 39.80 |
| | Average long fine (A/B) | 30.70 |
| | Good long strong (A/B) | 27.00 |
| | Average long strong (A/B) | 25.62 |
| | Good medium fine (C) | 36.39 |
| | Average medium fine (C) | 34.32 |
| | Good medium strong (C) | 27.21 |
| | Average medium strong (C) | 24.85 |
| Adult goats | Good long fine (A/B) | 18.47 |
| | Average long fine (A/B) | 18.44 |
| | Good long strong (A/B) | - |
| | Average long strong (A/B) | - |
| | Good medium fine (C) | 18.55 |
| | Average medium fine (C) | 18.27 |
| | Good medium strong (C) | - |
| | Average medium strong (C) | - |

Infrastructure requirements

Factors that specifically affect small-scale mohair producers

The majority of small-scale mohair producers are found in the former homeland areas of Ciskei, Transkei (now known as the Eastern Cape) and Qwaqwa as well as the peri-urban areas of the Cape and Southern Free State.

Quality and quantity

The quantity and quality of mohair produced by small-scale producers **vary from season to season**, due to:

- Very **difficult conditions** under which they farm, which is according to the communal pastoral system, whereby the veld belongs to the community.
- **Breeding programmes are difficult and complicated to apply** because all types of goats run together in the veld. This problem is exacerbated during the mating season because the producer has to tend the goats day and night in order to **avoid crossbreeding**.

Barriers

Small-scale and emerging farmers face certain **barriers** that make it very difficult to **enter the primary mohair industry** including:

- **Sufficient and easy accessible sheltering** as Angora goats are very sensitive to drastic weather changes. Usually more than one large shelter has to be erected on different locations on the farm and this can be quite costly.
- **Sufficient shearing and mohair sorting equipment**.
- **Applicable hair sorting and classing knowledge** of both farmer and labourers. Investing in training in shearing and sorting is essential.

- **Thorough breeding programmes.** As already mentioned, small-scale farmers are, in some instances, exposed to very difficult circumstances and often share land on a communal basis. In order to produce top quality mohair, thorough breeding programmes are of vital importance. Together with this goes sufficient knowledge of breeding methods, access to good breeding stock and effective veld management.
- In order to fully reap the benefits of a deregulated marketing system, the producers must have access to an effective and **working infrastructure that includes the free flow and availability of marketing information.**

Training assistance

The organised mohair industry is more than willing to assist small-scale producers in their endeavours to produce good quality mohair.

The small-scale producers should identify problems and direct their requests to the relevant organisations. Extension officers can play an important role by **providing the link** between the farmers and such organizations. Examples of such requests may be:

- Training in Angora goat flock management.
- Feeding.
- Breeding.
- Selection of breeding stock.
- Dosing.
- Dipping.
- Classing, packing and marking of mohair.

Small-scale farmers, as already mentioned, face some marketing problems especially in rural areas. To summarise, these problems include:

- Insufficient quantity to make clip marketable.
- Low quality of clip.
- Lack of knowledge about classing, packing, the **marketing channel** and marketing opportunities.
- Lack of cooperation between small-scale farmers to improve marketing skills and exchange knowledge.
- A lack of necessary infrastructure causes small-scale farmers to lose from higher transport costs from rural areas.

To overcome these problems, extension officers can play an important role. As is done in the wool industry, **extension officers can supply valuable knowledge to small-scale producers on the marketing structure of mohair.**

It should be the task of extension officers to **organise working groups** in rural areas at which proper extension could be done. **A pool can be established** to which producers can supply their clip. The contents of the pool can then be classed, packed and marked and producers each can receive payment according to his or her individual contribution after the contents of the pool have been auctioned. This system can ensure that central gathering points (pools) in developing areas be established from where proper extension and marketing of mohair can take place.

Availability and sources of market information

Mohair South Africa distributes a limited amount of information that gets redistributed by various sources in the market. These include aggregate and production statistics, as well as, marketing reports on a weekly basis. The most important sources of information are the following:

- Weekly market reports (obtained from magazines, newspapers, internet and radio broadcasts).
- Accumulative auction results.
- Monthly mohair updates.
- Quarterly bulletins of the mohair industry.
- Annual reports.
- Market outlooks from various local and international sources.

The most important of these for marketing information is certainly the weekly market reports as distributed in the *Landbouweekblad* and Farmer's Weekly. These reports usually include information such as the following:

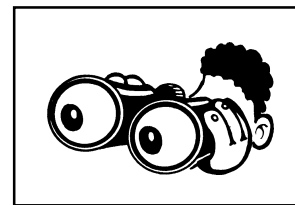
- Auction results.

