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for

Premium

Quality

Wool

Derived Demand

Produced for the CRC for Premium Quality Wool undergraduate program by;
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Consumer Spending leads the way

FIGURE 8-4

Using apparel purchases as an example, the train—led by consumer spending (the engine)—moves at a healthy rate and the segments are moving together.

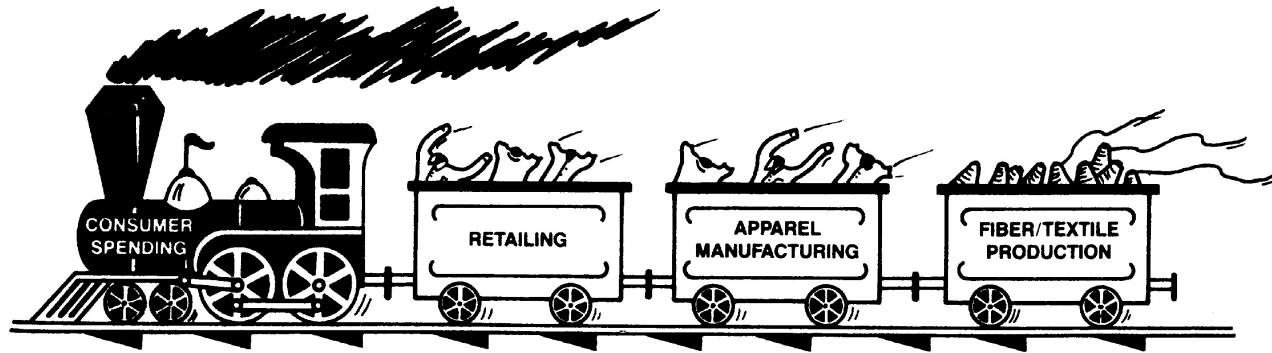
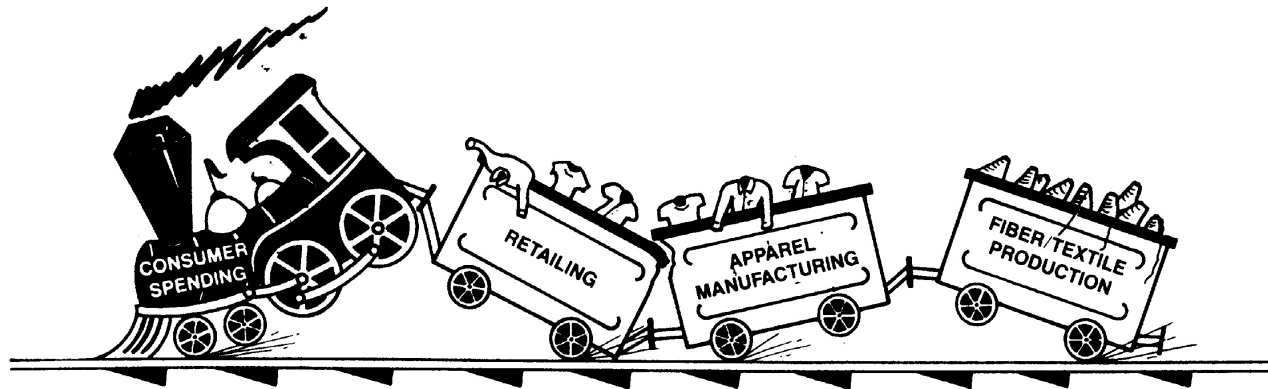


FIGURE 8-5

This train shows the impact of a sharp slowdown in consumer spending.



