



ASI Annual Convention
Denver January, 27th

World Wool Market 2017

presentation by Goetz Giebel

World Wool Market 2017



My professional background

- Contact with the American Wool Council goes back almost 25 years when I was purchasing raw material for Bremer Woll-Kaemmerei, Germany, integrating US wool in the topmaking programmes
- Through my 18 years with Suedwolle, Germany, a leading worsted wool spinner as director for raw material procurement and yarn sales into the outdoor market
- Since three years working as a consultant in the wool industry on projects with companies from raw material through manufacturing to garment making
- President of Interwoollabs, an organisation set up by IWTO for the harmonisation of Almeter and Micron tests
- Several visits over the years to US warehouses of most regions and contacts over many years with exporters
- Regular contact with the Wool Council at IWTO and other occasions
- Large industry network to liaise with for the benefit of wool use and information sourcing

World Wool Market 2017



My role in the American Wool Council

- Marketing and promotion, creating more awareness, supporting especially wool categories which are in weaker demand
- Contacts are made directly with companies identified as potential users for US domestic wool
- Establishing new contacts at fairs and looking out for new opportunities to integrate wool
- Liaise with FAS overseas to help inform about our programs and identify opportunities
- Looking at new or upcoming manufacturing technologies to assess promotion of wool in that area

World Wool Market 2017

Situation Overview

- Wool Facts
- Production Countries
- Supply Situation
- Industry
- Situation and Challenges



World Wool Market 2017



Wool Facts

- Wool represents today **less than 1%** of all textile fibres
- No man-made fibre has been developed **to match all wool properties**
- **Wool is used** consistently in apparel **since approx. 5000 B.C.**

World Wool Market 2017



Wool Facts

- **NATURAL**: renewable, sustainable, biodegradable, low carbon impact, energy efficient in production
- **HEALTHY**: breathable, can take up to 30% moisture until it feels wet, toxic chemical absorption, sound reduction
- **SAFE**: flame resistant, UV protection, static electricity reduction, high thermal resistance

World Wool Market 2017



Wool Facts

Technical Details:

Fineness 14 to 40mic + **Length** 45 to 100 mm+

Elongation 25 – 45 % dry 110 – 130 % wet

Elasticity 60-70 %

Breaking strength 1, 0 – 1,6 c/Ndtex (very weak!)
wet 80 – 90 % of the dry strength

Density 1,31 g/m³

high elasticity and crease resistance

poor heat conductivity but high heat retention

low electric charging, high feltability (if untreated), surface: scales

World Wool Market 2017



Production Countries

*all in million lbs clean => 1 lb clean equals abt 0,75 lb spun and dyed yarn

USA approx. 22 or 16,5*

Australia 463*- South Africa 60*- Argentina 60*- Uruguay 53*- New Zealand 13*(Merino)

Large **quality variations amongst the countries**, limiting raw material use for certain articles

Volumes are stabilizing, except for Australia where decline of sheep numbers continues:
1990 = 175 Mio sheep/ 1.168 billion lbs* 2016 = 72 Mio/ sheep, now annually 2-3% less

Reason for this development is increased demand for crops, cattle and high production costs related to alternative agricultural products

World Wool Market 2017



Supply Situation

Annual wool season: from 1st July to 30th June, all production in southern hemisphere

Good seasonal growing conditions for 2016/7 in most countries

Argentina/Patagonia still recovering from drought effects: sheep numbers and volumes are reduced

Continued shift of micron from medium/coarser to fine and superfine wools in 21 – 14 mic (Cashmere ranges mostly 15-17 mic at prices up to ten times wool prices)

Low stock of raw material policies -> demand increase immediately pushes prices up

Improved demand for finer wools changed price ratio between 17 mic and 23 mic from 60 Auc/kg to now 600+ Auc/kg difference during the period June to Jan 2017

New Zealand Merino (NZM) practically consumes 90% of all NZ Merino in 17,5 – 20 mic for their supply chain contracts

Wool prices are expected to stay stable with fine mic keeping a larger difference to medium micron