- Analysis of receipts by port.
- Analysis of offerings by type.
- Analysis of offerings by handling method.
- Analysis of offerings by main class.

This is the only type of market information source available for mohair in magazine format. Brief marketing updates occur on local radio stations (*Radio Algoa*), but not on a regular basis. These updates may include some information regarding mohair and does not necessarily include price information. The same is true for newspaper articles. Mohair marketing information is not regularly available.

Mohair South Africa (www.mohair.co.za) has a unique on-line information system that offers most of the mentioned information or provides valuable links to other sources of domestic and international mohair information.

Focus points for the extension officer



What the extension officer needs to know

In order to provide extension of value, the officer should have sufficient knowledge on the following aspects of Angora goat farming and mohair production:

- Knowledge on the common operations associated with goat farming and management, breeding qualities etc. It is thus important to know **what to look for** when choosing an animal and **how to look after** it all year round.
- The officer must know the **shearing procedure** step by step and the types of resources (contract workers, etc.) that are available to the producer in order to get the job done.
- The basic procedures after the hair has been sheared, **classing, packing and marking** of the bales.
- Most importantly, the **marketing options** available to the producer, including the **transportation** options best suited according to the location of the producer.
- The working of the mohair market, how **prices are determined**, the working of **auctions** and what the buyers at the auction are looking for in terms of quality.
- The different sources available for **obtaining market information and future market projections**. This is also according to location.

What the extension officer can do

Training can be provided in a variety of ways of which the most effective will possibly be in the form of **study groups**, with 10 to 20 farmers, through which information can be distributed practically and clearly.

Other means of extension can include: **organizing “mohair days”** on which animals can be shown, hair classed for prizes, etc., inviting experts on different aspects of mohair production to talk to people or groups, **distributing mohair information** by means of booklets or pamphlets to producers in rural areas, providing expert on-the-farm assistance to producers. Any means of **practical assistance and guidance** to small-scale farmers is recommended.

It is vital to start from scratch in the training program, i.e. going through all the steps of production and ending up at the very last end of the marketing chain. From a production point of view, important steps to include in training are made up of the following:

- **“Choosing the right animal”**
Animals with good physical characteristics and of good origin have a higher potential of delivering a better clip.
An expert farmer and producer of mohair can be invited to share his expertise with the group on how to choose the best animals when buying stock (what to look for), how to incorporate the best breeding techniques and selecting breeding stock.
A visit to a local auction could be arranged where the study group can experience the challenge of a producer looking for good quality animals. This will also give a better impression of price differences between different qualities of live breeding stock.
- **“Looking after my goats”**
Focus on the major feed and nutritional requirements of the animal. An expert can be invited to speak on topics like veld management, additional supplements for goats and the feed requirements of animals through different stages of their life cycle.
Taking the group on a field trip to get hands on experience of different veld conditions, how to know when grazing is becoming scarce and identifying the types of vegetation that Angora goats prefer.
Angora goats are very sensitive animals requiring shelter to protect them during cold periods. It would thus be important to explain the necessity of shelter to the group and provide potential plans for erecting sheds.
- **“Shearing the goats”**
The expertise of an experienced farmer on when to shear will be needed. On the topic of shearing it might be effective to invite a shearing team or visit a farmer during one of his shearing periods.
Topics to cover can be:
 - handling the animal through the shearing process,
 - what equipment to use, handling of the hair after it has been sheared, classing the hair into different classes, and
 - the preparation and packing of the hair to be ready for transport to the auction.

- **“Marketing of my mohair”**

The producer should know what to expect after the shearing and packing of the hair.

The marketing options in the form of marketing channels should be explained to the group.

Inviting a prominent buyer of mohair in the market as guest speaker would give a different viewpoint of marketing and explain to the group what buyers want from the product and what alternative marketing opportunities exist.

The group should know exactly all the steps of what happens to the hair once it leaves the farm and it is bought by somebody at an auction. Although not many marketing channels exist for mohair, the producer should know how each one works.

- **“What price will I receive?”**

Because most of the mohair goes through the auction system, a trip to an auction can be arranged to show the group how buyers react on quality supplied at the auction. This will give the group the best explanation of how price is determined on auctions and why good quality mohair is very important.

A trader can also be invited to inform the group of the further processing of mohair domestically and overseas and how international markets influence domestic prices.

- **“How do I know what to expect?”**

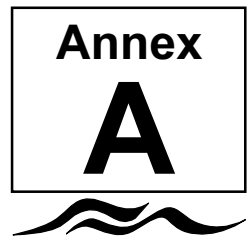
Various sources of market information are listed in the training material. The group should be made aware of **how to use** the resources, **how to interpret** them and **how to react** on information received.

