

APRIL MARKET INTELLIGENCE

This month we refocus on our number one destination for Australian wool: China. As you may have read, AWI CEO John Roberts travelled to China this month and met with many of the major processors of wool. It the first such visit for 3.5 years given the COVID pandemic but it was important to acknowledge that throughout the global outbreak, Chinese mills continued to process wool.

All major processors are reporting an expansion of their processing facilities. This optimism is also reflected in many of the second-tier processors who are also looking to expand or have already done so during Covid.

“Overall, the expansion in plant capacity is incredible. A few years ago only two or three top making plants had the capacity to process over 10 million kilos. That number has increased significantly, John added.

The fact these factories are expanding is a good sign. The companies don’t just build them on a hunch, they’ve done their research. They understand that the Chinese consumer wants a naturally sourced fibre and they’re getting a similar message from their overseas customers too, particularly with the rising spending power of Gen. Z and they are emphasizing the natural biodegradable qualities of wool because it is a strong selling point.”

The China Wool Textile Association also stated that more Chinese consumers are going to want to wear wool. Chinese consumers are buying more local brands and local designers, which is a massive shift to where we were say 10 to 15 years ago.

The AWI CEO also noted how there have been major changes in both consumer and industry attitudes when it comes to environmental issues as well.

“There has been a massive shift towards traceability, because there’s been so much online buying but, the concept of sustainability in China has escalated at a rate I hadn’t quite expected.”

Mr Roberts who visited India in December for trade talks says both India and China are important for Australian wool sales. “Well, you embrace both China and India. Some of the key mills in India are expanding, but that said, they’ve still got a long way to go from 5% of our wool clip which India currently take to the 82% that China buy”.

Just to use one processor case study, Zhejiang Redsun to illustrate the points above.

The company is currently building a large new mill, just 10km from the current operation. Building is to strict eco and green initiatives being prioritized for the building that will sit alongside the newest warehouse and manufacturing innovations and robotics.

It is planned that just 400 staff will be required to run the entire operation- management included. Solar panels and battery storage will eventually provide the entire power requirements.

Annual production should be 24 to 26 million kgs of wool top production per annum and the single site structure will have capacity for 60,000 bales of greasy wool bales and space for 50,000 bales of wool tops.