

International Marketing Update for the Wool Council

ASI Convention 2020

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AMERICAN WOOL

AMERICAN WOOL COUNCIL

a division of the American Sheep Industry Assn.



Total US Wool Exports Oct-Sept 2018/9 vs 2017/8

- Wool Production & 2019 Market
- US Production & Exports.
- International Program Activities.

World/USA Wool Production & 2019 Market

- World wool production – Down 1.3% to 1,154,000 Metric Tonnes clean in 2018. Further decrease expected in 2019 mostly due to the severe drought in Australia.
- 2018 US wool production - Down 2.0% to 24.4 m lbs greasy (12.2 m lbs clean). 2019 production available end Jan 2020.
- Market volatility throughout but severe price drop from the middle of the year onwards. End Nov 2019 EMI at 1057 usc/Kg, down 21.6% Year on Year. A\$ 6.3% weaker Year on Year.

US Sheep Numbers/Wool Production

	2017	2018	2019
US Sheep numbers (million head)	5.24	5.23	Est 5.23
Wool Production (M lbs greasy)	24.7	24.4	Est 24.4
Wool Production (M lbs clean)	12.35	12.2	Est 12.2
Total Exports (M lbs clean)	8.64*	10.3*	7.58*
% Exports of Wool Production Incl Noils/Wastes Exports	69.96*	83.4*	62.1*

Source: USDA – Oct/Sept

*Excludes top exports to Mexico, Includes Noils/Waste Exports



Total US Wool Exports Oct-Sept 2018/9 vs 2017/8

- 1) 2019 total US Wool Exports by volume = - 26.4% to 7,581 m lbs clean, a decrease from 10,296 m lbs in 2018.
- 2) By volume = 62.1% of the 2018 US wool production.
- 3) By Value = -31.5% to \$18,083,482.
- 4) Greasy wool = 63.6% of Total Exports by volume.
- 5) Highest season Carry Over in recent memory. At least 20% of clip (approx. 5m lbs greasy weight). Could be as high as 30%?

2018/9 US Wool Exports by Major Destinations

CHINA still major client :

BY VOLUME:

- 2.392 m clean lbs though a decrease YOY of 60.4% over 2017/8.
- 31.5% of all US exports for 2018/9
- 19.6% of the 2019 US wool clip.
- Greasy wool 82.6% of China's US wool imports.
- Likely a further significant decrease in 2020 if no tariff war solution (approx. 50%?)

BY VALUE:

- \$5,898,000 m = 32.6% of total US exports.

2018/9 US Wool Exports by Major Destinations

2) **Egypt** - # 2 destination

- 1.5m lbs clean of US wool totaling \$ 4.3m.
- Significant increase vs 2017/8 – greasy wool.
- 20.2% of total US exports.

3) **WESTERN EUROPE** - # 3 destination

- 1.3m lbs clean totaling \$2.7m. +24.7% vs 2018.
- 17.2% of US exports.
- Wide product spread - greasy wool, scoured wool, noils, waste & wooltops.



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2018/9 US Wool Exports by Major Destinations

4) **Mexico** - # 4 destination

- 0.7m lbs clean of US wool totaling \$0.99m. Reduced 40% versus 2018.
- 9.4% of total US exports.

5) **INDIA** - # 5 destination

- 0.5m lbs clean totaling \$1.5m. Reduced 1% vs 2018.
- 7.0% of US exports. Poor domestic and export market situation.

6) **Eastern Europe** - # 6 destination

- maintained volume 0.34mlbs and \$1.08m
- 4.5% share of US exports.

2018/9 US Sheepskin Exports

- 1) Last 5 years China has imported 70 – 90% of all US Pelt exports by both volume and value. Same China penalty tariff issues as wool.
- 2) Issue - Reduced manufacturing capacity in alternative markets to China – eg Turkey and Russia - as China took over the market.
- 3) Global price drops of pelts in all origins due variety reasons:
 - a) Strong USA economy & currency. Major consumer market (Russia) poor.
 - b) Changes in consumer demand for sheepskin products:
 - Animal rights movement + perceived greenhouse effect in livestock production
 - Environmental costs to produce leather
 - Low cost of synthetic substitutes
 - Poor marketing by the leather industry
 - China Trade war & other world trade issues

2018/9 International Program Activities

- USA Delegation (10) attended IWTO Congress Venice April 2019. Very well supported by major US Exporters and Manufacturers.
- Other Trade/Reverse Trade Missions 2019
 - Pelts – 1 Trade Missions – Europe.
 - Wool – 3 Trade Missions – China (Nanjing Wool Market), Europe, Egypt.
+ One Reverse Trade Mission from Western Europe

High utilization FAS funding to assist/promote US wool and Sheepskins exports

2019/20 US Wool Exports – Challenges

- Replace approx. 30% (volume basis) of US total export volume – assuming China penalty tariffs continue.
- ASI is working with US wool exporters to identify alternative markets - major ones include Egypt, Western Europe, India, Eastern Europe, Mexico. Location of early stage processing capability will be a key factor.