



SPRING 2020 NEWSLETTER

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# Macdonald & Co Carmichael & Co

## ***WHAT LIES AROUND THE CORNER?***

It's quite surreal to think about the contrasting situations we have found ourselves in over the last 9 months since our last newsletter. In December, 2019, it was drought that was top of mind as survival mode was the order of the day. Most of us dodged the worst of the bushfires and, just as the season began to turn, we had the wool industry computer network hacked and lost a week of selling, then went into the pandemic.

This newsletter will look at what people up and down the pipeline are thinking as everyone from growers to retailers grapple with the dramatically changed world we live in and where we might find some positives in the changes brought about by Covid-19.

Firstly, at base camp here, there have been some big changes and we are very pleased to welcome aboard the clients and staff of Carmichael & Co. Woolbrokers. Carmichael & Co. is a new trading entity established earlier this year as a consequence of the amalgamation of TW Green Wool into Nutrien. TW Green Wool had been around since 1905 and traded continuously up until March this year. Jason Carmichael had been the manager in Sydney for the last 12 years and, along with Steve Blyton at Cooma, Les Storrier at Crookwell, Chris Drum at Cootamundra, Bernard Sheridan at Wellington and Reg Walls at Guyra, have joined the Macwool group and operate side by side with Macdonald & Co on the Yennora showfloor. Jason (also an auctioneer) is based at Yennora with Ian Sharp and we can honestly boast to have the best selling team in Sydney!

Much of the wool from the new entity will be through the Dubbo store as well as

centres like Cooma, Goulburn, Yass, Bathurst and Tamworth. Private buying will continue to be done through depots at Cootamundra, Wellington, Crookwell, Guyra and Cooma.

So there will be many new readers to this newsletter from the New England right down through the south west slopes and on to the Monaro. We welcome you all on board.

Front of mind right throughout the pipeline is what will a recovery look like and how long will it take? There were stories coming from the northern hemisphere retail section very early on about cancelled orders and returned stock just as the spring/summer collection was being launched and we thought we've dodged a bullet there (lucky it wasn't the autumn/winter collection). Well we're not so sure now as the reverberations of a huge drop in consumer discretionary spending flow backwards down the pipeline. The work from home situation poses some of the biggest issues and raises discussion around how much of the working population will continue to work from home after things resume with the "new normal"?

It is a natural function of any market that, in times of subdued demand, stock will accumulate along the pipeline and presently there are, of course, unsold garments at one end and accumulating greasy wool at the other end. No one would really have a clue how much stock would be in between in the form of greasy wool at mills, wooltop, yarn, cloth, etc. I am of the firm opinion that we do ourselves no favours by talking in the media about "the growing stockpile". There have been

stories recently on Landline about a 1.5 million bale stockpile by the end of June 2021 and some even have forecast a stockpile by next year rivalling the 1991 stockpile after the collapse of the reserve price which was 4.7m bales! Not only are these all grossly exaggerated figures and wildly inaccurate but they serve us no good whilst the rest of the pipeline will remain tight lipped about their own stock positions.

The reality is that wool production is at a 100 year low having lost 70 million kilos over the past two seasons. The period leading into this situation saw a complete run down of greasy stocks due to very good prices and if ever there was a time to have record low production then now was as good a time as any. What is important (and we continually receive feedback from exporters about this) is that when there are stronger demand signals, we carefully feed the pipeline in an orderly fashion and not have wildly fluctuating offerings. The recent July three week recess was a good example of what not to do as three week's supply came to market in one hit at a time where demand clearly couldn't handle it so there is a strong case for both brokers and exporters to work through these issues around rostering and recesses and strike some better common ground for everyone's benefit.

The signals for recovery aren't there yet. A vaccine for Covid-19 will be a critical step towards a global recovery but thoughts are that China will lead the economic recovery and the 300 million plus affluent middle class there will be a good place to start. During this past six months AWI have halted most of the marketing programs

keeping their powder dry for where the opportunities might come. This is one area that they are keen to get to the front of the queue for consumer dollars.

The other areas that many think will provide opportunities post-Covid are in the areas of sustainable, bio-degradable, natural and slow fashion. Nothing new here but the feeling is that this trend will be accelerated as consumers become more conscious of the effects on the environment. This push is very strong in Europe and we have included a couple of articles that demonstrate their thinking and how it may provide opportunities for the future of wool.

