

The markets for Australian wool

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Chief Economist, The Woolmark Company

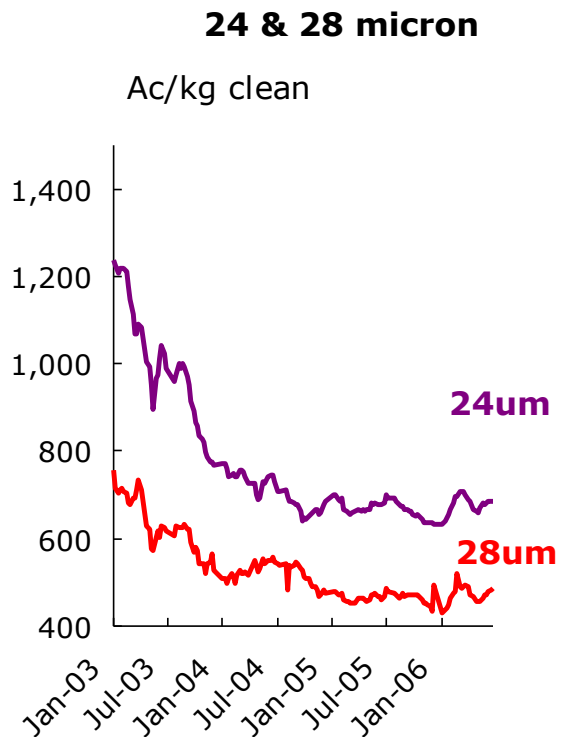
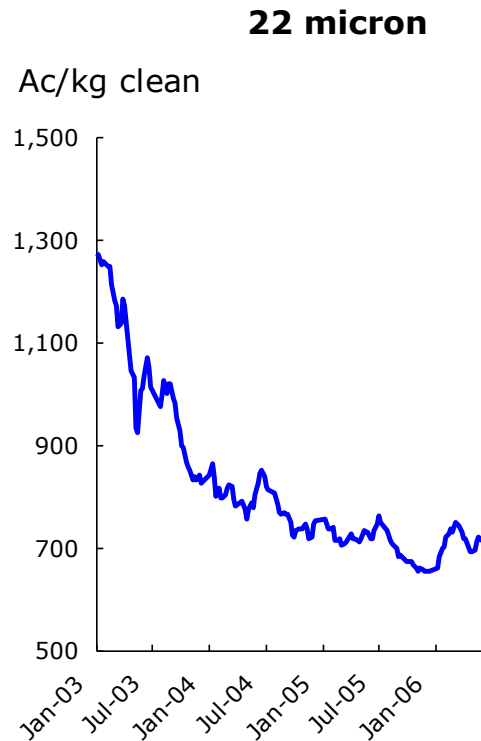
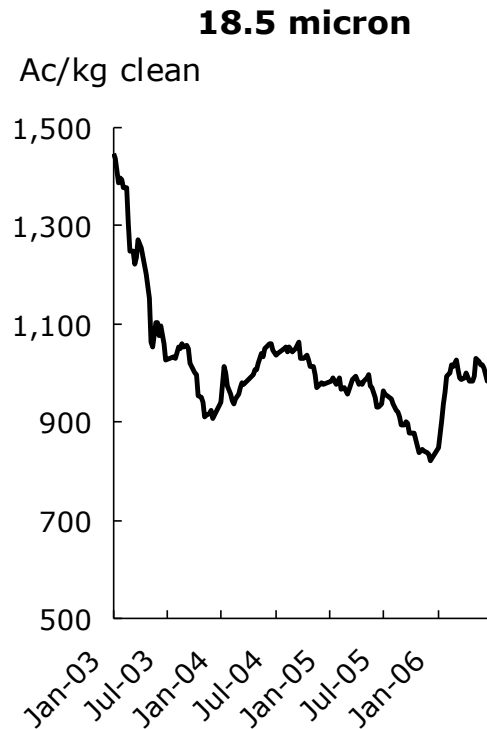


Agenda

1. Prices
2. Fibre supply trends
3. Regional shifts in wool textile production
4. Wool end uses and retail trends
5. Wool's share in key segments

