

International Marketing Update for the Wool Council

ASI Convention 2019

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AMERICAN WOOL

AMERICAN WOOL COUNCIL

a division of the American Sheep Industry Assn.



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

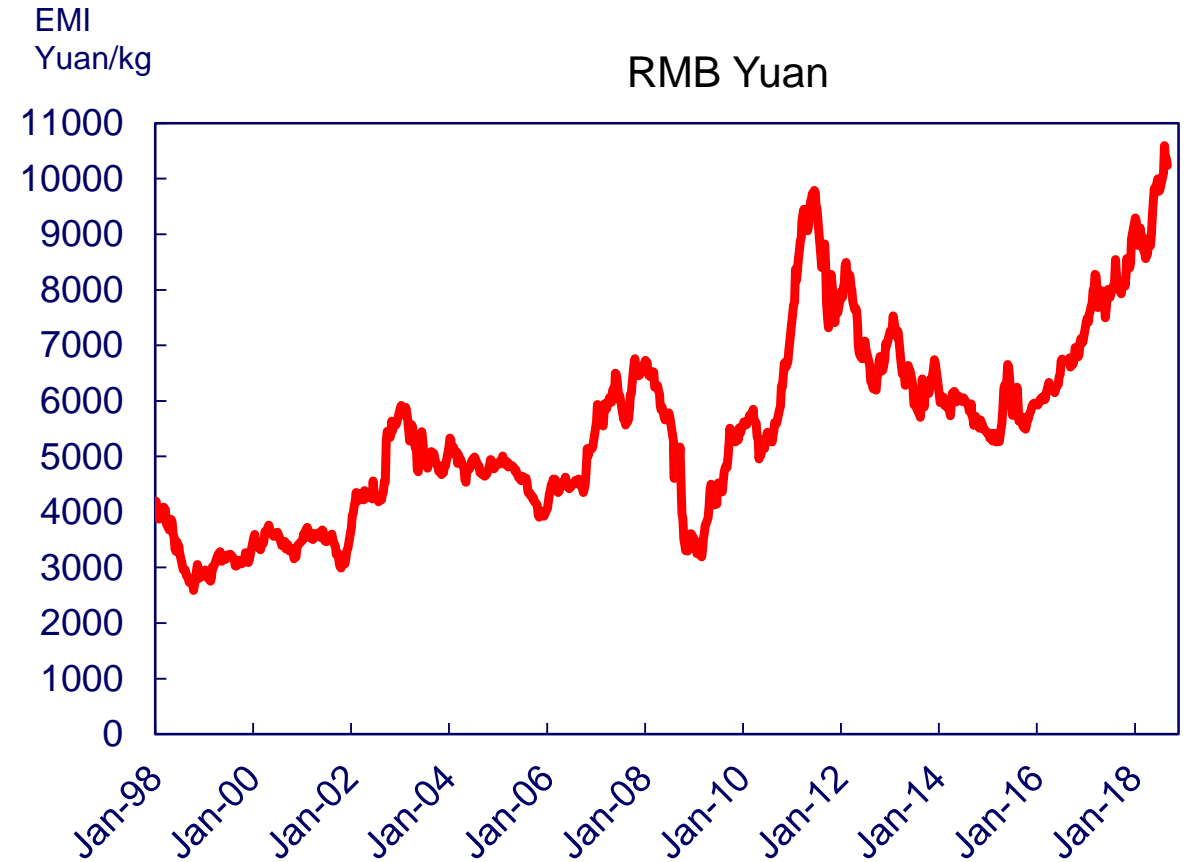
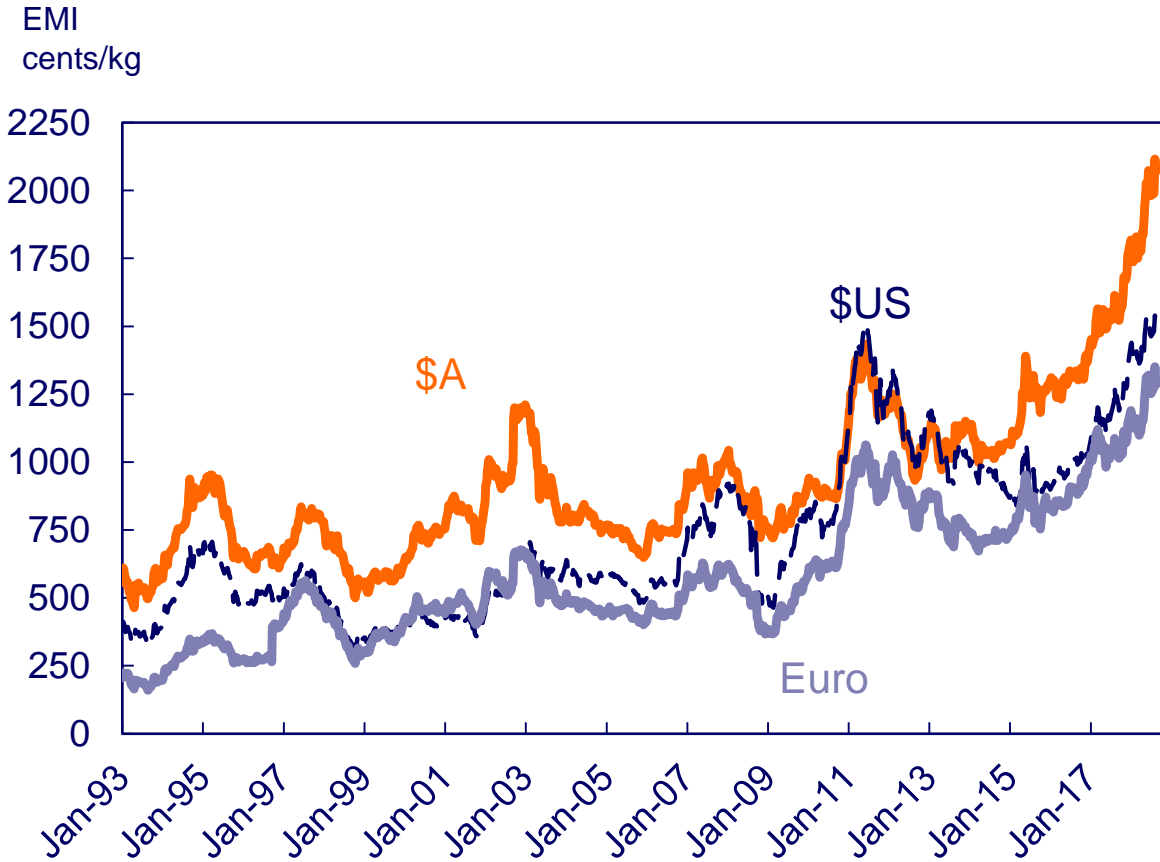
	2016	2017	2018
US Sheep numbers (million head)	5.20	5.23	Est 5.23
Wool Production (M lbs greasy)	25.7	24.7	Est 24.70
Wool Production (M lbs clean)	12.85	12.35	Est 12.35
Total Exports (M lbs clean)	6.96*	8.64*	10.30*
% Exports of Wool Production Incl Noils/Wastes Exports	54.16*	69.96*	83.40*

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.



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2017/8 US Wool Exports by Major Destinations

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