



The Year In Review Macquarie Home Stay Natural Fibres Connect Conference Textile Exchange Conference

THE YEAR IN REVIEW

By Don Macdonald

Challenging is the best way to describe the year as I reflect on where we are now compared to this time last year. Whilst seasonal conditions are pretty good in most areas, the global issue of inflation, interest rates and instability have weighed on wool's prospects heavily.



The wool market has traded in a very narrow band deviating only a few cents either way all year, which wouldn't be bad if it were 400 cents higher! At the time of writing the EMI was within 3% of last year's market level, but significantly there has been 170,000 fewer bales offered in just the first five months of the selling season. When looking more closely at the bales offered and bales tested there is a stark contrast with last year. There has been 40,000 less bales offered than tested in the July to November period compared to last year where there were 45,000 more bales sold than tested. Cash was in short supply last year with low mutton and lamb prices paired with an ordinary cropping season in many areas, so not hard to see why wool on hold has inverted.

Earlier in the year, the Wool Production Forecasting Committee forecast a drop of 10% nationally in the wool clip to 285mkg annual production. This was seen as a bit dramatic since WA was predicted to fall 18% on the back of the cessation of live exports. Well, five months into the year and volumes tested have fallen 9.3% nationally while WA is down 16.8%. The southern half of NSW, western Victoria and South Australia had a very tough winter and spring which have impacted production, but we think there are more significant long-term issues at play like shearing and costs that have seen wool production decline. The only thing that

will turn this around will be a significant upturn in wool prices.

Exporters report very tough trading conditions for the past 18 months with China and particularly Korea still struggling post covid more than the others. The Chinese government stimulus package which was huge in value (up around one trillion US\$) but short in effect saw the market jump then settle back quickly into its holding pattern. The big four Chinese Topmakers in Tianyu, Redsun, New Chuwa and Jin Meng have underpinned the market at these levels with some renewed Italian interest on better style, fine wool starting to emerge. Indian processors who have often been looked to as a genuine competitor to China have continued to under perform below their capacity and Australian domestic processing, which was hoped might be kickstarted hasn't materialised. In fact Korean owned Victoria Wool Processors will close its doors this month after 30 years of scouring and carbonising in suburban Melbourne where real estate values have become more attractive than processing wool.

A trend that has really emerged in the past year is the growing demand for farm scheme accredited wool clips, particularly RWS accredited farms. Upfront, sadly that demand doesn't always have a price tag on it, but it does put you at the head of the queue. Independent Commodity Services recently published data that backs up what we have been saying for some time that this trend is growing and growers are being paid premiums (see article overleaf). These schemes are largely for non-mulesed clips and delve more into farm operations than just mulesing status. For the record in our business for the 12 months ending November 30, of our catalogue 37.5% (16,731 bales) was NM, 6% (2,714 bales) was declared CM, 42.5% (18,997 bales) was AA whilst 13.8% (6,161 bales) was declared mulesed without pain relief.

THE YEAR IN REVIEW CONTINUED...

Recently there were statements made in the media regarding non-mulesed premiums which were queried by some in the growing sector. Andrew Woods of Independent Commodity Services was asked to look into whether this was true or not. Below is a transcript of what he found out:

"A request this week to clarify claims of 60 c/kg clean premiums for non-mulesed fine merino fleece prompted another look at non-mulesed prices without and with quality scheme (RWS, Authentico or SustainaWool) accreditation.

My first graph examination showed the season to date median weekly price effect of eastern Australian non-mulesed indicator type merino fleece (16 to 22 micron) compared to comparable mulesed/non-declared wool in US dollar terms. In this section all quality scheme accredited lots are excluded. Even allowing for the basic nature of the comparison, the median effect is effectively zero."

On Andrew's second examination of the same basket of wools he said, "This time the non-mulesed lots are all quality scheme accredited. The difference is stark with arguably a US20-40 cent premium and the range staying in positive levels except at the fine end, when quality becomes more influential in pricing.

