



11 April 2005

An open letter to Michael Lempriere, Vice President IWTO

Dear Michael,

You wrote a very kind letter to my father last week expressing your disappointment at our family's non-attendance at IWTO Hobart.

I had considered coming to the conference, in spite of the long flight, but I would like to explain why I will not be doing so.

My first conference was Harrogate in 1995. Ever since then I have found them to be more and more depressingly ineffectual and irrelevant. We are now saddled with large and costly numbers of scientists, technicians, technocrats and statisticians telling us what we can do with wool, how much was and will be produced, modifications to testing methods, niche markets for niche products (which I can never find in my city) etc. We have never devoted so much time to discussing matters which I consider to be so irrelevant in a time of such crisis. Do the flight crew of a jumbo jet discuss new aircraft models or flight statistics when all their engines are on fire and their plane is hurtling towards the ground ?

Seven years ago, at IWTO Dresden (1998 was another crisis year), Richard Warburton, the then Chairman of Wool International, made a speech, exhorting the positives of the industry, encouraging us to unite, consider and create a great future for wool. He used a famous Latin dictum: CARPE DIEM or SEIZE THE DAY. I interpreted from this that Time is precious and we have to act now rather than wait for things to improve on their own. We, the industry leaders, have to take matters into our own hands. Regrettably we did not seize the day then and are paying the consequences of not doing so now. We are in danger of becoming a miserable cottage industry, wool an unwanted by-product of an animal bred for its meat and nothing else. Victims in a Darwinian world.

Instead, what have we done ?

We discuss changes to the blue book in a full, open session and get bogged down by details with each delegate wanting his say, when such issues should be settled by an elected committee with executive power to negotiate and modify contract rules.

We listen to scientists teach us about the superiority of laserscan over airflow, the health and anti-oxidant properties of lanolin-based keratin, sheep bred for moth-repellent wool. Useful certainly, but not if wool continues to lose market share.

We listen to a speech by a President of IWTO who tells us that wool is too expensive when most of us are struggling to stay alive.

We listen to reports on how much wool is produced in which country. Important information, but we could read this easily enough on the IWTO website.



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We hear of grower money being spent on developing mobile shearing units and devices for making wool finer (Optim) when superfine production has never been so abundant. Who makes these decisions ?

We spend far too much time on social events and excursions and not enough on the most critical task ahead of us: how to increase worldwide sales of the fibre that we, the commercial entities, depend on.

Is it so surprising that Mr Malone (the largest wool processor in the world), Mr Schneider (the largest fine wool processor in the world) and Mr Modiano (the largest wool processor in Europe), not to mention most of the bosses of the important Chinese and Indian mills, should decide not to come to these conferences ?

It is not simply a European problem. Of course, our part of the world is suffering more than Asia for well-known reasons. But it is my understanding that our lower cost Chinese competitors are also unhappy about their volumes and margins. The problem, therefore, is not that wool is too expensive. It is much more fundamental than that. Wool is not wanted. Ever since I entered it in 1989 this industry has lurched from one crisis to another: the floor price debacle, the ten year stock overhang, the withdrawal of funding from Woolmark, the demise of the Western wool industry. Many mistakes were made and we continue to pay for them. Lack of investment in the future is not just a mistake, it is as unwise as it is irresponsible.

There is a screaming need for wool promotion. The efforts of individuals like Juan and yourself are most appreciated, but they are likely to come to little without money. Firstly we should attempt, once again, to convince the growers in Australia, New Zealand, South Africa and South America to contribute to a promotions fund. We should start by turning over most of AWI's \$150m which you mention in your e-mail to such a fund. (AWI's research and development is of limited commercial use and some large European wool users have voiced reservations about the effectiveness of AWI as a source of technology). If this is unlikely to work we have to consider voluntary contributions from all those companies which depend on wool for their livelihoods: brokers, laboratories, exporters, processors (combers, spinners, weavers, garment-makers) and even key wool retailers.

They will argue that they cannot contribute as they are struggling to make money in the current environment, and why should they make a contribution if their competitor or the grower will not ? We have heard these arguments for years. The end result is that wool is continuing to lose market share to cotton, viscose and synthetics and, at the the high end, to cashmere. But promotional funding is today as, if not more, important an investment as investing in the land, machines, people and customers which they put money into without half of the concern. For if we do not educate the consumer about the virtues of our fibre and do not make it appear young, appealing, sexy, ecological and easy-to-use to designers, retailers and, above all, consumers, then we can forget about investing in this industry because neither will it have a future, nor deserve to have one.

The former Woolmark company was a devastating disappointment to growers and processors alike. The logo was famous but the organisation became fat and bloated, wasting millions of our money (for what the growers paid was a tax on us all). My father made an excellent point in Evian last year when he stated that promotion was essential but that it was not for growers to carry it out. Rather, a budget should be set and marketing and promotion carried out by experts in the field, such as a competent advertising agency. Mr Schneider has suggested that we approach a prestigious group like Hugo Boss or Giorgio Armani and with them organise a



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pro-wool campaign, which we would fund. Lycra has many cheaper competitors, but it is a recognized brand and benefits immensely over them from the millions Dupont have spent promoting it. Why can we not do the same for wool ? Why are my friends so surprised when I tell them that specially treated wool jumpers can be machine-washed and/or tumble-dried without shrinking or pilling ? These are people who should know but have not been informed.

When I speak to managers in large London retail stores why do I get the impression that wool has become almost a dirty word ? I am told : people do not want it because it itches, it pills, it cannot be machine-washed, it's an old-people's fibre, it costs too much. I often feel we ought to re-invent the word wool altogether. Why this ignorance and negative perception which we all know to be so untrue ?

Because we speak with too many dissenting voices. We have no unity, co-ordination or desire to collaborate. Each one is interested in himself and fails to see that slowly demand for wool is dying because of our selfish war of attrition. We are all words and no action.

Last week I was at Heathrow airport, one of the world's largest. I had forgotten my jumper and wanted to buy a new one. I came across several shops selling cotton and acrylic jumpers and one boutique devoted entirely to cashmere knitwear in all shapes and colours. There turned out to be only one shop offering wool, in such boring navy blues and beiges that I walked out empty-handed. Is this the future ? IWTO is filled with people heading for or already in retirement. I am still relatively young. Most of my family's money is invested in wool. What do I, my company, and my children have to look forward to while IWTO continues to discuss wool testing and sheep numbers, wool duvets and blue books ?

May I therefore suggest that at this year's IWTO Hobart conference effort is concentrated on how to raise money for promotion (grower levies and/or voluntary contributions ?), who oversees this money (two annually elected growers, two annually elected exporter/processors, one annually elected marketing expert, and the President of IWTO ?), and how we spend it (which advertising company and/or fashion house to work with ?) ?

If you can raise pledges for the minimum required for an initial campaign, whatever that figure may be, please count on us to help out, within reason. It is after all, an investment in my children's future.

CARPE DIEM.

Yours sincerely,

Laurence Modiano

Mr Modiano represents G. Modiano Limited i a global company supplying wool tops, greasy and scoured wool. Founded in 1956, G. Modiano Limited draws upon 45 years' experience of trading wool. Wool processing is done at our mill in the Czech Republic, and Italy

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