A market analyst can give his expert view of the importance of market information and how to interpret it. Hence, such an expert could be invited to talk to farmers on a regular basis.

Strategies for the mohair producer

The following table gives a summary of the strategies for the mohair producer.

| Market | Opportunity | Weakness |
|---|--|---|
| Sell mohair on auction. (Port Elizabeth) | The producer has the opportunity to gain substantially with good quality mohair and in times of a high demand where prices can be very high and profit margins large. | Producers are solely in the hands of the forces of supply and demand. Price risk is therefore high, e.g. in times of oversupply prices can drop significantly. |
| Sell directly from the farm to a buyer. | A price can be prearranged on contract basis giving the producer some level of security. Price premiums for hair of exceptional quality can also be negotiated on strict and private terms. | There are not many of these opportunities available. Also, prices at auctions may be much higher than that of private contracts and producer might feel that he/she loose out by not selling his mohair at the auction. |
| Adding value on the farm before selling. | Hair can be processed further by spinning and manufacturing it into final products such as clothing. This will significantly increase income generated from the mohair and new marketing opportunities will arise. | The process is capital intensive, costly and requires a high level of additional management and marketing skills. |



Glossary

Type descriptions for wool

What is the purpose of a type description for wool?

- It provides a logical system to describe the characteristics of wool. It describes a given batch of wool in terms of fineness (micron), length, style/quality tensile strength, seed content and yield. It allows you to distinguish fully between any two sales lots and to accurately track the prices for different types over time. The system makes provision for all measurable and non-measurable characteristics which influence the price of wool.
- It is not a NWGA Classing Symbol and producers must still prepare and mark their clips in accordance with the NWGA Classing Standards.
- Wool technical officers (appraisers) inspect all sale lots which are displayed after the appropriate samples have been drawn, and allocate a standard type to each lot.

How do you read a type description?

The attached diagram illustrates all possible combinations of letters and numbers which form the basic framework for the description of any batch of wool. To take two examples:

Lot 1 = MF275, 19,6 76 %

Lot 2 = WR460, 23,8 62 %

Lot 1: is a batch of wool of clearly defined merino character (M), obtained from a sound fleece line (F), of good topmaking style/quality (2), long (75 mm) fine (19,6 m) and with a high clean yield (76 %).

Lot 2: is a batch of wool of clearly defined crossbred character (W), obtained from a line of backs (R), of inferior topmaking style (4), of medium length (60 mm), strong (23,8 m) and with a relatively good clean yield (62 %).

What can the farmer learn from a type description

Variations over time in type descriptions for a clip can provide pointers to certain problems which need attention. For example, a style indicator which over time increases in magnitude (e.g. becomes indicative of poorer quality according to the chart) indicates that problems exist in relation to, for example, too much seed, or uneven lengths within a line, or kemp contamination or poor handle and/or general appearance, poor colour, or inadequate removal of deviating parts from the line. Wool technical officers can supply objective advice based on type descriptions in this regards.

How does a type description assist us to track market performance?

Prices for all lots sold at an auction are entered into a computerised database, together with the type description for each lot. By calculating averages per type, prices can be tracked and quoted for the most recent transaction by type and micro, thereby providing the producer with a basis to decide what a reasonable value for his/her clip would be at any given time.

(See diagram on following page.)

