



MUCH STILL HINGING ON CHINA.

As another year draws to a close, we can reflect on a year of challenges both domestically and internationally. 2022 will go down as one of the wettest years on record, if not the wettest in some parts. This has presented a range of challenges for most farms from minor to serious.

It has also been a year of achievements and change, particularly within our company and there will be more detail on these within this newsletter.

From a wool perspective the last few months in particular have been difficult as exporters juggle hesitancy from European customers watching Europe slide into recession and the China market on hold as Covid lockdowns strangle the domestic economy. Fortunately, it appears a relaxation of restrictions there has allowed the pipeline to commence restocking which saw some significant increases just prior to the recess.

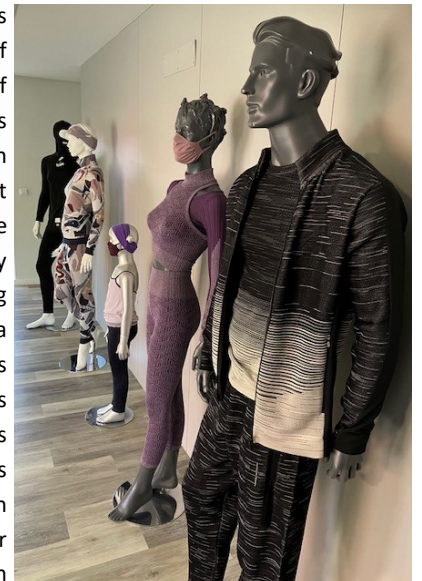
In most countries Covid appears to be in the rear view mirror, but not in China, our most important market. The zero Covid policy until very recently, was being upheld by the central government as they fear (with an aging population bought on by years of the one child policy), that the national health system just wouldn't be able to cope if it ran wild in the community. China buys around 80% of our greasy wool and consumes about half of that domestically. So a harsh prolonged lockdown there has caused a serious downturn in consumption at retail.

Whilst we have the other processing sectors running at full capacity for the present, they are hesitant about the situation for next year with inflation and rising costs, especially energy costs spiralling. It's quite bizarre that the processing pipeline is running at full capacity and have full order books out to six months, yet they are fearful of the knock-on effects of the Ukraine Russian conflict escalating further and causing more pressure on economies particularly in Europe.

The Russian invasion of Ukraine back in February really did set back the post covid recovery as retailers started to report strong growth in consumer "revenge" spending as people returned to offices, started catching up on socialising and formal events like weddings etc which are vital for wool. That optimism has drained for next year and our best hope is an end to lockdowns in China, the world's second largest economy and wool's largest customer splurges out!

Our dependence on China, particularly as a processing country has been scrutinised thoroughly and a recent report of reshoring early stage processing has shone a bright light on the facts and the feasibility of

more early stage scouring and topmaking moving either back to Australia or other destinations in the South-East Asian region. Very briefly, it seems scouring in Australia lines up well against the cost of scouring in China, particularly if the next destination is India as the new lower tariffs between India and Australia make that very competitive. India is one processing sector that is finally showing promise and growing steadily. Scouring though isn't a great value add and it seems that the next stage which is topmaking may not be quite as competitive done in Australia as elsewhere. Most mills do both scouring and topmaking under one roof but Michell's in Adelaide say just scouring works for them and there is no reason why it can't work for others, and use topmakers in places like Vietnam, India, Thailand, and Bangladesh where there is quite a lot of spinning and knitting.



Further down the pipeline there has been a resurgence in traditional textile centres like Turkey and Portugal particularly for knitwear whilst the high end worsted cloth centres of Northern Italy and Bradford are reporting strong business albeit hesitancy for next year. Recently I visited



a modern knitwear factory in Portugal and was heartened by the quality and output of their products of mostly high end performance sporting knitwear, most of which contained wool, but still unfortunately contained either nylon or polyester as a majority of fibre content. This is a sector though that 5-10 years ago would have contained no wool content.

**Sidonios Seamless Tech—
Seamless Technology Textile
Manufacturer**



The wool market approaching Christmas regained some form of respectability in the last two weeks of selling based on news of an expected easing of Covid restrictions in China. The EMI is approximately 2.3% below same time last year whilst 20 & 21 microns are well above the level of this time last year. It's the finer end (16u & 17u) and the broad crossbred wools that have borne the brunt of the downward movements. The 28 micron indicator is at an all time low since the new indicators were introduced in 1994. In US\$ terms the market is very cheap at an EMI of \$9.09 so it's only confidence that's needed to kick start a recovery.

Looking at the ten year decile averages it's no surprise that 25-32 micron are at ten year lows. It's a little bit better reading with the merino types: 16.5 to 18 micron categories are still around the 60th decile whilst 19, 20 and 21 microns are just under the 50th decile.

