

Dear Patsy,

It's great to hear from you again and to be offered the chance to contribute to your research. I am not as familiar with pashmina as I am with cashmere in general. However, I thought the following information may be of interest.

Pashmina is cashmere fiber from the goats of Kashmir, the Ladakj region of Jammu and Tibet. Usually simple products such as scarves and shawls are made in country and exported. The maximum mean micron diameter of pashmina is approx. 18-19 microns. I am not familiar with the bottom end of this micron range. Total annual production is 30,000Kg a year, making it one of the scarcest fine fibers in the world.

According to the 4/92 EIU Special Report No 2633, (I am quoting directly with no changes):

(Pashmina) Entering the international market is probably only viable in the longer term, even if production of raw material was increased in the near future.

First, the criterion by which the fiber is graded is different. At present, the fiber is graded according to staple length and to the percentage of coarse fiber (which should be as low as possible). Both are regarded as important in hand processing whereas in the international market fiber diameter is the main criterion adopted.

Second, pashmina fiber of less than 3 cm staple length is unsuitable for production on the local facilities available, whereas in the West it is ideal for mechanical spinning.

Third, the methods of production and processing of pashmina differ from those used in the West. Currently, the fiber produced in these regions is sorted, dehaired, and spun by hand, which is highly labor intensive. However, the introduction of mechanical dehairing and spinning could in the future convert pashmina into profitable production for export to the West.

To meet the pashmina demand we see in stores and in adverts, pashmina must be mixed with other fibers to extend the annual available volume. Often pashmina is blended with silk, which in addition to extending volume adds strength and sheen to the final product.

To answer your questions:

How big is the pashmina shawl business--say compared to the sweater business? Is it big enough to have noticeable economic impact?

To my knowledge, there have been no reports establishing the economic impact of pashmina on the international economy. Nor are there any reports comparing the economic impact of pashmina versus cashmere on the international economy. Therefore, I have tried to establish some quick relationships using various forms of statistical data here at my desk.

Cashmere Impact

World production of cashmere (1997)

Country	Tons
China	5700
Mongolia	2800
Pakistan	700
Afghanistan, Iran, others	2300
Total	11500

With no established authority to consult with, I am making the following assumptions in order to create a comparison between cashmere and pashmina.

1. Sooner or later all Mongolian cashmere ends up in a wholesale product (sweater, trouser, scarf, mitten, etc.)
2. In Mongolia, we use an estimate of \$105/Kg as a representative wholesale price for cashmere textiles. This is consistent with the derivations from figures published in the Gobi Cashmere Company privatization announcement, and with our own CASH model.
3. Retail values will be much higher than Mongolian wholesale values. I don't have any retail stats. Maybe Karl can help you with this. I assume from conversations with an old friend who works at Dayton Hudsons (a sample size of 1) that retail is 300% of wholesale (\$315/kg).

With these assumptions, I've estimated the following economic impact. (The real return of cashmere to the Mongolian economy is listed in the notes below. **)

The economic impact of the worldwide supply of cashmere on the international economy in 1997 was between 1.2-3.6 Billion dollars, depending upon wholesale and retail estimates.

Market	Tons	Value 1997	Total Value USD
Wholesale	11500	105\$/kg	1.2 Billion USD
Retail	11500	315\$/kg	3.6 Billion USD

World Wide Pashmina economic impact:

Again, being expert for a day, I have used the following assumptions:

1. All pashmina goes into scarf production.
2. All scarves are ring scarves of large size and average 150 grams/scarf.
3. Pashmina is never used in pure form, and is always mixed with a secondary fiber such as silk. I do not know if there is any minimum purity standards for pashmina marketing purposes. Maybe Karl knows.

The economic impact of 1997 Pashmina on the international economy was between 50 MM-500MM USD.

Market	Kg	gram/scarf	Volume	Retail Cost	Total USD
100% pure	30000	150	200,000	\$250	50MM USD
50% pure	30000	150	400,000	\$250	100MM USD
10% pure	30000	150	2MM	\$250	500MM USD

Therefore, even with the estimate ranges being broad, they do show that cashmere has a much greater economic impact on the global economy. Pashmina is only 4-13% the value of the cashmere market. From a volume perspective, pashmina is only 0.2% the volume of cashmere. The above data shows that although cashmere has a greater impact on the international economy as a whole; that Kg for Kg, pashmina has a higher return.

