



The National Council of Wool Selling Brokers of Australia Inc

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From the desk of Chris Wilcox, Executive Director

- Softer week for Australian wool prices, but signs of improvement
- A report from the IWTO Virtual Roundtable
- AWTA test data down again in November
- Other upcoming industry events



Wool prices on the **Australian wool market** slid this week. After falling on Tuesday (the first sale day), prices for Merino and Crossbred wool rebounded in all three selling centres on Wednesday. However, for some microns (and particularly the fine and superfine wool in Sydney and Melbourne and finer Crossbred wool), this rebound wasn't quite enough to offset the declines of Tuesday. Prices in Fremantle were mostly higher for the week. Overall, the benchmark **Eastern Market Indicator** (EMI) fell by 6 cents to 1144 c/kg. The Southern Market Indicator was 9 cents lower at 1104 c/kg, while the Western Market Indicator fell by 2 cents to 1198 c/kg (even though prices for all microns bar the 21 MPG and the Merino Cardings indicator were reported to be higher). The Northern Market Indicator eased by 1 cent to 1208 c/kg respectively. The A\$ was stronger against the US\$ but fell against both the Euro and the Renminbi. The EMI fell by 2 UScents to 844 USc/kg, by 35 RMB to 5529 RMB/kg and by 12 €cents to 699 €cents/kg.

The **IWTO Virtual Roundtable** was held this week, with four regional/national Chat Rooms (Europe, Australia, the USA and China) and four Working Group meetings, as well as the IWTO Executive Committee meeting. I attended three of the Chat Rooms (including as a Panellist in the Australia Chat Room), two of the Working Group meetings and the Executive Committee meeting. Some of the highlights are reported below.

Around 40 people attended the **Sustainable Practices Working Group**, and they heard about the extensive activity with is starting to realise some success in getting attitudes to change about the sustainability of wool, particularly in Lifecycle Analysis. The Working Group's strategy has been use science to drive the arguments in support of wool. The Group, supported by AWI, has invested in a number of important projects including a major piece of work looking at the environmental footprint of products made from different fibres. This work includes wardrobe studies to record things such as frequency of washing/cleaning, the life of garments before replacement and so on. This and other work, as well as representations from other animal fibres, may be the reason for the Sustainable Apparel Coalition deciding to retire their single score for fabrics in the Higg Index. This single score has long discriminated against wool, particularly compared with synthetic fibres. However, there is significant concern in the Working Group about the European Union's Product Environmental Footprint rating system, which has very similar biases against wool. IWTO has been on the Technical Secretariat, pushing for a scientific, evidentiary approach. It has been a tough challenge because many of the 14-member Secretariat are from fast fashion brands which have their own reasons for maintaining the bias against wool. IWTO and AWI have been encouraging key wool-using retail brands to participate in the consultation process.

The **Europe Chat room** attracted 63 attendees in addition to the five panellists. Jane Turnbull from the European Outdoor Group presented the results of a survey that the Group had conducted about the impact of the COVID-19 pandemic on sales of members of the Group. While the impact has been devastating on sales, 98% of respondents said that their businesses will survive. The positive message from Jane was that

COVID-19 lockdowns and working from home had opened up significant new market opportunities for outdoor wear, which will be realised as the world recovers. The same cannot be said of the worsted woven market, with Peter Ackroyd commenting that this sector was down by 25% to 37%, and it may be hard to recover this market when things return to 'COVID-normal'. Miko Lindner of Sudwolle and Michael Modiano agreed about the decline in the worsted weaving sector, but both noted that the knitting yarn sector was doing better, including in outdoor/sports/leisure wear. All Panellists commented that the demand for and interest in traceability and transparency was growing rapidly, and that this needed to be communicated back to wool growers. They also argued for one industry standard for assurance, rather than the somewhat confusing plethora that currently exist. Finally, Mirko, backed by the Chat Room MC, Giovanni Schneider, argued that the wool selling system needs a rethink (but not regulation).

The **US Chat room** focused on the soon-to-be launched American Wool Assurance (AWA) program which had been developed by and will be managed by the Wool Council of the American Sheep Industries. As Paul Rogers and Heather Pearce explained, there will be three levels: AWA Educated; AWA Process Verified; and AWA Certified. The standards involved in the program are based on the Five Freedoms of Animal Welfare, and the presenters emphasised that American wool is unmulesed. The 26 people who attended the Chat Room also heard from David Trumbull on the situation with trade policy in the US as it affects wool. He noted that under President Trump, US trade policy shifted away from a focus on multi-lateralism and towards trade issues with individual countries and regions, which resulted in disputes with and action against China, the EU and others. In his view, there is unlikely to be much change in the first couple of years under President-elect Biden. He also commented that the trade dispute with China resulted in a decline in US exports of raw wool to China, which had been the largest export destination (but only of 5.1 mkg in 2017 and 3.6 mkg in 2018).

There were a number of presentations in the **Product Wellness Working Group** although quite a few of the Working Groups projects planned for 2020 had been brought to a halt due to the COVID-19 pandemic. The 25 attendees heard from five panellists. Angus Ireland, the Chairman of the Working Group, reported that the flammability study found that the best performing baselayer fabric was a 50:50 blend of merino wool and fire-resist treated viscose, with a fabric weight of 230 gms. This will be communicated to target audiences in the emergency services field in major countries around the world. Angus also reported that the Australian Defence Forces were looking at wool garments for cognitive health. Dr John Ryan of Allergy Standards Ltd explained that after a formal scientific and medical review working with the IWTO/AWI team, Allergy Standards now recommend that fine wool garments are asthma and allergy friendly. This is a significant step forward against the common misconception that wool garments causes or exacerbates allergies, including eczema. Cathryn Lee from AWI reported on the work being done with partners to develop wool facemasks. Nick Davenport of Lanaco gave a presentation on the use of wool in respiratory filtration applications in living and working spaces, in healthcare & medical fields, in appliances (such as vacuum cleaners) and in industrial & commercial areas. Finally, Roy Kettlewell presented the results of a study on wool's dynamic breathability – to illustrate the circumstance where this is important, Roy gave the example of a rock climber, who is hot & sweaty as they climb the rock face then face much cooler temperatures on the cliff top once they have finished their climb.