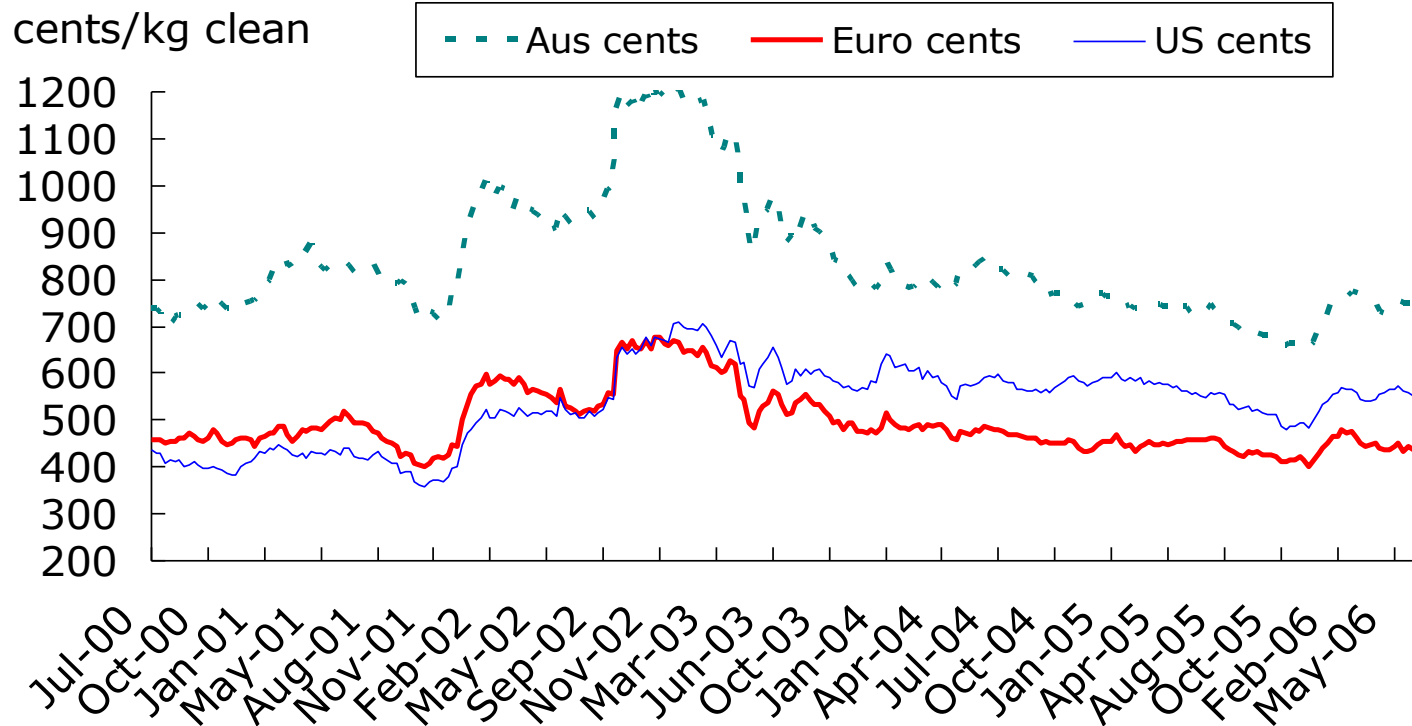
Prices

Three-year trends in Australian wool prices



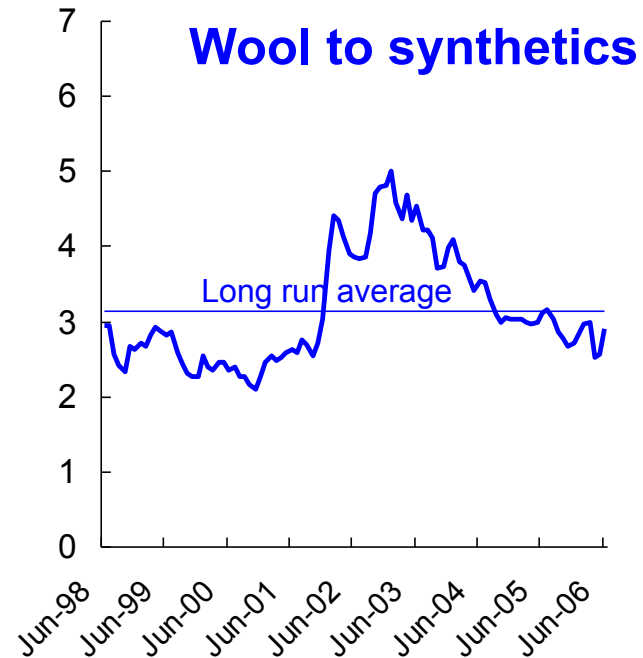
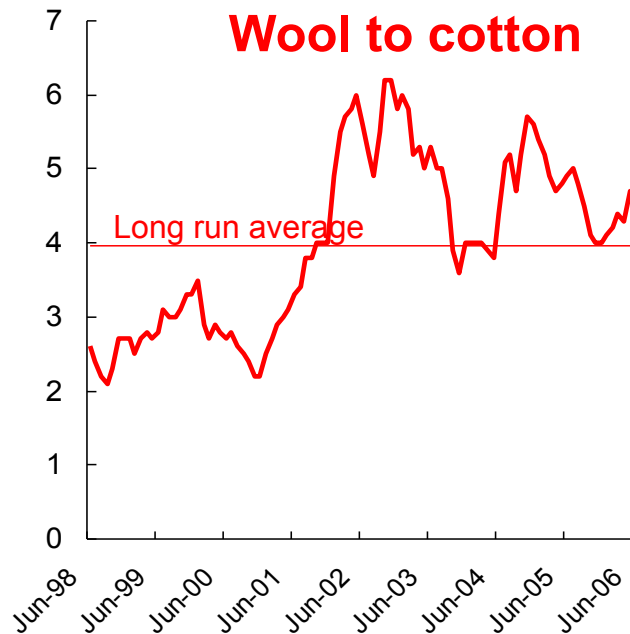
Source: AWEX.
Weekly basis up to 30 June 2006.

Australian EMI in user currencies



Sources: AWEX, The Woolmark Company, Financial Times.
Data to 30 June 2006.

Wool price relatives – 21-micron wool

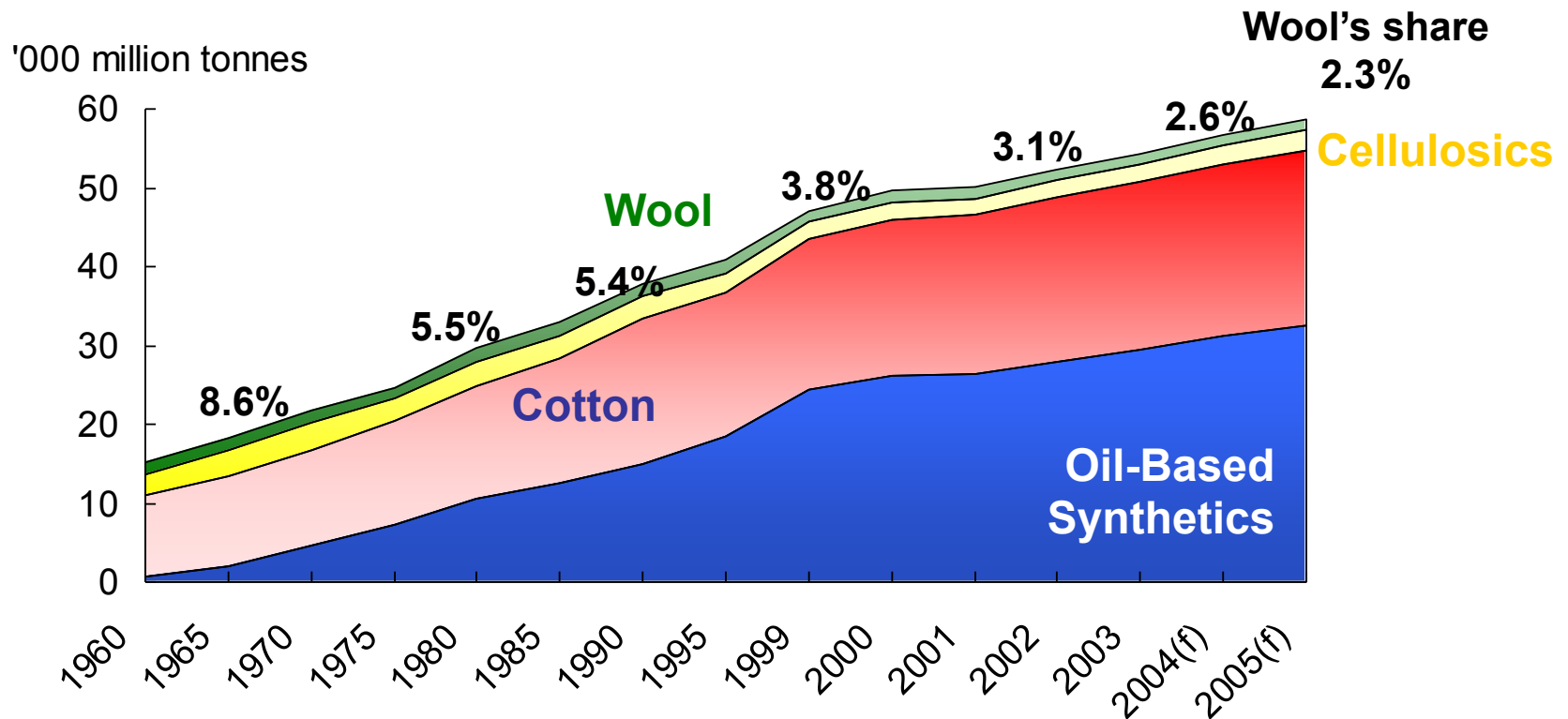


Source: The Woolmark Company and Cotton Outlook.
Data to March 2006.