Week
29

Weekly Wool Market Report

www.awex.com.au

Thursday, 19 January, 2017

Compared to week 28, Thursday, 12 January, 2017



we know wool



	North Sydney	South Melbourne	West Fremantle
Ind.	1506▲ +16	1387▲ +10	1476▼ -22
16.5	2035 +66	2015 n +102	
17	2016 +73	1970 +71	
17.5	1988 +86	1955 +82	
18	1931 +70	1874 +35	1873 n +24
18.5	1858 +55	1817 +41	1822 n +24
19	1761 +28	1743 +31	1713 -11
19.5	1670 +8	1660 -4	1649 -20
20	1583 -4	1575 -1	1549 -39
21	1478 -17	1473 n -6	1438 -43
22	1426 n -18		1419 n -44
23			
24			
25		1049 n 0	
26	930 -11	933 n -6	
28	665 +3	664 +1	
30	575 -4	551 -17	
32		423 n -38	
MC	1165 n +1	1171 +8	1185 n +14

AWEX Comment

AWEX Online Early Access
Commentary is currently being compiled; a final version of the WMR with completed commentary will be released later today.



World Wool Market 2017



Wool Industry - Manufacturing

Main Wool industry sectors for apparel are:

- **in weaving, knitting, felting** - as woolen, worsted or loose material
- weaving (e.g. suits fabric) has lost the largest market share over the past ten years
- with production mainly in Turkey, China, Italy and USA/Mexico
- **flatknitting** (e.g. sweater manufacturing), has been stable over the years
- with production in mainly China, various EU countries
- **circular knitting** (e.g. next to skin knitwear) and hosiery (e.g. socks) increased most
- large volumes from China and EU countries, last years big growth in the USA

World Wool Market 2017



Wool Industry – Changes

Contraction – after years of increased capacity in China topmaking is now reduced, with margin improvements and increasing pressure for spinners

EU topmaking – two smaller mills will be set up in Bulgaria, especially for flat- and handknitting type qualities

Knitwear Development Center of Xinao, China – an initiative to collaborate with universities, brands and Woolmark support to come up with new technology possibilities for knitting yarns and fabric finishing. To have closer ties with customers.

Marketing – plays an increasing role for traceability purposes of raw material, differentiation to competitors with stories about product, manufacturing and lifestyle; for better margin products „green“ certificates are no longer enough to achieve better prices

Responsible Wool Standard (RWS) – a consequence of PETA forcing large brands to take action re. animal husbandry, RWS is suggested – apart from high cost for the industry, it is largely not practical to be applied at larger farms, consequences for wool production are feasible

Südwolle – after Safil acquisition capacity increased to a need of approx. 15% of worldwide available Merino wool, this is a critical level, hard to manage with less suppliers and an aim for low prices. Purchasing becomes a very strategic approach with high risk, buying evenly throughout the year is not possible



World Wool Market 2017

Wool Industry Challenges

Increasing number of **small and medium brands** establishing (e.g. Duckworth, Outlier, Wool & Prince, Alchemy, Maloja etc.) with requirements for small orders, specialities, requests for permanent newness

Lack of new **spinning technology, small top-dye capacity in the US limits growth of the industry, this requires** to import dyed yarn

Changes at Burlington and a new circular knitter establishing in S.C. may offer access to more capacity and competence

Market is looking for **more blends with functions** (e.g. Invista with Cordura, high tensile strength nylon) or treatments (non-chlorine, water/stain repellency)

Woven wool blends with lamination, treatment etc. start to **enter the outdoor/urban wear market**

In general **less wool share in fabrics due to cost** – boom for 100% wool seems to be over – market is growing with more participants, offering a broader basis for wool use and new areas (e.g. shoes)

Duty advantages for many countries with min 51% + wool content, **no duty from Vietnam and Ethiopia into EU and USA** creates shift of production to new producing countries

High **risk of fast raw material price** and exchange rate **changes remain**

RWS impact for the wool industry and it's consequences are unclear at the moment

World Wool Market 2017



Conclusion

- Wool remains in good demand
- Application in a broader product range
- Price volatility has to be accepted due to the small size of the market
- Increasing number of consumers using wool and blend products

World Wool Market 2017



Thank you!