58 people attended the **Australia Chat room**. I was a Panellist, as was the NCWSBA President, Rowan Woods, Mark Grave (AWEX CEO), Ed Storey (WoolProducers President), Josh Lamb (ACWEP President) and Michael Jackson (AWTA MD). David Michell (Chairman of Wool Industries Australia) was the MC, and took the panel through five themes: Supply, the market and environment; COVID Impact and lessons learned; Customer demands; Technology & labour; 2021 – Crystal ball time.

My role was as the economist with the numbers-based view, while Rowan gave the perspective from the brokers. The views expressed by the other five panellists were often very much in sync, particularly about the issues which faced the Australian industry in 2020 (both COVID-19 related and the IT challenges) and the way the various industry sectors and organisations worked together to address the challenge to the auction system and to ensure that growers who wished to sell had the opportunity to do so in a competitive

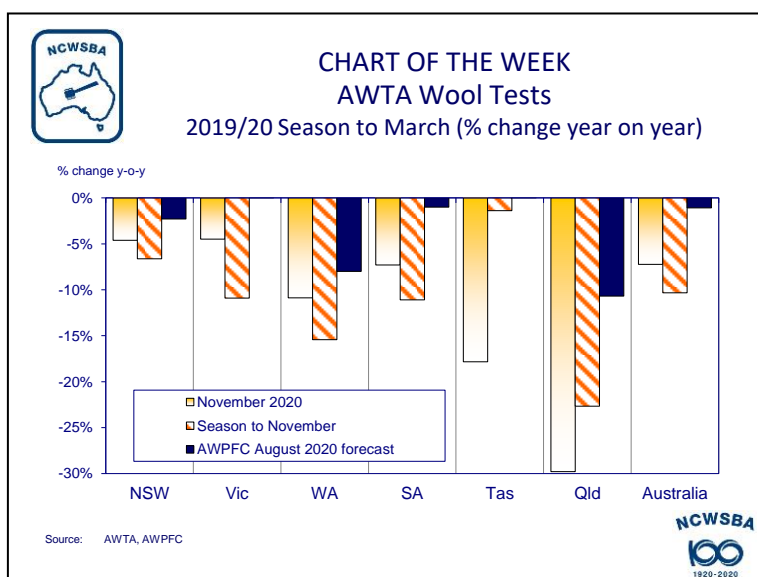
environment, albeit with reduced demand. There was also the agreed view that 2021 would see an improvement in demand, albeit moderate, hesitant, and uncertain (at least initially).

I was unable to attend the China Chat Room, but Samantha Wan (the 2019 NCWSBA Award Winner) did. I am grateful to Sam for the summary of the following key points: domestic demand strengthening, but there is concern for international markets (particularly those COVID is not under control); domestic market boosted by direct marketing & social media platforms; 'lots of shining spots around' in the market and this should be communicated to Australian wool growers; market volatility has forced risk taking, mills reading the market by their own understanding & taking a position; RWS not promoted much in Chinese domestic market BUT consider it a clear choice for value add; a cold winter expected and there is a hope for expansion of wool into womenswear.

IWTO will produce a summary of each of the Chat Rooms, which, along with any Powerpoint presentations, will be available to IWTO members (which includes NCWSBA members). I will let you know the details once they are available.

The latest **AWTA test data** shows that wool tested continues to track below the levels of a year ago. The weight of wool tested by AWTA in November was down by 7.2% compared with November 2019. At just 27.2 mkg greasy, the weight of wool tested last month is the lowest monthly total for November in the past 2 decades at least and almost certainly much longer. As noted by NCWSBA President, Rowan Woods, at the IWTO Roundtable on Tuesday evening, shearing has been slowed by wet weather in some areas and a shortage of shearers and shed-hands given the international boarder closures with New Zealand and the closures of state borders, at least until very recently. As well, with wool prices remaining low relative to much of the past five years and with reports of excellent grain crops which are currently being harvested, many growers are in no rush to sell their wool.

Wool tested in four out of five months so far this season have been below the levels of a year earlier, and the weight of wool tested for the five months to November is 10.3% below year earlier levels. This is very different to the August forecast from the **Australian Wool Production Forecasting Committee (AWPFC)**, which predicted a decline of 1.1% in shorn wool production this season. As the **Chart of the Week** shows, all states have recorded larger year-on-year declines in wool tests in the first five months than the season prediction from the AWPFC. The Committee meets on 16th December to review its current forecast. It will be a tricky meeting as the Committee will need to make judgements about how much effect the shearing delays and on-farm stocks is having on wool test volumes. One thing is clear from the AWTA key test data – fleece weights are, in general, higher in most states, with the exception of WA.



INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** will meet on 16th December 2020 to review its current forecast of wool production for the 2020/21 season.

The **2021 IWTO Congress** is scheduled to be held in Kyoto, Japan in May 2021.

WOOL SALES WEEK BEGINNING 7th DEC 2020 – week 24 (roster as at 02/12/2020)

<u>Sydney</u>	Tues 8 th Dec; Wed, 9 th Dec	10,088 bales
<u>Melbourne</u>	Tues 8 th Dec; Wed, 9 th Dec	23,850 bales
<u>Fremantle</u>	Tues 8 th Dec; Wed, 9 th Dec	7,884 bales