Synthetic long term average between April 1987 and March 2006 (3.15).
Cotton long-term average between Jan 1985 and April 2006 (3.97.)

Fibre supply trends

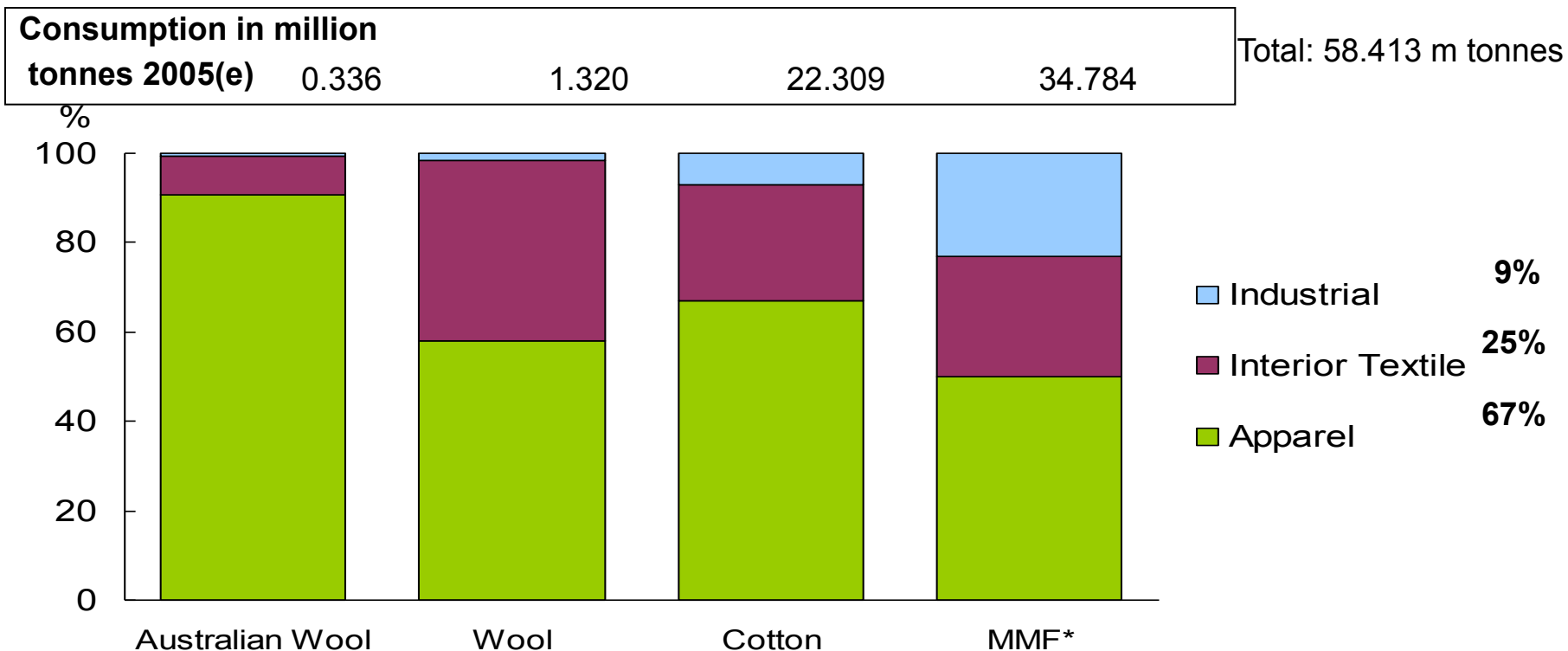
World consumption of major textile fibres



Source: ICAC, The Woolmark Company, CIRFS.

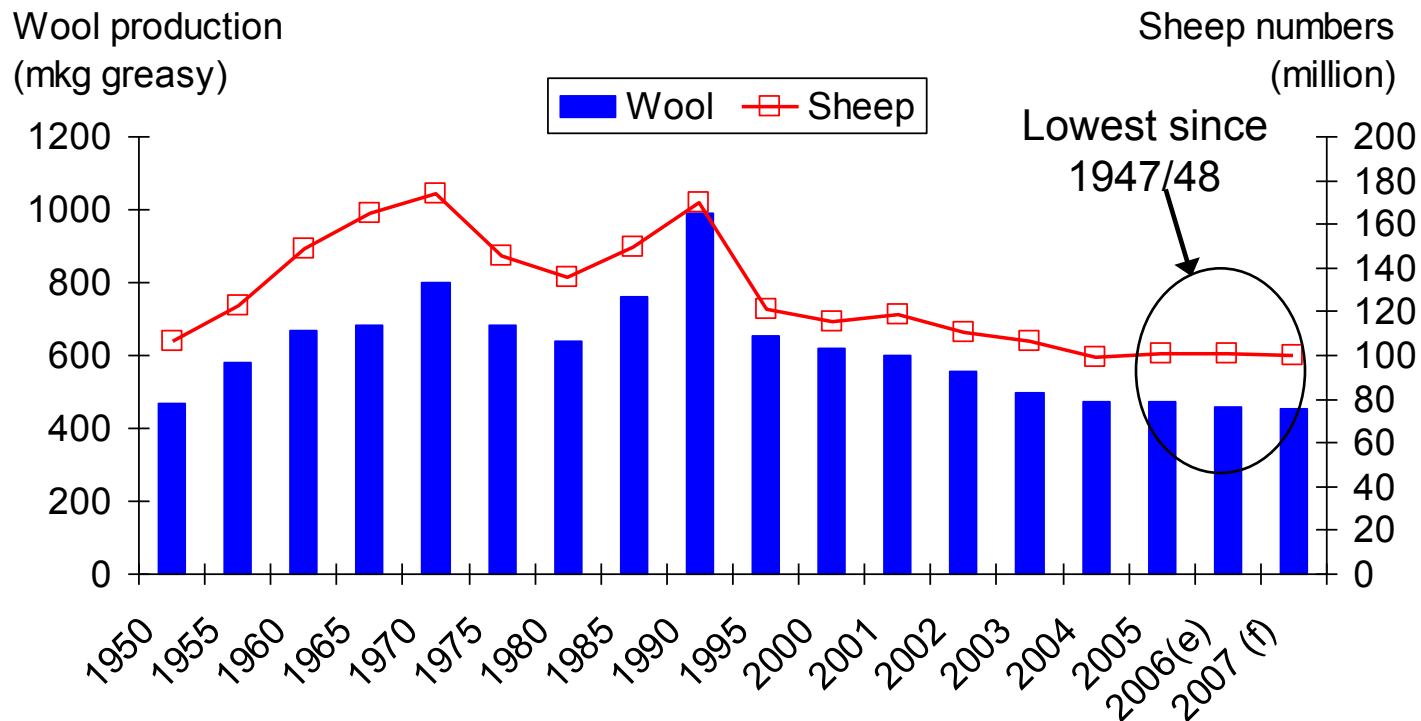
Fibre use by sector - 2005(e)