The message seems clear - to get a premium for non-mulesed merino fleece in Australia greasy wool auctions a lot has to have a quality scheme accreditation."

Finally, I said at the beginning that this has been a very challenging year for our industry. AWI recently conducted it's tri-annual WoolPoll vote where growers predictably returned a levy of 1.5%. The Board did ask growers for a 2% levy and there was some hope that it might win the vote, but whilst the 2% vote did increase on the previous WoolPoll, it wasn't enough to claim a majority. So, AWI and it's Board have many challenges next year to "cut it's cloth" and remove \$13m from budget, projects and overheads to focus on the core business of adding value for wool growers.

Here at Macwool and Carmichael & Co, like everyone else the season has started slow but we see the majority of clients still committed to the industry as we certainly are. Our team both here in Dubbo, at Yennora and our regional depots have worked hard to get everything right with the marketing of your wool to it's best advantage. I want to thank them for their efforts and thank our clients for their ongoing support as this business enters its 37th year of operation.

Merry Christmas to you all and I'm sure it will be a Happy New Year!

Best Wishes,
Don Macdonald

MACQUARIE HOME STAY CHARITY WOOL DRIVE

Early in the year we were approached by a Macquarie Home Stay board member (who is a good friend) about the idea of helping raise money for MHS and the next stage of development at the accommodation facility here in Dubbo for patients and family receiving medical treatment.

We decided that a wool drive would be the best way forward and with the help of one of Australia's largest wool exporters in Endeavour Wool we couldn't go wrong. Endeavour Wool's founder and principal Josh Lamb grew up in Western NSW and his mother is the Board member, so he didn't really have much say in it!

Our target was to fund the fitout of a new 2 bedroom unit at the facility with a cost of \$65,000. We are very pleased to report that after our three scheduled charity sales a total of \$66,313 was raised from 65 individual donors.

Woolgrowers of central and western NSW should be proud of their contribution to a great cause. To have a look at what they do please visit their website:-
www.macquariehomestay.com.au



DI'S LEMON BUTTER RECIPE

By Diana Barton

Ingredients:

- 1/2 Cup Lemon Juice
- 1 Cup Castor Sugar
- 3 Eggs
- 2 Egg Yolks
- 150 grams Butter, cut into cubes

Method:

- In a pot heat the lemon juice, eggs and sugar on medium until the sugar dissolves.
- Add the butter bits at a time until melted.
- Continuously stir until thickened.
- Allow mixture to cool slightly before pouring into sterilised jars.
- Keep refrigerated until used.



NATURAL FIBRES CONNECT CONFERENCE

By Jason Carmichael

During September the Schneider Group hosted the Natural Fibres Connect conference in Biella Italy. A group of 18 woolgrowers and 5 staff attended the two-day forum.

The trip began with visits to two mills in Turkey. Yunsa, a very modern spinning mill and Bahariye, a woollen mill producing fabric. After a hectic week in Turkey the group landed in Italy where I joined them.

I had wanted to visit the Italian mills for some years and having standing invitations with several mills I work closely with, it seemed like a good time to visit with the group of interested growers.

First stop was the high-end luxury spinning mill Loro Piana, who produce casual sportswear for the elite. While here the mill manager Emanuela Carletti and their international wool purchaser Claudio Lacchio spoke to the group about the new Australian Wool Sustainable Scheme (AWSS) encouraging growers to get behind this scheme. Although Loro Piana understands why sheep are mulesed in Australia they explained to the group why they only buy non-mulesed wool to be used in their mill. This was followed up by a trip through the Romagnano scouring/topmaking mill. At this mill they had their own power generator and water recycling plant to reduce their operating costs. The visit to the jointly owned Reda and Vitale Barberis Canonico (VBC) mill, who buy many of our client's wool was one of the most modern mills we visited. They have the only fully enclosed knitting machines in the world as this reduces the noise produced, making it a more comfortable working environment.