Positioning for Growth

This calendar year has seen us make some changes in structure and look to the future with talent acquisition. In August we completed the woolstore expansion of the additional new 2000sqm warehouse and we

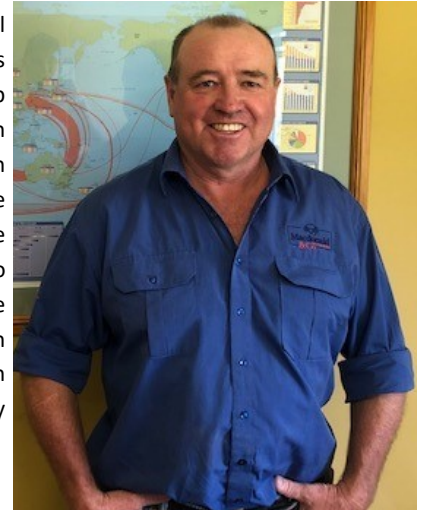


have acquired some new staff in key positions to help grow the business. The extra warehouse space now gives us 9260 sqm undercover plus an extra 1200 sqm bitumen hard stand area for warehousing, loading and unloading. After lengthy delays through council and covid related interruptions, we are very proud of the finished product and thank and congratulate ABC Sheds, Matt Redfern Constructions and Actiff Building Constructions.

Sadly, Connor Isle, the son of one our long term building contractors passed away from complications from pneumonia during the construction of our shed. Jason Isle and his team constructed the original wool store here and also a store for me at the old site 20 years ago. We have named the new shed "Connor's Shed" and have erected a plaque remembering him. Our sincere condolences are with the family.

Any business needs to continually look for ways to be more efficient through the introduction of new processes, partnerships and people. Some staff turnover has provided us the opportunity to further acquire talent in the areas where we see opportunity. We recently sought to strengthen our wool representation with Murray Bragg joining us in

October. Murray spent several years with Elders earlier in his career under Ian Sharp positioned at Bourke. He then worked on a number of western division properties before managing Beemery, a large scale sheep enterprise, for two decades. Growing up in the central tablelands, along with his experience in the western division, he will add significantly to our business.



We have been fortunate to have Amber Wallace return after ten years, with her strong administration skills in the front office team, and Veronike Hartmeier into the Dubbo woolstore. Veronike, who grew up in the Monaro region, has worked in the industry prior to moving to Dubbo at Temora and Grenfell.

Recently, our Administration team leader Stephanie Frost, was one of the 3 finalists of the 2022 NCWSBA Young Wool Broker Award in August. This award recognises excellence in service to woolgrowers, auctioneering and/or innovation by an outstanding wool broker employee who has worked in the wool broking industry for 10 years or less. With a strong national field Steph was one of three finalists and attended the Industry Wool Week dinner where the winner (who received a trip to IWTO in Japan next year) was announced in front of 250 industry leaders. She did not take out the final award however learnt greatly from the experience, understanding there is much more to the wool industry than what we do in Dubbo. It was a great achievement to be a finalist and we were very proud of her achievement. Congratulations Steph!



I have wanted to take a step back from the day to day management of the businesses for some time. Wanting to focus on growing and working on the business, my own farming business and my AWI Board duties. It is sometimes difficult to work on the business whilst you are heavily involved in the business. In line with this direction and after serious con-



sultation within the company with key staff, we decided we were better to outsource new skilled talent in management rather than take someone out of what they specialise in, which is advising and servicing clients. In August, this year after an extensive search we engaged a General Manager to oversee the Macdonald group business. Dave Moore comes to the business after a decade of managing an agricultural corporation in Sydney, and prior to that running Monsanto's research operation in the Asia Pacific before that. An agronomist by training, Dave knows the Trangie/Warren region well having worked there earlier in his career where he met his wife, hence the desire to return to the region. Dave's focus is to drive further efficiencies across the businesses, continue to grow a constructive culture and look for and manage business opportunities.



Farm Certification Schemes and Responsible Wool Standard

A global trend that isn't going away is farm verification and pipeline sustainability claims. This is being driven at Brand level as competing brands strive to position themselves at the front of the queue with consumers. The higher up the fashion chain in terms of price and quality, the greater the claims may be. There are many systems and schemes in the marketplace, but the Responsible Wool Standard (RWS) is leading the field with the major brands which is flowing back down the pipeline to growers. There are many in the pipeline who are a bit perplexed by RWS as it doesn't address the actual quality of the fibre and there have been RWS certified wools offered that one could say wasn't up to "par". The interest from the brands is twofold, firstly they expect their suppliers to deal with quality issues and deliver to their standards and secondly, they want to display to their customers that the farms who supply raw materials have addressed the key issues of animal welfare, the modern slavery act and care for the land among other things. The key aspects of sustainability and traceability to them are more important that the actual quality of the raw



material. The list of luxury and premium Brands that have lined up for RWS certified raw material is impressive and extensive. Many of them have declared deadlines like all raw materials sourced will be RWS by 2025 or another similar deadline. Currently in Australia there are only just over 300 accredited wool growing properties and there has been very strong competition on these clips amounting to varying premiums of between 5% and 20%. None of the other schemes have displayed widespread competition or premiums like this.