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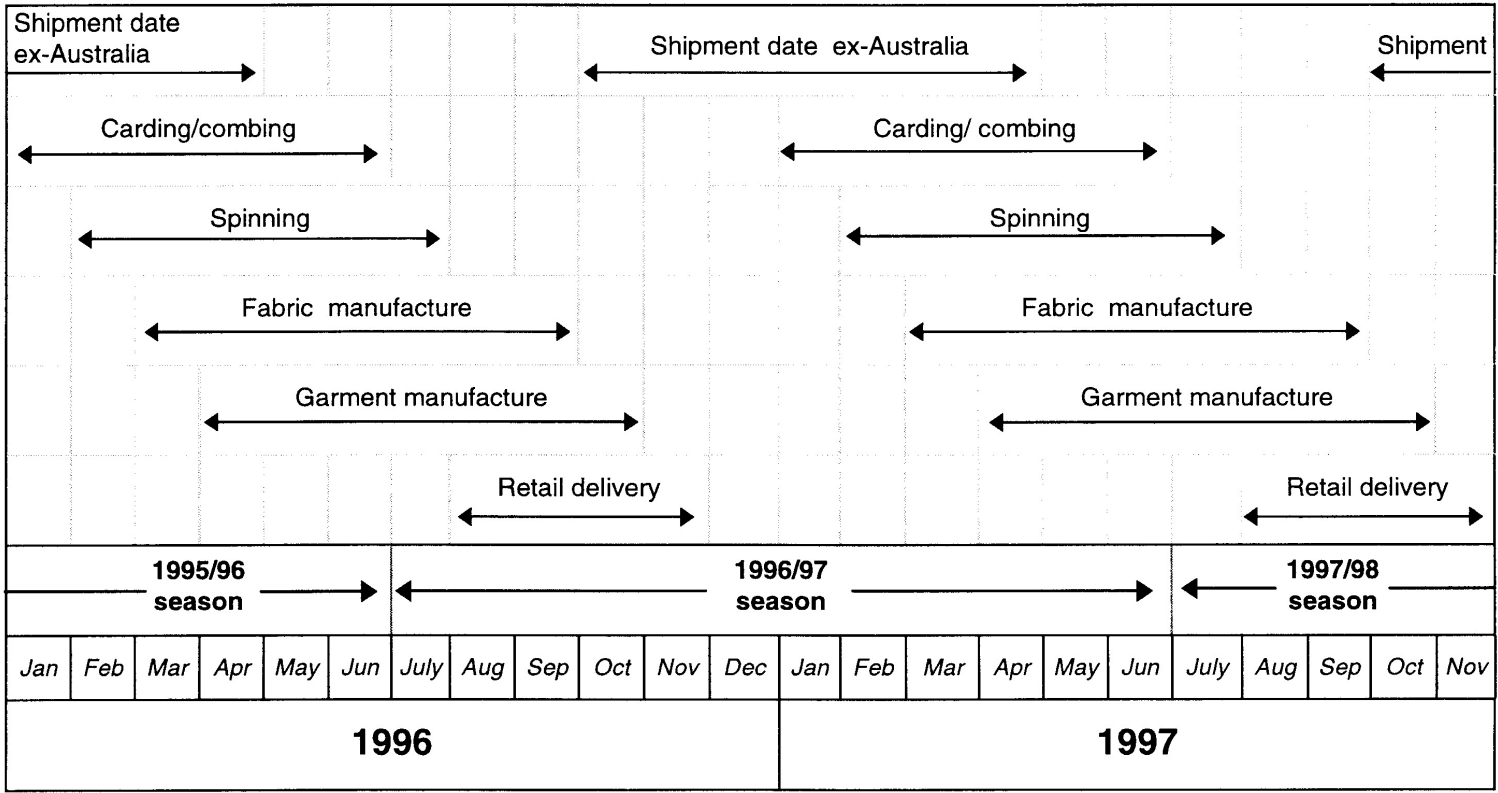
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Delivery Time Lapse

Figure 4.2
Schedule of distribution and processing stages for northern hemisphere purchases of Australian wool, 1996-97



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Elasticity of Derived Demand

- **derived demand is price INELASTIC**
 - short to medium term
 - margins tend to stay steady
 - intermediate margins are squeezed first
- **factors (more inelastic)**
 - the more inelastic is demand for final product (“market power”)
 - the more essential the raw material is to the final product (eg. suits)
 - smaller share of final costs of the raw material
 - the more inelastic is the supply of other production factors (substitutes)