**Regards**  
**Don Macdonald**

### **Time to Embrace Slow Fashion**

During this year's IWTO Congress Giovanni Schneider (CEO of luxury fibres supplier, the Schneider Group) examined how the global fashion industry might reshape itself in the wake of the coronavirus pandemic and the potential opportunities for the wool industry.

Like most parts of the textile and clothing industry Covid-19 has hit wool textiles hard with a sharp drop in demand for wool products and plunging prices for the raw fibre. Nevertheless, the pandemic also has the potential to provide new opportunities for companies across the supply chain as consumers' habits change.

This was the theme picked up by Giovanni Schneider during this year's digital IWTO Congress held on 20-23 May.



*Giovanni Schneider, CEO of Luxury fibres supplier, the Schneider Group*

In a pre-recorded video presentation which formed part of the Market Intelligence Session held on the first day, Schneider observed that even before the Covi-19 pandemic demand for wool products had been falling due primarily to very weak

demand for classic menswear and the difficulty in compensating the volumes lost in suiting with new products.

While wool's relatively high price may be a significant challenge in attracting consumers to new products, he added that a second reason is "we haven't been able to tell our beautiful story well enough to an ever-changing customer".

He stressed that the impact of coronavirus now provides an opportunity to reassess how wool is positioned in the marketplace and observed that wool's key advantage is that it offers a distinct alternative to fast fashion which may become less attractive in a post-Covid world.

"Fashion is a broken system, extremely inefficient, which destroys everything it touches: from its suppliers to its customers including, as we finally understand, the environment", he said.

"Even before coronavirus the industry leaders were not optimistic about 2020 and, during the rest of the year, retailers will be forced to discount and clear their stocks and brands will have to find new ways to regain value and bring back customers to their stores. The world of bargain shopping will face big challenges as the shopper's mindset will hopefully change. We have a new chance to reset a system which is no longer working."

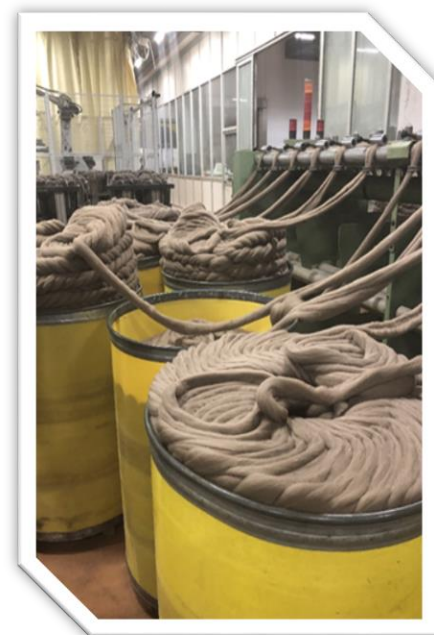
Schneider called on the fashion industry to adopt greater levels of reshoring noting that the pandemic is "forcing us to make greater efforts to strengthen European economic independency by investing at home in industrial sectors in which we have become overdependent on imports.

"We have to rethink globalisation: fashion brands must learn from this global trade disruption that the value chain must be reinvented. They must strengthen regional supply chains and eventually integrate with some of their strategic suppliers and customers."

Sustainability will now become even more important for fashion labels, he suggested, pointing to growing signs of action. In April, for instance, Allbirds (which makes shoes using Merino wool and other sustainable fibres) became the first fashion brand to label its carbon footprint like calories. Meanwhile, the Science Based Targets Initiative now involves 900 of the largest companies in the world including several top clothing brands.

Schneider noted that the coronavirus crisis, "came with a profound anthropological shock as we have decided to place the human being in the foreground putting

aside the economy, the consumers and the financial institutions. This new humanistic approach will also involve a stronger commitment to climate change which seemed very far away when it affected Africa and the Pacific but now it has somehow reached us and woken us up.



*Wool tops of naturally coloured wool at Schneider's Italian mill.*

"Pollution, economic crises and viruses have no boundaries. Fashion is a consumer-driven industry and is now reconsidering its role in society as its customers become more aware of the side effects on our planet of their compulsive shopping habits. Sustainability will be employed as a way to regain consumers' trust. The main focus for every industry, including ours, will be decarbonisation and circularity."

Schneider examined the 18 month-long journey that a metre of cloth or a kilo of yarn must go through before being sold to the final customer beginning with the presentation of the fabric or yarn at textile trade shows followed by the design of the garments, fashion shows, production, delivery to store and, finally, sale to the consumer.