(Volume and share of world fibre consumption by fibre type)



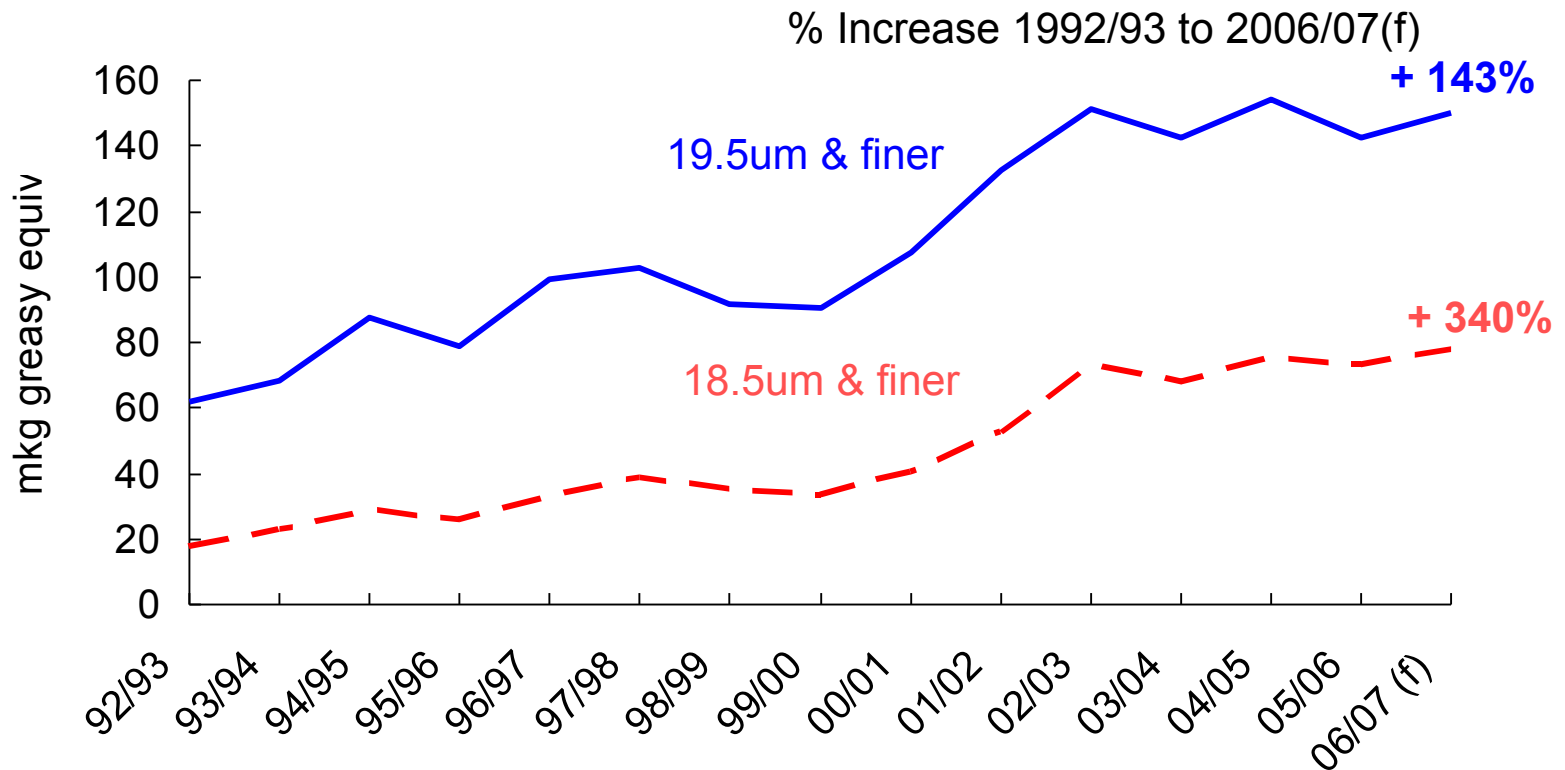
Man-made fibre includes oil based and cellulosic fibres.
 Source: The Woolmark Company, ICAC, CIRFS, CMA0.

Australian wool production continues to decline



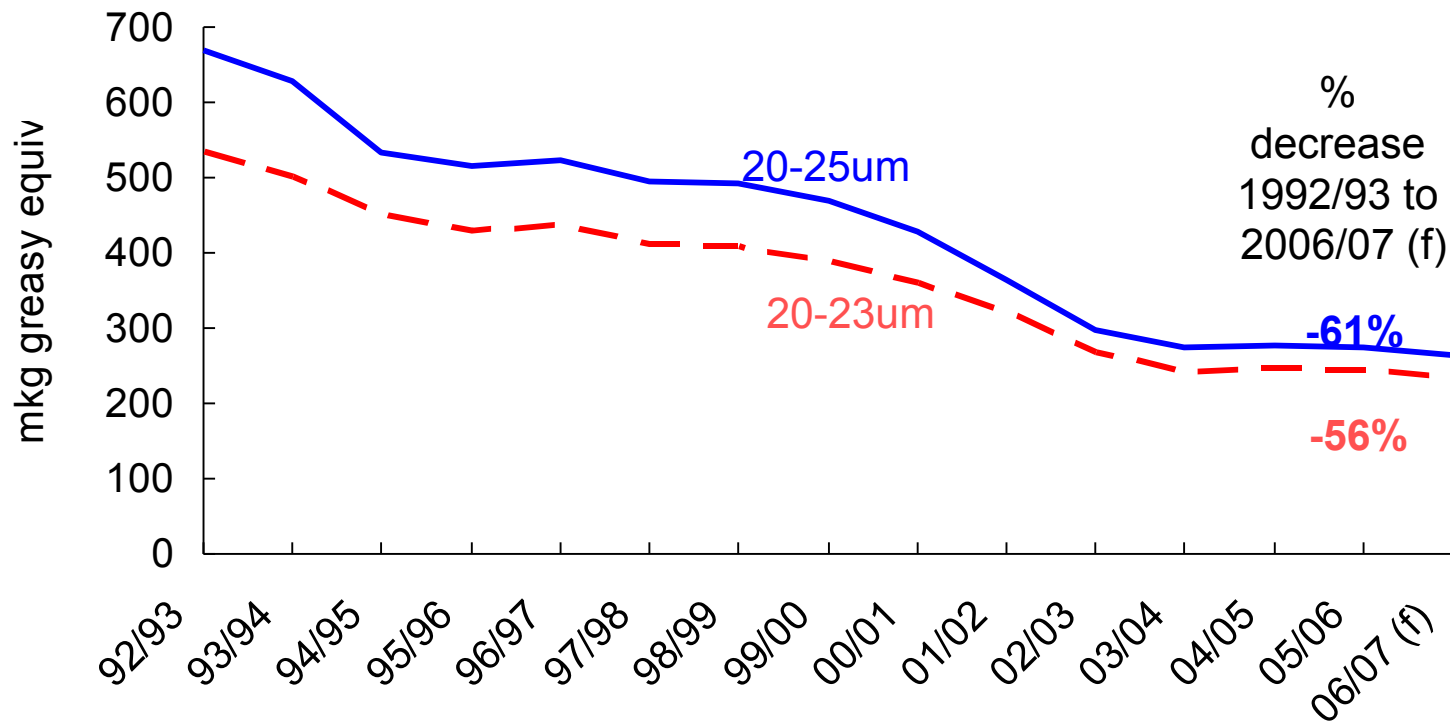
Sources: ABS, AWI Wool Production Forecasting Committee
2005=2004/05

Increasing production of Australian fine and superfine wool



Sources: The Woolmark Company, AWTA, AWIWPFC.