We have continued to grow our Responsible Wool Standard (RWS) initiative to the point where we now have a cohort of 25 grower members. We have decided to undertake the auditing and certification of our RWS clients ourselves under the oversight of the SCS Global group rather than through the Schneider group. Greater internal efficiencies, a need to act at greater speed, and the opportunity to further resource and grow our efforts in this area are reasons for this direction. Our experienced staff will work alongside skilled external assessors in assisting growers in working to RWS standards. This is an opportunity for growers to further leverage opportunities that are available in the marketplace. If you are interested in this and want to know more, please talk to your wool advisor for information.



Pictured above: Jane and Hannah Brien from Bella Lana Stud, Wellington watching their RWS certified clip sell recently.

For Flocks Sake Partnership

2022 has seen some significant animal health challenges. Flies, worms and rain, rain and more rain. Recognising a need to service clients at a higher level in this area, Macdonald & Co and Carmichael & Co have engaged veterinarian Dr Tim Gole from For Flocks Sake to begin the development of a sheep health and production program for our staff and clients.

For Flocks Sake Pty Ltd (FFS) is a Dubbo based sheep production consulting firm headed up by Dr Tim Gole. With over 16 years experience in this field, they focus on 3 core pillars of sheep production: Health, Genetics and Data. These are the drivers of better outcomes both from an animal husbandry perspective and a financial perspective.

Unlike other animal health advisors FFS is veterinary based and offers a full suite of technical and advisory services from animal health advice and production project consulting to on farm fleece weighing and genetic testing.

The aim of the in house training program is to ensure our field staff here have a strong grasp of the fundamentals of sheep health and the issues that confront sheep producers from time to time.



This will be augmented with the MacRural CRT staff to help with product selection and advice, making sure that clients get great value and outcomes. Wool reps will be getting monthly updates from FFS with current seasonal challenges which will allow them to help producers keep their finger on the pulse. It's not all about health, with training to provide information to staff on current and emerging tools and trends to maximise animal production, but will be of great value to wool growers as they navigate the challenges and opportunities coming with mandatory electronic identification in 2025.

For the valued clients of our two brokerages, 2023 will see the roll out of field days and online support looking at providing tailored education packages to help build on existing knowledge, spot those low hanging fruit and finding more ways to get the most out of your flock.

Do you have a topic you would like addressed? Let the team know so we can add it in to the program.



Macdonald Rural Updates

We want to build our merchandise presence in the Brewarrina district and grow our merchandise footprint more generally. To drive this in Brewarrina, we are fortunate to have 2 very talented locals who are well known to all. Jenny Davidson and Jeffrey "Swampy" White have really added significant value to our business. Jeffrey looks after the logistics and Jenny the accounts, together forming a formidable team. We sincerely thank you for your support this year and are endeavouring to be able to service your needs even better in 2023.

An initiative we have begun is having a FEPAC sheep faecal matter worm testing machine on hand at Brewarrina and Dubbo on a regular basis. This diagnostic service allows you to develop a parasite control program for your sheep in a very timely manner. One of our talented Dubbo staff, Veronike Hartmeier, will be available to provide this service for you. You can drop your sheep faecal samples in a day or two before they are due, we can test them and get you the results within 3 hours. Please contact Murray Bragg for sampling advise or further information. Please make use of this complimentary service. This compliments our new relationship with Dr. Tim Gole that I mentioned earlier.

In November one of our previous long time employees, Sharon Gillet sadly passed away quite suddenly from motor neurone disease. Sharon worked with us both here for 11 years and at Lanoc Wool for 3 years prior and was a tower of support to me and others in the business. She had a memory like a bull elephant, was a tireless worker who did whatever was necessary to get the job done and was unbeatable in the lunchtime trivia contests. We will miss her greatly and our thoughts are with her family.

It seems that as Christmas approaches the weather has been a bit kinder for those trying to harvest, but the remnants of the very wet year remain, some of our western clients are still experiencing flooding not seen since the mid 1970's. It has been a great year for St John's Wort among other weeds in the tablelands and barbers pole and blowflies keep us all on our toes.

I'm not sure anymore what normal is but next year's forecast is for a more normal year!

I trust that you enjoy great family time and celebrations over the festive season. From all of us at Macwool and Carmichael & Co in Dubbo, Yennora, Guyra, Wellington, Crookwell, Cootamundra and Cooma, we wish you a very Merry Christmas and Happy New Year. We will catch up in 2023!

Best Regards,
Don Macdonald.

Ear Bus Project HEART OUR

CAN YOU HELP?
Help children hear & achieve while also helping the environment

WANTED
OLD BATTERIES to RECYCLE
ANY BATTERIES WELCOME: CAR, TRACTOR, BUS, MOTOR BIKES, LAWN MOWER

DROP OFF POINT. LEAVE YOUR BATTERY HERE

Anytime you're heading through Dubbo you can drop off your old batteries at the store to help support the Hear Our Heart Ear Bus. The bus travels out to a lot of the towns we service and is a great project to get behind.

Merry Christmas & we wish you a safe and prosperous New Year from all of us at Macdonald & Co and Carmichael & Co Woolbrokers