"This hectic system has never been our world," he said. "In this environment we couldn't compete. The world of wool is much slower and follows the rhythm of nature."

With increasing unemployment and consumer uncertainty across the world, Schneider observed that a recovery for the fashion industry remains a distant prospect. "Demand for clothes will stay low for a long time," he said, "and, in this new environment, the future of the wool industry depends on our ability to increase

our market share which has never been this low. We must learn to get together and cooperate as each one of us, individually, is too small to drive any change. We must emerge as a sustainable, traceable, open and cooperative industry and solve issues like animal welfare, sustainability and decarbonisation.”

He added, “We need a drastic change in our mentalities. How can we imagine to do better and finally increase the market share of wool in clothing if we keep working the same way our grandparents used to run their businesses? We should stop fighting against each other and focus on man-made fibres. We must work together with animal welfare NGOs and we should team up with other industries like cotton and cashmere.”

Schneider also pointed to various indicators which he believes the pandemic might bring an end to “extreme consumerism” as many people start rejecting the idea of buying goods in large volumes because of its environmental impact. For instance, the market value of secondhand clothing in the US has reached US\$25bn and is expected to double in the middle of this decade surpassing the sales of fast fashion. “Secondhand consumers simply find vintage clothes more interesting allowing them to be more creative,” Schneider said. “The secondhand market is reducing pressure on our planet and used clothes are cheaper than new ones allowing designer pieces to fit into your budget.” He added, “wool garments are amongst the longest kept in the wardrobe, are washed less frequently and tend to live on through resale or change of ownership.”



Schneiders at their mill in Italy

Schneider concluded by pointing to recent comments from Giorgio Armani observing that the decline of the fashion system began “when the luxury segment adopted the operating methods of fast fashion.” Schneider stressed that “this pause is giving the world a chance to renew the pace of proposing ideas, defocusing on

production cycles and working in harmony with the seasons allowing a more livable and, therefore, quality-driven fashion. This is slow fashion. This is the world of wool. This is a message of hope for all of us.”

*As originally published in Twist/www.wtin.com*

### Welcome to Stephanie Frost

Visitors to our Dubbo office recently will have met our newest team member, Stephanie Frost. Stephanie has been with us since April in the front office helping Sharon with all the day to day duties and learning the complexities of wool brokering. Born and raised at Tottenham (née Fragar), Stephanie continues a long connection of Tottenham employees in the business which commenced with Steve McCarthy in 1988 and is the sixth Tottenhamite to work in the business since then. We are very pleased to have her as part of the team.



### Global Collaboration Forecasting Key Post-Covid Trends

A new report produced by fashion and textile publications from 10 different countries predicts a major re-thinking of several aspects of the industry in a post-Covid world. The content is divided into three key themes: businesses; fashion trends during lockdown; and sustainability issues.

The report predicts that brands emerging from the Coronavirus pandemic will find inspiring new ways to approach seasonal collections with more focus on capsule collections and in-season retail as well as ever greater collaboration and alliances amongst brands.

“While sustainability is here to stay, new styles and trends have emerged from lockdown as supply chains are upended and the relentless acceleration towards digital collections and purchasing habits has entered a new phase providing those in the industry with an opportunity to re-think the future of fashion,” the report states.

Other predictions and trends to emerge include:

- An expected shift towards more restrained, timeless collections – just as wartime fabric rationing paved the way for Dior’s New Look collection in 1947.
- The concept of fashion shows being completely overhauled.
- Athleisure and loungewear are far from over – especially as working from home will become the norm for some sectors.
- The Chinese market bouncing back fast to account for as much as 50% of the luxury market with more consumers shopping online at home.
- Resale, rental and transparently sustainable business likely to grow.
- Reshoring and investment in local manufacturing disrupting existing supply chains.

“The pandemic has clearly accelerated trends that were emerging and, by 2022, we think the world will be much the same but, hopefully, with some significant changes,” says David Shah. “We will definitely care more about environmental policy and climate changes; we will have to listen harder to the demands of the youth whose futures have been affected by the pandemic; and we will have to learn to make do with less. The world of fashion will be playing a major part in all of this.”

André Lacroix, the Intertek CEO, comments, “With Covid-19 magnifying the focus on health, safety and wellbeing and ushering in different ways of working for everyone, all industries have been forced to adapt to changing consumer tastes and preferences including the global premium and luxury fashion sector.

“Combining the leading voices of the fashion world in this unique virtual way has generated powerful insights and demonstrated the need for collective, radical solutions to shape a more sustainable, healthier future.