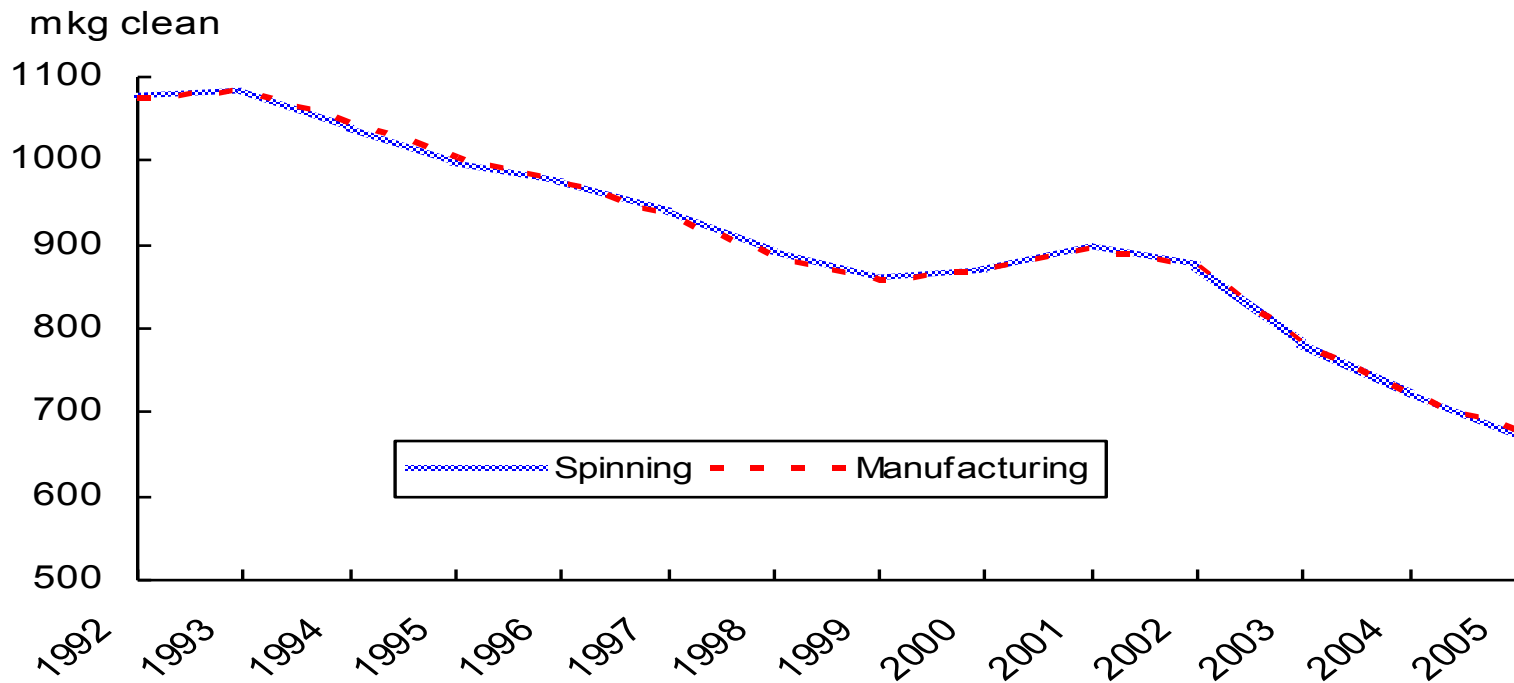
Declining production of Australian mid-micron wool



Sources: The Woolmark Company, AWTA, AWIWPFPC.

Regional shifts in wool textile production

Global volume of demand for wool* apparel wool textile industry



Source: The Woolmark Company.

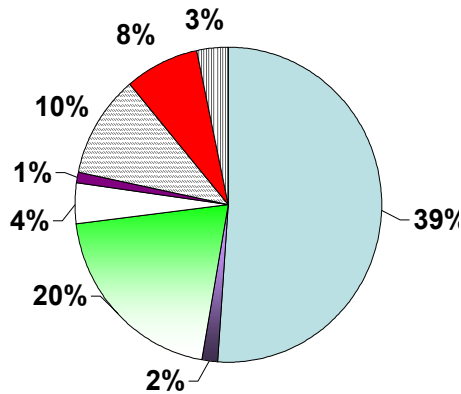
Note: * Measured by Net Domestic Availability.

The above NDA is a three-year average to smooth out the stock position.

Australian wool exports by destination – 19-micron and finer wool

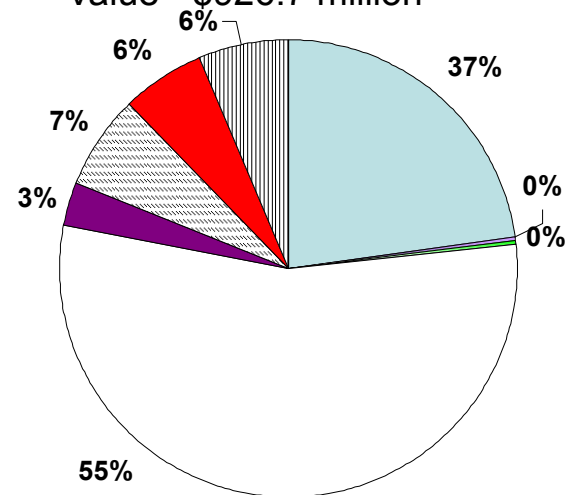
1994

Volume – 82.2 mkg greasy
Value - \$535.7 million



2005

Volume – 159.056 mkg greasy
Value - \$926.7 million



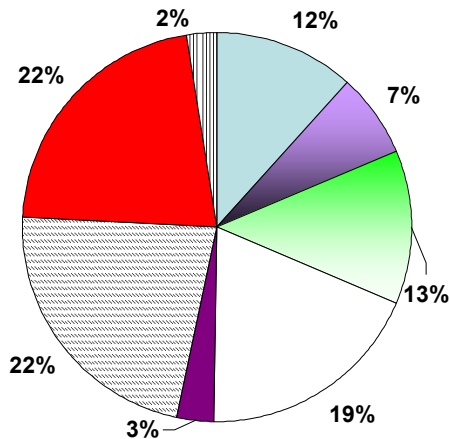
Italy
 N America
 Japan
 China
 India
 Other Asia
 Other Europe
 Other

Sources: ABS, Woolmark. Notes: % figures are volume based. Exports comprise greasy, carbonised, scoured, top, noils and waste. In 2005, 'other' includes tops shipped to 'unspecified' destination.