Glossary

Combing: the combing of wool

Scourds: washed wool

Pre-auction: processing activities on wool before it is placed on the auction

Pre-sale: processing activities done on wool before sale

Sale by separation: bales from different producers are auctioned separately

Scouring: the washing process of wool

Tops: washed and comb wool

Wool mill: the plant where washing and combing of wool takes place

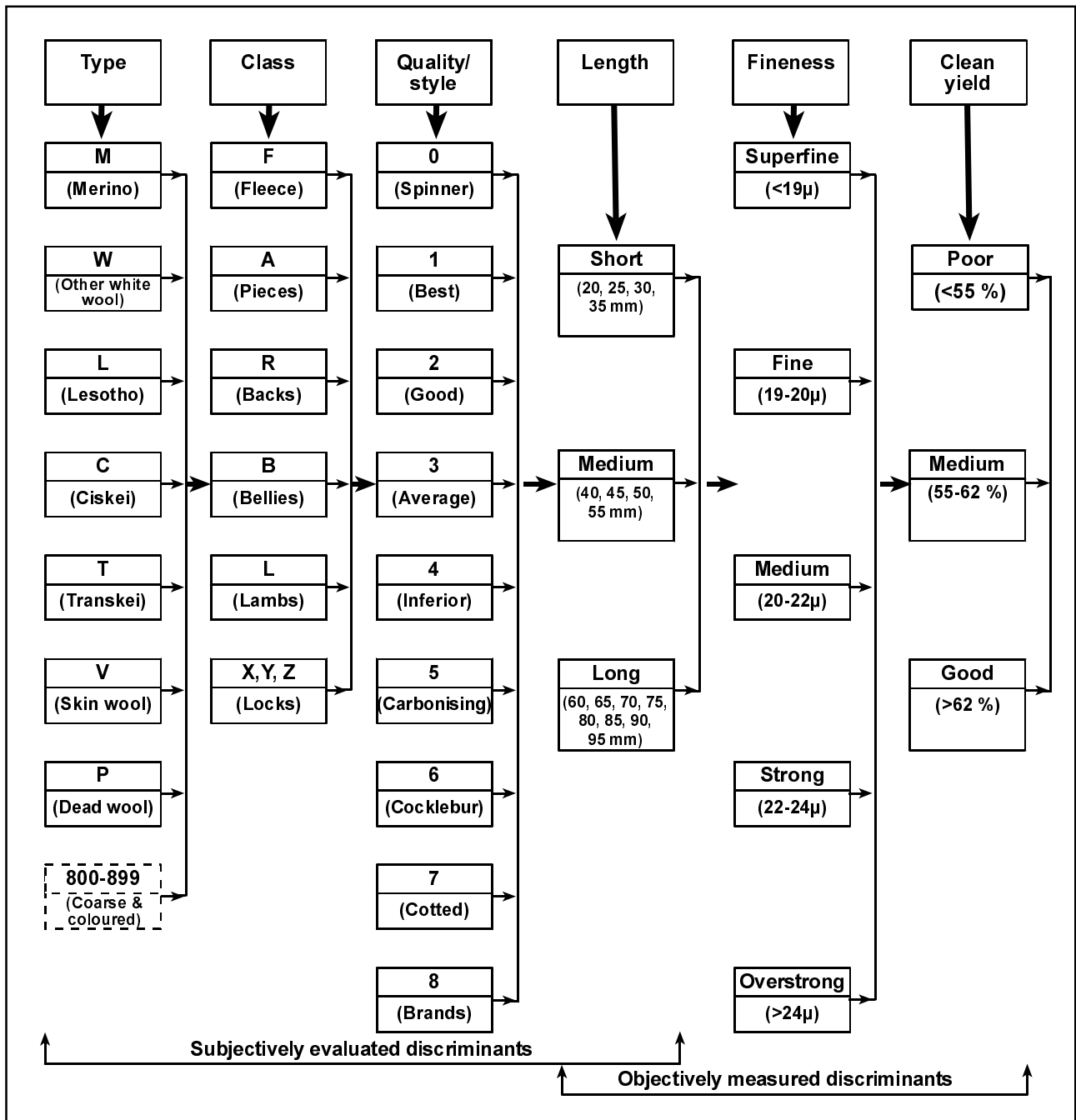
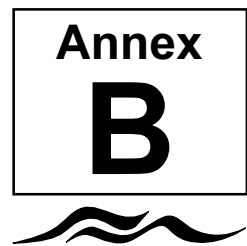


Diagram: Type descriptions for wool



Useful information

Wool SA

Contact person: Ona Viljoen
Tel: (041) 484 4301

National Wool Growers Association (NWGA)

Contact person: Dr. Arno Mohr
Tel: (041) 484 1536
Contact person (Port Elizabeth): Louis Nel
Tel: (0437) 43 7769.

Wool Transport Services

Tel: (041) 486-3186

Mohair South Africa LTD.

4 Johcla Road
Sydenham
PO Box 2243
North End
Port Elizabeth
6056
South Africa
Tel: (041) 487 1386

Buyers of mohair

Stucken & Company (Pty.) LTD.

Contact: Garth Cawood
Tel: (041) 57 2840

Samil (Pty.) LTD.

Contact: Andrew Laing
Tel: (041) 486 2430

Dewavrin Freres (Pty.) Ltd.

Contact: Ivan Smith
Tel: (041) 54 4443

Mosenthals Wool & Mohair SA (Pty.) Ltd.

Contact: David Nel
Tel: (041) 54 7500

Cape Produce Wool Company

Contact: Christo Doubell
Tel: (041) 54 4443

Fibres International

Contact: Danie van Rensburg or Basset Le Lean
Tel: (041) 503 3007