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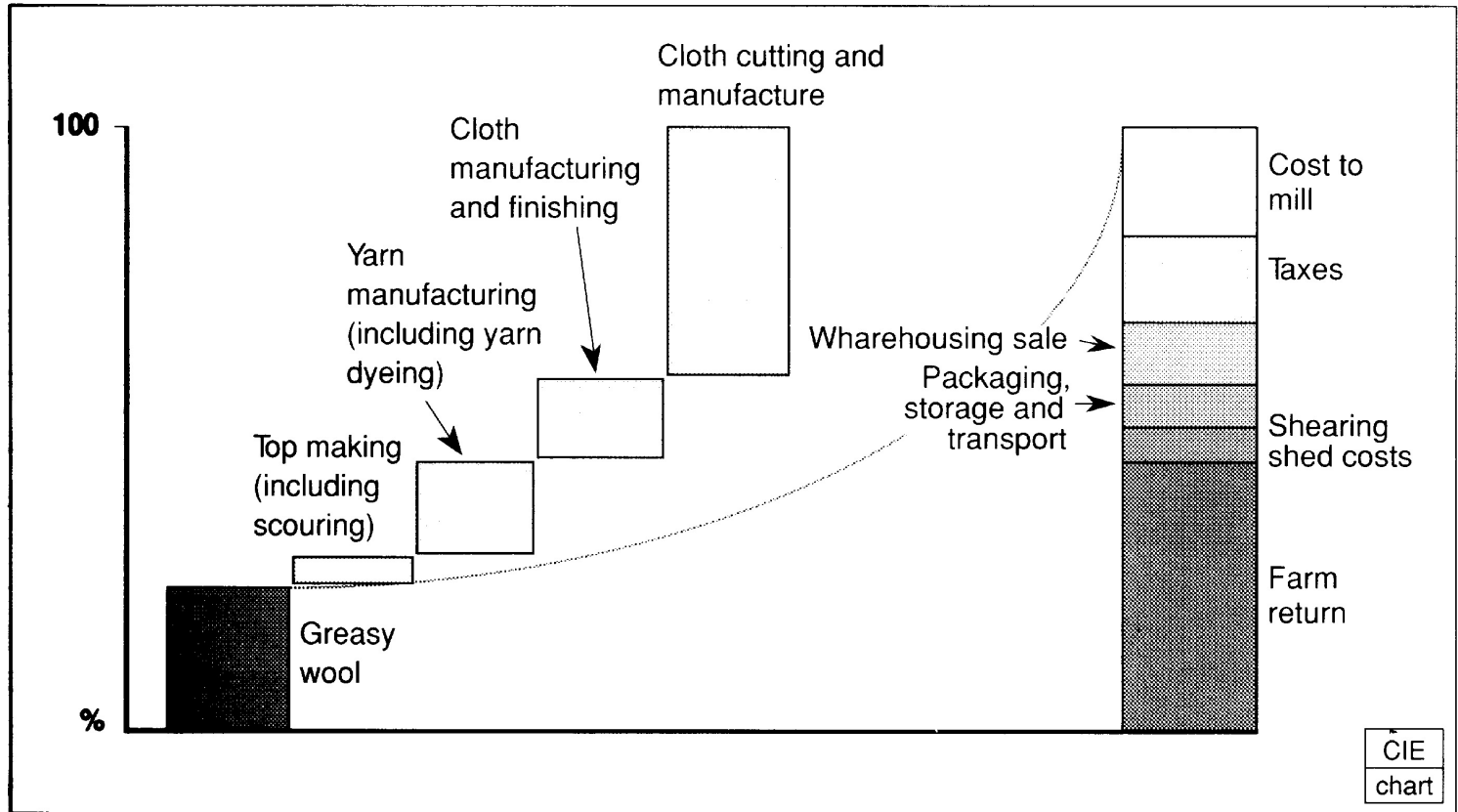
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Share of Final Costs: Wool

Figure 4.2: Costs of manufacturing a man's woollen suit in Australia in January 1989



Data sources: Department of Primary Industries and Energy (1989); AWC (1990a).

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