Australian wool exports by destination – 20 to 23-micron wool

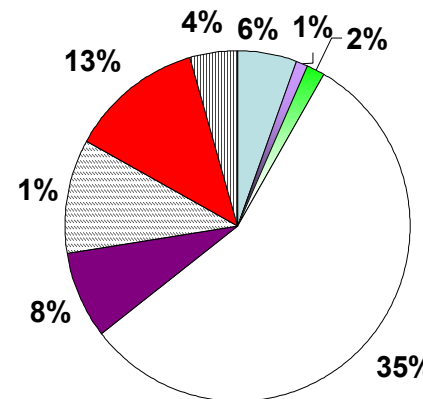
1994

Volume – 601.9 mkg greasy
Value - \$2,618.5 million



2005

Volume – 258.725 mkg greasy
Value - \$1,209.5 million



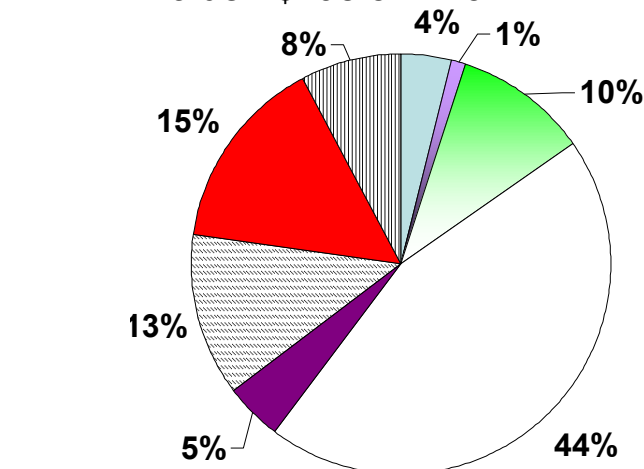
Italy
 N America
 Japan
 China
 India
 Other Asia
 Other Europe
 Other

Sources: ABS, Woolmark. Notes: Percentage figures are volume based.
Exports comprise greasy, carbonised, scoured, top, noils and waste.

Australian wool exports by destination – 24 to 27-micron wool

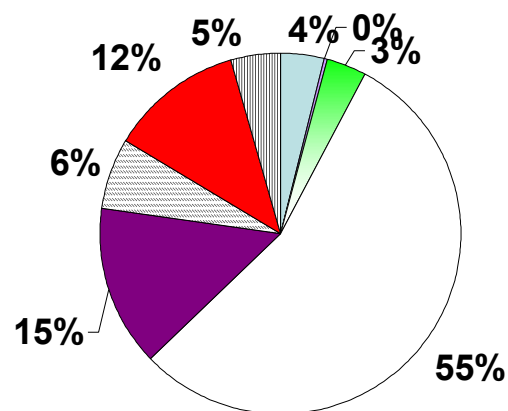
1994

Volume – 82.1 mkg greasy
Value - \$298.5 million



2005

Volume – 24.354 mkg greasy
Value - \$92.1 million



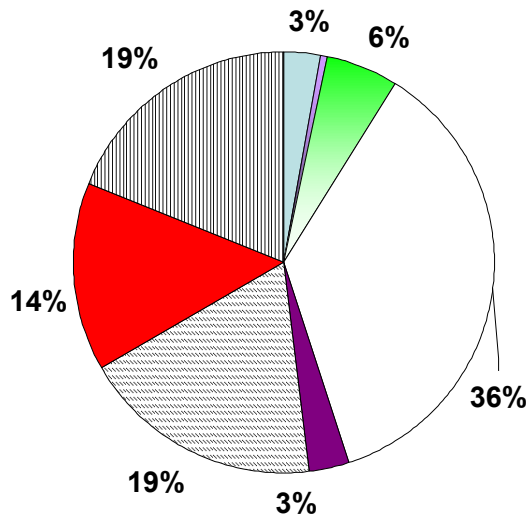
Italy
 N America
 Japan
 China
 India
 Other Asia
 Other Europe
 Other

Sources: ABS, Woolmark. Notes: Percentage figures are volume based.
Exports comprise greasy, carbonised, scoured, top, noils and waste.