The following day involved visiting three more mills, Zegna Baruffa, Ermengildo Zegna, and REDA. Zegna Baruffa produce a lower grade yarn compared to the other mills we visited, buying tops out of China or Czech Republic. While Ermengildo Zegna produce a high end finished garment competing in the luxury end of the market. This was a very impressive mill in their operation and the way they treated their workers as well as the environment. The company has planted 600,000 trees in their region turning a once barren valley into a green oasis. REDA was the final mill we visited which had their own driverless forklifts moving product around the factory. They produce a product that is more likely to be found in the larger retail's outlets such as MYER or David Jones.

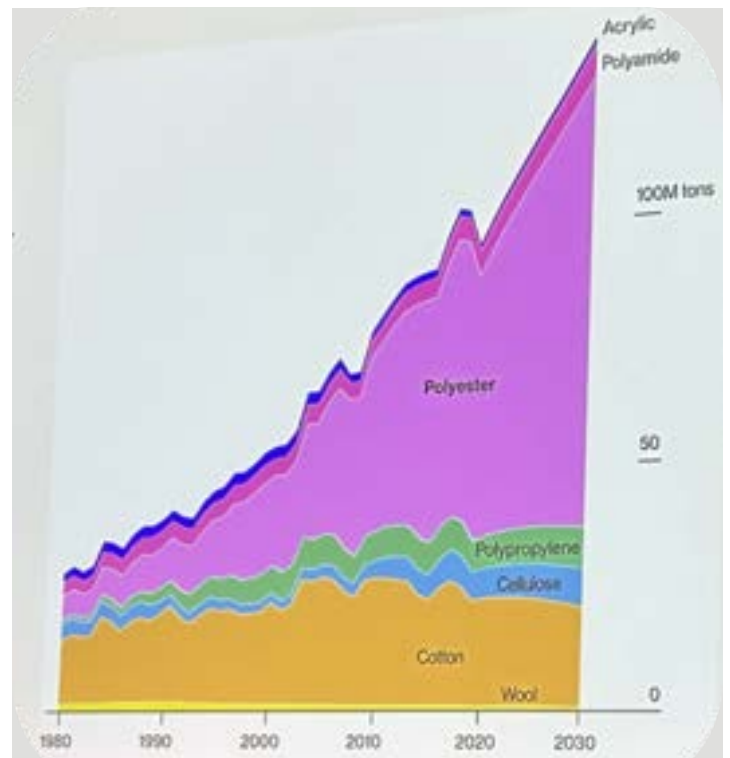
The next two days consisted of attending the Natural Fibres Connect Conference. We listened to many different speakers discussing various topics within the industry. Some topics of interest included: PEF (Product Environmental Footprint), a



traffic light swing tag that rates natural fibres below synthetic materials. This is because the synthetic industry is sponsoring the conception of this ranking and does not take into account the whole life cycle of the garment. Thankfully AWI (and a growing group of cohorts) are partitioning this with the EU commission.

There has been much discussion in the industry regarding farm certification on wool. The duplication of schemes was discussed as there has been an explosion of different companies launching their own platforms. There are now 465 registered Ecolabels. The main schemes that relate to our wool growers, are for the non-mulesed clients, Responsible Wool Standard (RWS), Authentico and SustainaWool, while the clients that still mules can access ResponsiWool.

A graph of fast fashion was shown that highlighted the massive growth of the synthetic industry. This led to discussions of the massive environmental impact the dumping that overproduction of unwanted product is having on the world dumps, particularly in third world countries. Hopefully with the Gen Z population being environmentally concerned this trend will start to rectify itself.



The trip was capped off with a visit to the Woolmark office in Milan where they are working with the fashion labels to increase their use of wool.

After a hectic two weeks we had a farewell dinner and headed for home.

TEXTILE EXCHANGE CONFERENCE

By Stephanie Frost

I had the opportunity to attend the Textile Exchange Conference held at the Pasadena Convention Centre this October. They had over 1,300 people attend the conference representing producers, textile recyclers, buyers, manufacturers, processors, sustainability consultants and brands from all over the world.

