International Marketing Update for the Wool Council

ASI Convention 2020

Barry Savage - ASI

- Wool Production & 2019 Market
- US Production & Exports.
- International Program Activities.
World/USA Wool Production & 2019 Market

- **World wool production** – Down 1.3% to 1,154,000 Metric Tonnes clean in 2018. Further decrease expected in 2019 mostly due to the severe drought in Australia.

- **2018 US wool production** - Down 2.0% to 24.4 m lbs greasy (12.2 m lbs clean). 2019 production available end Jan 2020.

- **Market volatility** throughout but severe price drop from the middle of the year onwards. End Nov 2019 EMI at 1057 usc/Kg, down 21.6% Year on Year. A$ 6.3% weaker Year on Year.
<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Sheep numbers (million head)</td>
<td>5.24</td>
<td>5.23</td>
<td>Est 5.23</td>
</tr>
<tr>
<td>Wool Production (M lbs greasy)</td>
<td>24.7</td>
<td>24.4</td>
<td>Est 24.4</td>
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<tr>
<td>Wool Production (M lbs clean)</td>
<td>12.35</td>
<td>12.2</td>
<td>Est 12.2</td>
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<tr>
<td>Total Exports (M lbs clean)</td>
<td>8.64*</td>
<td>10.3*</td>
<td>7.58*</td>
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<td>% Exports of Wool Production Incl Noils/Wastes Exports</td>
<td>69.96*</td>
<td>83.4*</td>
<td>62.1*</td>
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Source: USDA – Oct/Sept

*Excludes top exports to Mexico, includes Noils/Waste Exports

1) 2019 total US Wool Exports by volume = -26.4% to 7,581 m lbs clean, a decrease from 10,296 m lbs in 2018.

2) By volume = 62.1% of the 2018 US wool production.

3) By Value = -31.5% to $18,083,482.

4) Greasy wool = 63.6% of Total Exports by volume.

5) Highest season Carry Over in recent memory. At least 20% of clip (approx. 5m lbs greasy weight). Could be as high as 30%?
2018/9 US Wool Exports by Major Destinations

CHINA still major client:

BY VOLUME:
- 2.392 m clean lbs though a decrease YOY of 60.4% over 2017/8.
- 31.5% of all US exports for 2018/9
- 19.6% of the 2019 US wool clip.
- Greasy wool 82.6% of China’s US wool imports.
- Likely a further significant decrease in 2020 if no tariff war solution (approx. 50%?)

BY VALUE:
- $5,898,000 m = 32.6% of total US exports.
2018/9 US Wool Exports by Major Destinations

2) **Egypt** - # 2 destination
   - 1.5m lbs clean of US wool totaling $4.3m.
   - Significant increase vs 2017/8 – greasy wool.
   - 20.2% of total US exports.

3) **WESTERN EUROPE** - # 3 destination
   - 1.3m lbs clean totaling $2.7m. +24.7% vs 2018.
   - 17.2% of US exports.
   - Wide product spread - greasy wool, scoured wool, noils, waste & wooltops.
4) **Mexico** - # 4 destination
   - 0.7m lbs clean of US wool totaling $0.99m. Reduced 40% versus 2018.
   - 9.4% of total US exports.

5) **INDIA** - # 5 destination
   - 0.5m lbs clean totaling $1.5m. Reduced 1% vs 2018.
   - 7.0% of US exports. Poor domestic and export market situation.

6) **Eastern Europe** - # 6 destination
   - maintained volume 0.34mlbs and $1.08m
   - 4.5% share of US exports.
2018/9 US Sheepskin Exports

1) 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.

2) Issue - Reduced manufacturing capacity in alternative markets to China – eg Turkey and Russia - as China took over the market.

3) Global price drops of pelts in all origins due variety reasons:
   a) Strong USA economy & currency. Major consumer market (Russia) poor.
   b) Changes in consumer demand for sheepskin products:
      • Animal rights movement + perceived greenhouse effect in livestock production
      • Environmental costs to produce leather
      • Low cost of synthetic substitutes
      • Poor marketing by the leather industry
      • China Trade war & other world trade issues
2018/9 International Program Activities

• USA Delegation (10) attended IWTO Congress Venice April 2019. Very well supported by major US Exporters and Manufacturers.

• Other Trade/Reverse Trade Missions 2019

  • Pelts – 1 Trade Missions – Europe.
  
  • Wool – 3 Trade Missions – China (Nanjing Wool Market), Europe, Egypt.  
    + One Reverse Trade Mission from Western Europe

High utilization FAS funding to assist/promote US wool and Sheepskins exports
2019/20 US Wool Exports – Challenges

• Replace approx. 30% (volume basis) of US total export volume – assuming China penalty tariffs continue.

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