Australian wool exports by destination – 28-micron and broader wool

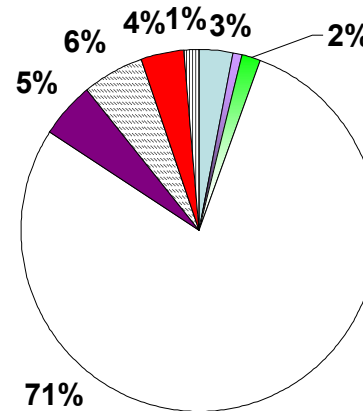
1994

Volume – 31.6 mkg greasy
Value - \$121.2 million



2005

Volume – 26.487 mkg greasy
Value - \$87.8 million

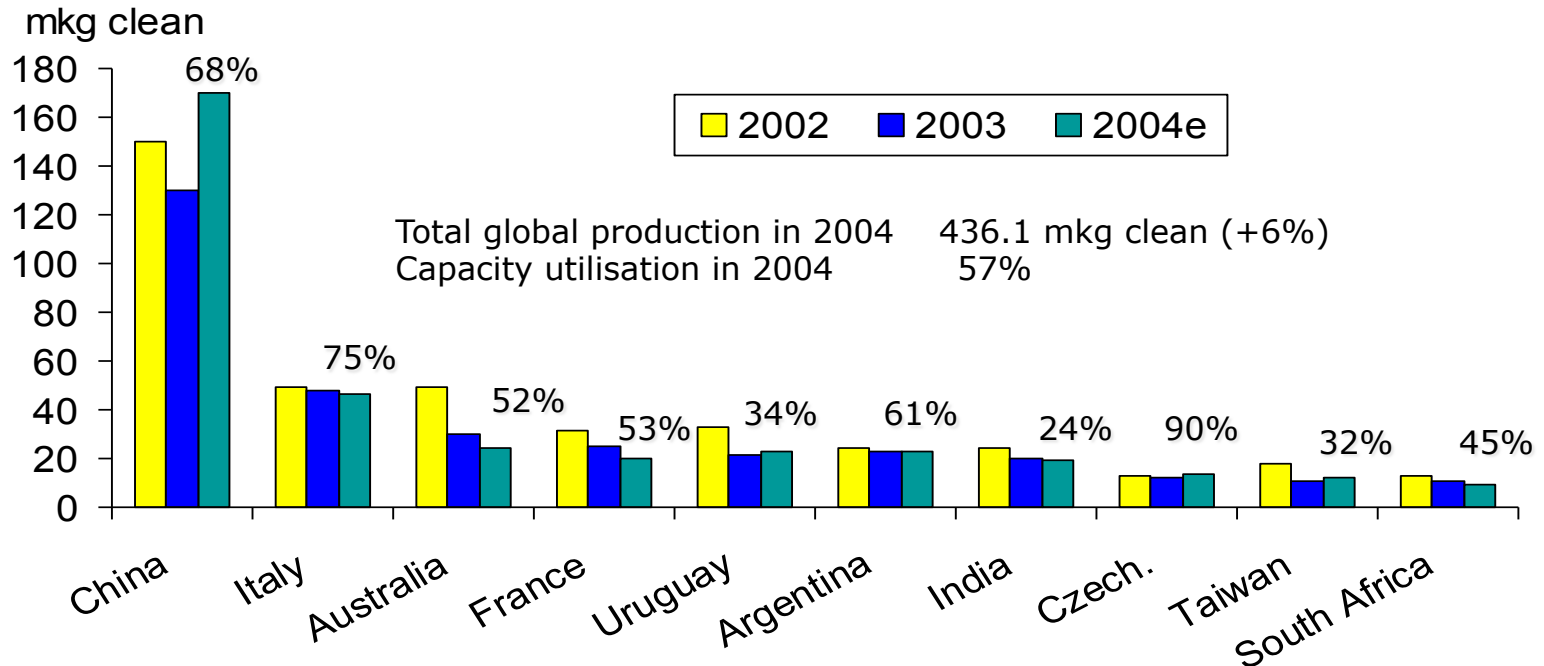


Italy
 N America
 Japan
 China
 India
 Other Asia
 Other Europe
 Other

Sources: ABS, Woolmark. Notes: Percentage figures are volume based.
Exports comprise greasy, carbonised, scoured, top, noils and waste.

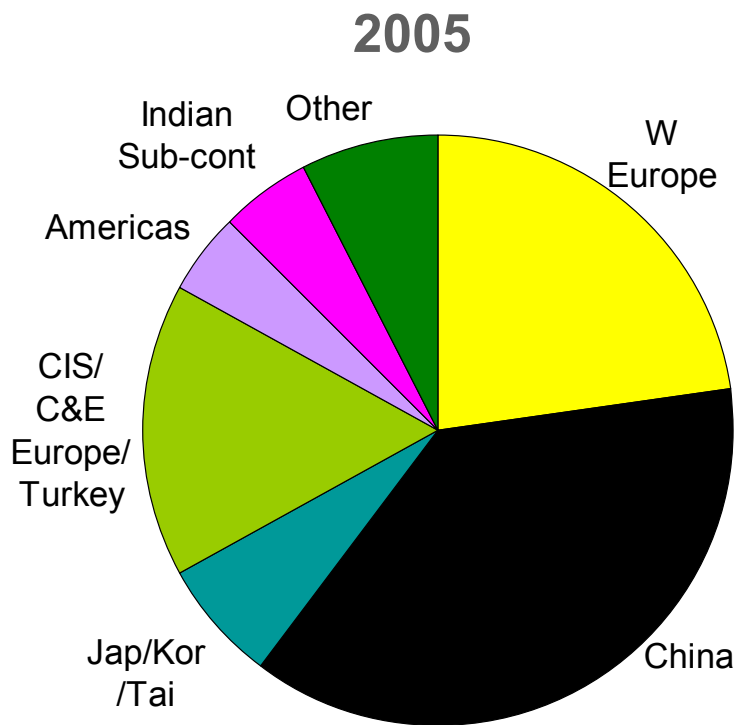
Global wool top production and capacity utilisation

% = Capacity utilisation



Source: The Woolmark Company estimates.

Apparel wool use up to spinning stage (mkg clean)

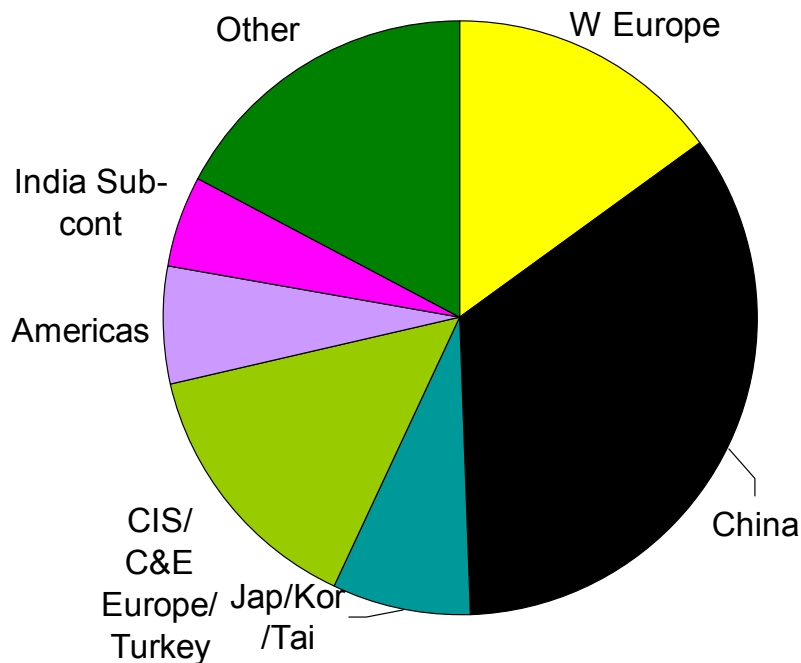


Mkg clean	1995	1995	2005	2005
W Europe	318.0	32%	152.9	23%
China	243.6	24%	251.4	37%
Jap/Kor/Tai	167.5	17%	46.6	7%
CIS/C&E Eur/Turkey	100.6	10%	106.8	16%
Americas	78.4	8%	30.2	4%
Indian-Sub cont.	31.8	3%	33.2	5%
Others	59.0	6%	51.1	8%
Total	998.8	100%	672.2	100%

Source: The Woolmark Company

Apparel wool use up to manufacturing stage (mkg clean)

