International Marketing Update for the Wool Council

ASI Convention 2019

Barry Savage - ASI
Total US Wool Exports Oct-Sept 2017/8 vs 2016/7

- Wool Production & 2018 Market
- US Production & Exports.
- International Program Activities.
World/USA Wool Production & 2018 Market

- **World wool production** – Down 1.4% to 1,140,538 Metric Tonnes clean in 2016. Small decrease expected in 2017.

- **2017 US wool production** - Down 3.9% to 24.7 m lbs greasy (12.35 m lbs clean). 2018 production available end Jan 2019.

- **Market volatility** (see slide 5) throughout but particularly the second half of 2018. Fine wool prices remain strong – EMI up 4% YOY. Coarse wools remain volatile and weak with large stocks worldwide.
## US Sheep Numbers/Wool Production

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>US Sheep numbers (million head)</td>
<td>5.20</td>
<td>5.23</td>
<td>Est 5.23</td>
</tr>
<tr>
<td>Wool Production (M lbs greasy)</td>
<td>25.7</td>
<td>24.7</td>
<td>Est 24.70</td>
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<tr>
<td>Wool Production (M lbs clean)</td>
<td>12.85</td>
<td>12.35</td>
<td>Est 12.35</td>
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<tr>
<td>Total Exports (M lbs clean)</td>
<td>6.96*</td>
<td>8.64*</td>
<td>10.30*</td>
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<tr>
<td>% Exports of Wool Production Incl Noils/Wastes Exports</td>
<td>54.16*</td>
<td>69.96*</td>
<td>83.40*</td>
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Source: USDA – Oct/Sept

*Excludes top exports to Mexico, includes Noils/Waste Exports
Australian Wool Prices At Unprecedented Levels
- Eastern Market Indicator

Week ending prices to 7th September 2018
Source: Chris Wilcox-AWEX, Reserve Bank of Australia
Note: EMI is on the 2017/18 basis
Total US Wool Exports Oct-Sept 2017/8 vs 2016/7

1) 2018 total US Wool Exports by volume = + 19.2% to 10.3 m lbs clean, an increase from 8.6 m lbs in 2017.

2) By volume = 83.4% of the 2017 US wool production.

3) By Value = +16.9% to $26,402,000.

4) Greasy wool = 70.4% of Total Exports by volume.

5) High Clearance rates in all products.
2017/8 US Wool Exports by Major Destinations

CHINA DOMINANT:

BY VOLUME:
• 6.04 m clean lbs, an increase of 37.6% over 2016/7.
• 58.65% of all US exports for 2017
• 49% of the 2017 US wool clip.
• Greasy wool 93.4% of China’s US wool imports.
• Time pressure to have all US wool imports in China by Sept 1 to avoid the 10% penalty tariff a factor in volume increase.

BY VALUE:
• $17.1 m = 64.7% of total US exports.
2017/8 US Wool Exports by Major Destinations

2) **MEXICO** - #2 destination
   - 1.2m lbs clean of US wool totaling $1.9m.
   - 86.8% increase vs 2016/7 – majorly scoured wool.
   - 11.5% of total US exports.

3) **WESTERN EUROPE** - #3 destination
   - 1.05m lbs clean totaling $1.8m. Reduced 11.6% vs 2017.
   - 10.2% of US exports.
   - Wide product spread - greasy wool, scoured wool, noils, waste & wooltops.
4) **EASTERN EUROPE** - # 4 destination
   - 0.6m lbs clean of US wool totaling $1.8m. Reduced 34.2% versus 2017.
   - 5.7% of total US exports.

5) **INDIA** - # 5 destination
   - 0.5m lbs clean totaling $1.5m. Reduced 46.4% vs 2017.
   - 5.2% of US exports. Poor domestic and export market situation.

6) **CANADA** - # 6 destination
   - maintained volume 276,000lbs and $0.7m
   - 2.7% share of US exports.
2017/8 US Wool Exports – Challenges

• Replace 50 – 60% (volume basis) of US total export volume – assuming China penalty tariffs are implemented March 1, 2019 as currently set (6.04m lbs clean, $17.1m). Greasy wool accounts for 93.4% of that export.

• ASI is working with US wool exporters to identify alternative markets - major ones include India, Western Europe, Eastern Europe, Egypt, Mexico and Sth America. Location of early stage processing capability will be a key factor.
2017/8 US Sheepskin Exports

- Last 5 years China has imported 70 – 90% of all US Pelt exports by both volume and value. Same China penalty tariff issues as wool.

- Pelts Pricing
  - Last 3 years, Pelt prices averaged US$13.89 - $14.67 for premium types.
  - Current prices US$8.00 - $9.00.
  - Indications by China are that prices for 2019 will be “significantly less than this !!!!”

- Issue - Reduced manufacturing capacity in alternative markets to China – eg Turkey and Russia - as China took over the market.
2017/8 International Program Activities

• USA Delegation (10) attended IWTO Congress Hong Kong May 2018. Very well supported by major US Exporters and Manufacturers.

• Other Trade/Reverse Trade Missions 2018
  • China – Wool RTM – 3 Buyers – purchased 0.75m Kgs cln, $2.1m.
  • Pelts – 2 Trade Missions – China.
  • Wool – 8 Trade Missions – China, Europe, Sth America.

• High utilization FAS funding to assist/promote US wool and Sheepskins exports