Challenges and Opportunities For Our Wool Industry
Underlying Demand Growth
Asia is driving the global economy (& spending)

GDP expresses total economic value, and GDP/capita drives consumer spending.
A/P14 dominates the global economy, and by 2017 it’s equivalent of Eurozone + USA.
As GDP per capita rises, spending changes:

- **$0**: ASEAN
- **$5,000**: ASEAN
- **$10,000**: China
- **$15,000**: Russia
- **$20,000**: US, Japan, Western Europe, Australia
- **$25,000**: Health and Financial Services
- **$30,000**: Better Cars and Housing
  - Entry Cars, Housing, FMCG Brands
  - Premium Goods
  - Mobile Phones, TVs, Basic FMCG, Motorbikes

Source: IMA-Asia, IMF, AWI (Jun 2015)
Disposable Income and Expenditure on Clothing

Major Consuming Countries

Source: Euro-monitor (Jun 2023)
Major Consuming countries Income – Age Demographics

Source: Euromonitor (Jun 2013)
Bolstering Wool’s Environmental Credentials

Greenpeace, Sustainable Apparel Coalition (SAC), and MADE-BY are influencing brand/retail sourcing policy

SAC & MADE-BY rate wool worse than poly, nylon or acrylic

The big issues are poor quality data, poor assumptions, and some old chemistry still being used (chrome dyes, APOE detergents)

For AWI, wools eco-credentials are a priority. We are:
- addressing data gaps, and poor methodology (LCA)
- developing alternative processes (product innovation)
- training for processors (trade education)

Wool needs to be seen as a key part of a lifestyle of health and sustainability

We have a good story to tell – we just need to tell it!
Income distribution

Source: IMeRise, AWI (Mar 2013)
Income distribution

High retail price per kg per year

Grow

Luxury suitings

Mass market suitings/trousers

Mid-layer knits (e.g. cardigans)

Coarse woven jacketing

Bedding

Low retail price per kg per yr

Occasional /seasonal

Every day

Create

NEW: Babies Medical Underwear Sleepwear

NEW:
Babies
Medical
Underwear
Sleepwear

Defend

Socks
Key Messages

• Demographic trends are affecting our markets

• The trend is moving towards ‘Affluent ageing’ and ‘Little emperors’

• Rise in affluence brings LOHAS (Lifestyle of Health and Sustainability) consumers

• New category development is critical (Sportswear, Mothers and Babies)
Global Fibre Market Dynamics
In line with global population growth, fibre consumption is rising fast, especially Man-made fibres. By comparison, wool has been remarkably static.
Wool: an increasingly rare textile fibre

Over the coming decades, wool’s volume share will decline to < 1% of total. MMF will probably represent ~70%.
While recovery in wool production is underway, it will be very slow.
Changes to The Australian Wool Clip

Fresh wool test volumes (mkg)

Source: AWI, AWTA (Jun 2015)
Australia dominates apparel wool supply – now, and future
The rise in the value of the AUD has dramatically affected AUD wool prices.
Other Fibre Price Ratio – Cotton

Source: AWEX, Cotlook A, AWI (Jun 2013)
Other Fibre Price Ratio – Polyester

Wool/Poly price ratio

Avg: 3.6

Avg: 4.5

6.4

Source: AWEX, PCI Fibres, AWI (Jun 2013)
Other Fibre Price Ratio – Acrylic

Wool/Acrylic price ratio

Source: AWEX, PCI Fibres, AWI (Jun 2013)
Luxury Fibre Price Ratio – Cashmere

- Cashmere indicator (USD/Kg)
- Merino 18.5 MPG (USD/Kg)

Source: Schneider Group, AWEX, AWI (Jun 2013)
Wool Price Outlook

AWEX EMI

Note: Historical trend line from July 2001 - Nov 2010 is for the purpose of contextualisation.
Key Messages

- USD/AUD Exchange rate affects the prices we receive. It is largely outside our control and subject to ‘currency wars’

- Increase competition in alternative land use significantly impacts global wool supply

- Supply will remain tight, and Australia’s dominance of fine apparel wool supply unchanged

- Our fibre has evolved from a commodity to a luxury
Thank You