Question #2 Karl Spilhaus, president of the Cashmere and Camel Hair Manufacturers Institute, says (in this week's Newsweek, i.e., 12/6/99) that the markup on pashmina shawls is "huge"--especially given that most of them are cashmere/silk blends, and that the prices are still so high. It seems especially weird that the shawls are so expensive at a time when cashmere sweaters are cheaper than they've ever been. Any idea what all this means and what will happen next?

I agree with Karl. The mark ups are high. Most pashmina is a blend. And yes, it is weird that pashmina has held it's value even now when cashmere has been available to the public at historically low prices.

Opinion: price of Pashmina will remain high, as traditional cashmere buyers try to find a new, exclusive luxury fiber.

Most cashmere and pashmina buyers are above the age of 39 years old. For years cashmere has attracted an older, wealthier crowd. This subset enjoys the feel, comfort and prestige of cashmere. They like owning Luxury Goods. Now, their favorite fiber is in peril. Everybody can afford this fine fiber. It is no longer priced above the reach of average professionals and their children. It is no longer a luxury good, but a common good. This consumer will have a demand shift from cashmere to finer fibers such as pashmina. This consumer is a very desirable consumer.

Opinion: The scarcity and relatively unknown reputation of pashmina only adds to its mystique and value.

At a 10% purity level, only 2 MM scarves a year would be produced worldwide. It would take only 2/3 of the Metro Minneapolis area to purchase an entire year's production of pashmina scarves! As traditional consumers search for a new alternative fiber, demand for pashmina may increase. Its own scarcity will add to its prestige. This scarcity might be the key to the continued popularity.

In addition, traditional cashmere customers have had years of experience buying cashmere. They of course are more familiar with other scarce fibers such as pashmina. Who has heard of pashmina? Of course, only those accustomed to the best.

Opinion: As a luxury good, it is a relatively inexpensive accessory alternative.

Pashmina is used in scarves. These scarves last a long time due to the mixed fiber (silk, etc.). A good scarf that can be used as a focal point of ones' attire may be seen as a one time accessory buy. The \$200+ price is a relatively inexpensive purchase, unlike a Rolex which will set you back a good \$3200USD for a simple model. And who wants something that hides under one's sleeve? The pashmina scarf is a luxury accessory that is easily seen by others.

Opinion: As a common good, the long-term popularity of cashmere may decline in the future. The finished good cashmere market will become more volatile, and will be subject to the preferences of a new and very fickle consumer.

Cashmere is fun to own because it is comfortable and exclusive. When the traditional customers bought cashmere sweaters, the market showed little volatility. After all, tourism was the number one economic factor affecting volatility in the cashmere market (finished goods). Now the

traditional consumer is being replaced with a younger, more dynamic consumer. This new customer is more fickle, both in style, attention span and price point sensitivity. I believe that cashmere will be subject to their constantly changing preferences of style, color and textile and cost.

Opinion: It is very hard to regain status as a luxury good. If cashmere becomes a common good, it may be at risk to a slow, long-term decline in retail prices.

Once a luxury good falls to common good status, it is very hard to repair the image. Should an increase in raw material costs (cashmere) cause an increase in the price of finished goods, the new price point may discourage the new younger crowd (who is more price sensitive and fickle). With the fall from Luxury Good status, traditional buyers of cashmere may decide not to reenter the scene. With fewer buyers in the market, prices will decline.

Well, that's it, my two-cents worth. I would be very interested in receiving a copy of your new article when it's published. You write very well. I greatly enjoyed your last article and passed it on to the American Embassy.

Sincerely,

Susan

** Realize that in Mongolia, the following distribution of cashmere reflects real distribution of Mongolian Cashmere in Mongolia. You can see that Mongolia has a great opportunity to increase domestic revenue by moving to finish product processing.

Market	tons	%
Raw cashmere	1500	30%
Tops and Combed	602	20%
Shirts, Trousers and other	127937 pieces	50%
Total	2800 T	66.6 MM USD