Textile Exchange (TE) is global non-profit organisation with a goal of helping guide the whole supply chain from farmers and manufacturers right through to the brands in the production process across the fashion, textile and apparel industry. TE have developed standards to provide clear and actionable guidance on how to prove and promote sustainability as well as the climate and nature benefits of products like wool.

Textile Exchange own the Responsible Wool Standard (RWS) that we use for our farm group which has criteria covering animal care, land management, biodiversity and social welfare that help promote the high standards the members of this standard are achieving. We have over 20 members in our farm group and have issued more than 90 transaction certificates to our buyers this year.

I was there to represent our company and the work we have been doing to help streamline the transaction certificate process. Transaction certificates are issued by a certification body to verify the products being sold or shipped between organisations conform to the standard. There is a transaction certificate issued for each change of hands throughout the pipeline all the way to the brand.



This is a part of why TE have been working on unifying some of their standards into one. They formally unveiled the Materials Matter Standard (MMS) at this year's conference, which they are now working on refining the criteria within to be published next year. Textile Exchange held two workshops in Australia to get feedback on the pilot version of the unified standard, as well as to learn about things that affect us in Australia that they may not have considered. There was of course plenty of interest and questions on the new MMS at the conference, particularly the different links in the pipeline wondering how it would affect them.

How is RWS rolling into MMS going to affect growers? For our growers to transfer over to the MMS from RWS it will simply be a case of completing their yearly audit. There are a few changes to the standard that have been made in consultation throughout the pilot feedback and testing phase, as they are going over it with the rollover to make sure it is still relevant and up to date. With the new EU regulations coming out, the word 'responsible' is going to be too highly regulated meaning the proof of burden would be pushed down the pipeline back to our producers. Trying to be prepared for the legislation that is coming, TE are looking to protect RWS by changing the name. They see that producers need support for all the work they are putting in so the

brands can meet their targets and are trying to find more ways to back producers as they are taking the brunt.

TE have been diligent in reminding our producers that the standard is designed to show the intent of their management practices rather than a prescription on how to do their job. The standard's design is to support what our producers are already doing and help to communicate that through the market. They recognise that growers are getting audit fatigue with the number of audits for the different quality schemes out there and are trying to make sure that the information is getting passed along all of the pipeline. They want to ensure that our producers' work is being well represented to establish trust in our product, provide a protection with the legislation that is coming out, and help prove compliance of our product in the market.

Finding ways to get our producers' perspective heard is important as it helps to inform the pipeline, educating them on what we do and how. It is the perfect opportunity to promote that there is no future for synthetics by showing that we are doing our due diligence and are willing to share what we do, proving our product's superiority in the sustainability space.



Although it's not ideal wool is lumped in with recycled materials and other unnatural fibres in the MMS. It could also be a chance to get wool's name out there more so the brands aren't then choosing other textile standards over wool's standard. TE is hoping that MMS will reduce the information request duplicity for the current schemes.

The brands are dealing with audit fatigue too and since wool is such a small percentage of the textile industry, we don't want to risk being overlooked because of reluctance to complete yet another audit. The MMS will help standardise the data for their reporting, and give brands better direction on where TE wants them to go.

Sustainability teams are usually small presently as there is still a lot of short-termism out there around if sustainability is just a trend since its being pushed heavily by Millennials and Gen Z on social media while they also seem to push fast fashion. While people are becoming increasingly aware of the need to buy sustainable products there is a gap between the knowing and the actual buying. Currently labelling each certified product component in a garment is a bit like Girl Guides, this is overwhelming and unhelpful when trying to promote sustainability to everyday consumers who don't know the difference between all the schemes and need it to be simplified.

Knowing exactly where their product is coming from helps companies look at the risks in their supply chain and figure out how to achieve their sustainability goals. We need to remember how important our producers are as without them, there is no product.

Overall, it was a great opportunity to learn more about the textile industry as a whole and learn about other areas of the pipeline apart from just seeing what is happening at our end.