“What this event shows is that the need for solutions that make the world a better and safer place is much greater than anybody had previously imagined and the need to ‘Build Back Even Better’ is as powerful a

trend for the global fashion industry as it is for any other sector."

He adds: "As an innovative thought leadership space, Intertek Maison is where science meets luxury bringing together forward-thinking fashion brands, industry leaders, academics and a host of industry participants in order to take bold new ideas and turn them into reality. With the premium and luxury fashion industry undergoing profound shifts at an even faster pace, the need for creative solutions underpinned by the research and design and quality assurance expertise has never been more relevant."

To view *The future of Fashion* report and video go to: <https://thefutureoffashion.maison.intertek.com/site/>  
*Twist August/September 2020*

## For Flocks Sake

Helping you grow your best. That's what we are all about at *For Flocks Sake*. After 14 years' experience in the vet industry servicing sheep producers from Warren, Coonamble, Longreach and even Scotland, we know that growing sheep is incredibly variable in production systems, wool types, production priorities and rainfall. The big question we asked ourselves is, "If the dairy, pigs, chook, thoroughbred and feedlot industries have specialised vets - why not sheep?" We believe that it's about time.

Centrally based in Dubbo, *For Flocks Sake* aims to provide production advice and services to growers across NSW.

If growing your best is your goal, then our job is to provide you with the armoury to get there. This is achieved through 4 key areas:

1. Health
2. Genetics
3. Data
4. People Power



"Control the controllables" is the core of our health services. We provide independent advice on disease treatment protocols, parasite control, analgesic and anaesthetic options for husbandry procedures and pre-joining ram examinations and management. We aim

not to be the 'ambulance' but the 'agronomist' providing services and advice to maximise your yield. For those producers driving production and chasing top genetics we offer an AI and ET service through Central West Genetics.

We don't drive cars without speedos, so why not use dashboards for sheep flocks too? Trangie research station data shows us that there is a massive difference between the top 25% of your flock and the 'passengers' (bottom 25%). We believe the key to identifying these 'passengers' is making every ewe accountable. Electronic tags and basic data recording not only help find those under-performers but also identify trends in your system allowing you to maximise efficiency and minimise costs. You wouldn't keep a bludger on staff so why let some ewes get away with it? *For Flocks Sake* is backed by long term technology service providers. We want to help from simple, easy-to-execute plans to helping collect the data on-farm if you don't want the hassle of learning new technology. We believe there are big opportunities for producers who see the gold in what data provides.

When it really comes down to it *For Flocks Sake* is in the business of helping people - sheep services are just a conduit to help our clients achieve our best. This can be in many areas from training your staff how to body condition score to providing phone support or helping set up production plans. We believe in empowering producers to provide frameworks that help meet production goals whether it's building better sheep or upgrading your skills. We believe in people power.

"We've been working with Tim for 7 years. From foetal aging to creating uniform lambing groups, disease and induction protocols to converting to scanning for twins to maximise lamb survivability and marketing percentages - our business and animals have benefited by having him as part of our team" - David Russell "Budda Station", Tilpa.

**Dr Tim Gole BVSc MANZCVS (Sheep Medicine)**



*Tim Gole working recently in a local shed*

*For Flocks Sake* : helping you build your best Health - Genetics – Data  
Tim Gole Mob: 0499 055 007  
e: [info@flockssake.com.au](mailto:info@flockssake.com.au)

## The Rising Cost of Insurance

Over the years we have included the two insurance policies under our flat rate charge, unlike the majority of brokers who have charged separately. The two policies we hold for the grower is the Sheeps Back to Store (marine transit) policy which covers the wool from sheeps back in the wool shed to delivery at our store and the in store fire, flood and theft policy up until fall of the hammer. The latter is the major policy and here a year or so back the total sum covered could have been up around \$15 million .

Due to a combination of factors from bushfires to a lack of underwriters willing to take on the risk, our premiums have risen substantially, even though I can remember only two major claims in the industry in the last 30 years.

So we have now itemised insurance on our account sales as close to cost as possible. Our fixed rate charges this season remain unchanged.

**SHED SAFETY? NO WORRIES!**

When you choose the world's #1 selling and most trusted shearing plant and woolpress, you're investing in equipment with safety at its heart, so you can have peace of mind knowing you've made your shearing shed a whole lot safer.

Available from Macdonald Wool and Macdonald Rural CRT