



Macdonald & Co
Carmichael & Co

SUMMER 2021 NEWSLETTER
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A Good Year for Consolidation

2021 has really been a year of consolidation for many in agriculture, helped by one of the best seasons on record and hindered by Covid and dare I say it for the croppers more recently, lots of rain!

Woolgrowers have been consolidating their flocks since the drought with two good lambings and the figures from AWTA year to date confirm this with a 20% YOY increase. As of last week our bales tested year to date were 29% up on last year.

Firstly, to the wool market, sales commenced in early January with the EMI at 1157 cents and closed week back at 1358 cents. At the start of the year, it was China first and daylight second. Europe and North America were still heavily in lockdown. The year has seen a recovery of sorts with many weeks of two steps forward and one step back. The recent consolidation of five selling weeks has been one of the most consistent runs for the year and auger well for next year. The 17% increase in the EMI for the year certainly saw all merino types fare well. Crossbred wool, particularly broader types has struggled now for several years, and has only deteriorated further over the 12 months. The 28 micron indicator is now 11% lower than this time last year and is in the bottom 2% percentile over the last decade. Conversely, fine wool has had a great recovery with 17 micron for example rising 28% for the year and 20 microns have seen an 11% increase.

The recovery has been slower than we initially thought. There were optimistic signs in early Spring that Europe and North America were coming out of lockdown quickly and China was ahead of the rest in recovery with very strong retail figures. This faltered somewhat with China having more Covid lockdowns in Oct/Nov and major interruptions to power supply to 70% of the country where many factories were restricted to 3 days a week operation. Congestion and delays at most shipping ports around the world have not helped and the huge increase in freight rates are

impeding recovery. For example, the Asia-US shipping route has seen a seven fold increase in freight rates on pre pandemic levels and it was reported something like 60,000 empty containers sitting at Los Angeles port with ships forced to sail to China full of empty containers in order to correct the imbalance.

In the UK and USA double vaccination rates appear to have stalled below predictions and this has caused some hesitation around retail growth. The recent retail figures YOY are mostly impressive with many showing an improvement on pre covid levels which is not all that surprising as there is quite a lot of catching up to do or "revenge" spending. The big question has been what will they spend it on?

The big fashion brands are focusing on less formal and more on casual themes with sustainability underpinning everything. There is a rebound in formal wear but it is expected to settle around 10-15% lower than pre pandemic levels. The slack is being taken up by the knitwear sector which has been going well for some time, although much more likely to be invaded by polyester blending when price points come into play. Some trends come and go and the current trend of everything sustainable is unlikely to go away, and this is good for wool.

The associated trend that is right behind it in Europe is "circularity", in other words recycled. The emergence of vintage clothing retail is a real trend that both helps and hinders wool. Firstly, wool has the largest market share of garments in vintage shops and is fully biodegradable. The work that AWI is currently doing in the EU around environmental footprint is underscoring this.

The hindrance to wool and all fibres really is that no new product being sold in vintage clothing stores, but young consumers will learn to appreciate the real benefits and value of wool and learn how to care for it.

A lot of things were put on hold during Covid and babies was one of them. It is expected that there will be a surge in new borns and the more sustainably conscious young mothers will turn to wool for infant wear. The recent work and studies carried out by AWI and The University of Kentucky on the benefits of wool for sleep, wellness and Eczema should hopefully translate into sales if we can link the study findings with retail.

A year of fine tuning the operation.

The amalgamation of the Carmichael & Co business did not come without its disruptions and challenges, but 12 months on it has delivered to its expectations and we now have systems and facilities in place or in the pipeline for the long term.



Firstly, the administration side of the business was quite different to the old Macwool business and it quickly became evident that there was much more work than we had first envisaged. After the first full year Sharon decided that it was time to retire. She had planned to retire earlier but stayed on to help us get through the initial period and fully train Stephanie to run the front office. We were very appreciative of her efforts over 12 years and were only able to farewell her “officially” recently due to Covid restrictions.

Stephanie has been joined in the front office by Aakriti and Ashley and the Team is working well and settling in the refined systems. Danielle in accounts has toiled hard bedding in the new business and everything is now in place to our satisfaction. Covid and lockdowns made it very difficult, particularly managing school closures and home schooling. It is a real credit to her for being able to manage us and school three small children as well! The wool store has also had some fresh blood during the year in the form of Jeanine, Jeff and Jay. Jeff and Jay are involved with logistics of receiving and shipping whilst Jeanine with her wool background is involved with lotting and testing and also conducting the RWS farm audits.

Whilst on the subject of Responsible Wool Standards (RWS), we have completed to first full year and many farms are now into their second year. We are part of the Schneider group comprising about 18 wool clips of 55 in the group nationally. In my time in the industry, I have never seen buyer competition so sustained

and strong as we are seeing presently. The only time I can recall genuine premiums was about 15 years ago when Organic Wool was going to be the next greatest thing. That fizzled out pretty quickly as downstream processors we unable to pass on the increased prices. That does not seem to be the case at present with most of Europe and North America requesting RWS from retail brands down the pipeline. Across many of the clips we have sold recently from fine FNF types to middle micron 3-5% VM we are seeing anywhere from 10% to 22% above similar wool on the same day. It's great to see rewards for extra input for a change.

Early in the year we decided that we needed more storage space in Dubbo, and we could fit a 2000 sqm warehouse behind the existing store. It has been frustratingly slow as we weave our way through the compliance and planning phase awaiting the green light from Dubbo Council. The materials have been waiting in our yard since August and we are hoping the Construction Certificates will be issued any week so we can make a start. In the meantime, we have leased space across town, but it will be a great day for Brett and the Team in the store when that is complete.

I trust you have had a good year and find time with family and friends to catch up over the festive season as It has been a difficult year to do that.

From all of us at Macwool & Carmichael in Dubbo, Yennora, Guyra, Wellington, Crookwell, Cootamundra and Cooma, we wish you a very Merry Christmas and Happy New Year.

Kind Regards

Don Macdonald.



From all of us at Macdonald & Co and Carmichael & Co