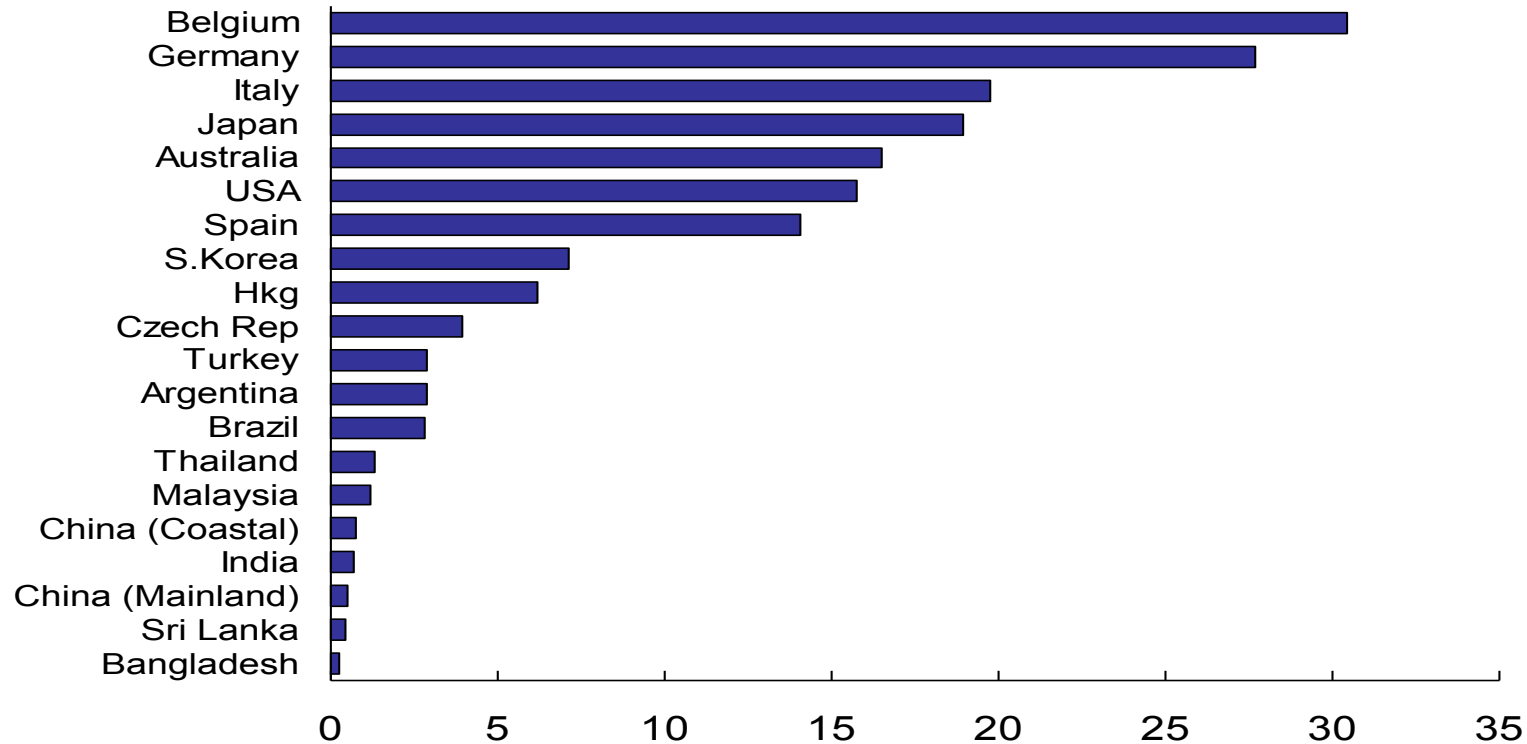
2005



Mkg clean	1995	1995	2005	2005
W Europe	249.9	25%	101.2	15%
China	266.2	28%	233.7	34%
Jap/Kor/Tai	153.3	15%	52.1	8%
CIS/C&E Eur/ Turkey	101.1	10%	98.2	14%
Americas	93.5	9%	43.2	6%
Indian-Sub cont.	28.5	3%	36.6	5%
Others	110.6	11%	166.5	17%
Total	1003.0	100%	678.7	100%

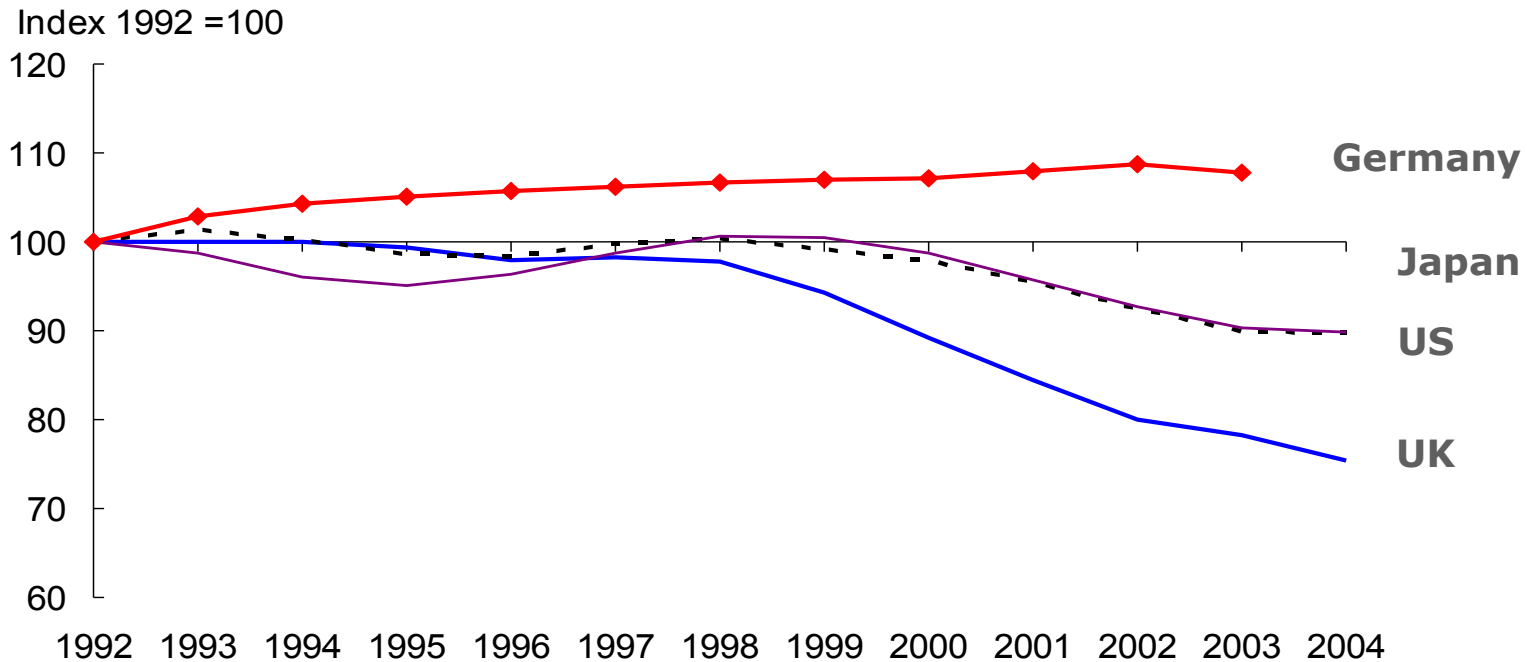
Source: The Woolmark Company

Labour costs in the textile industry 2004 (US\$/hour)



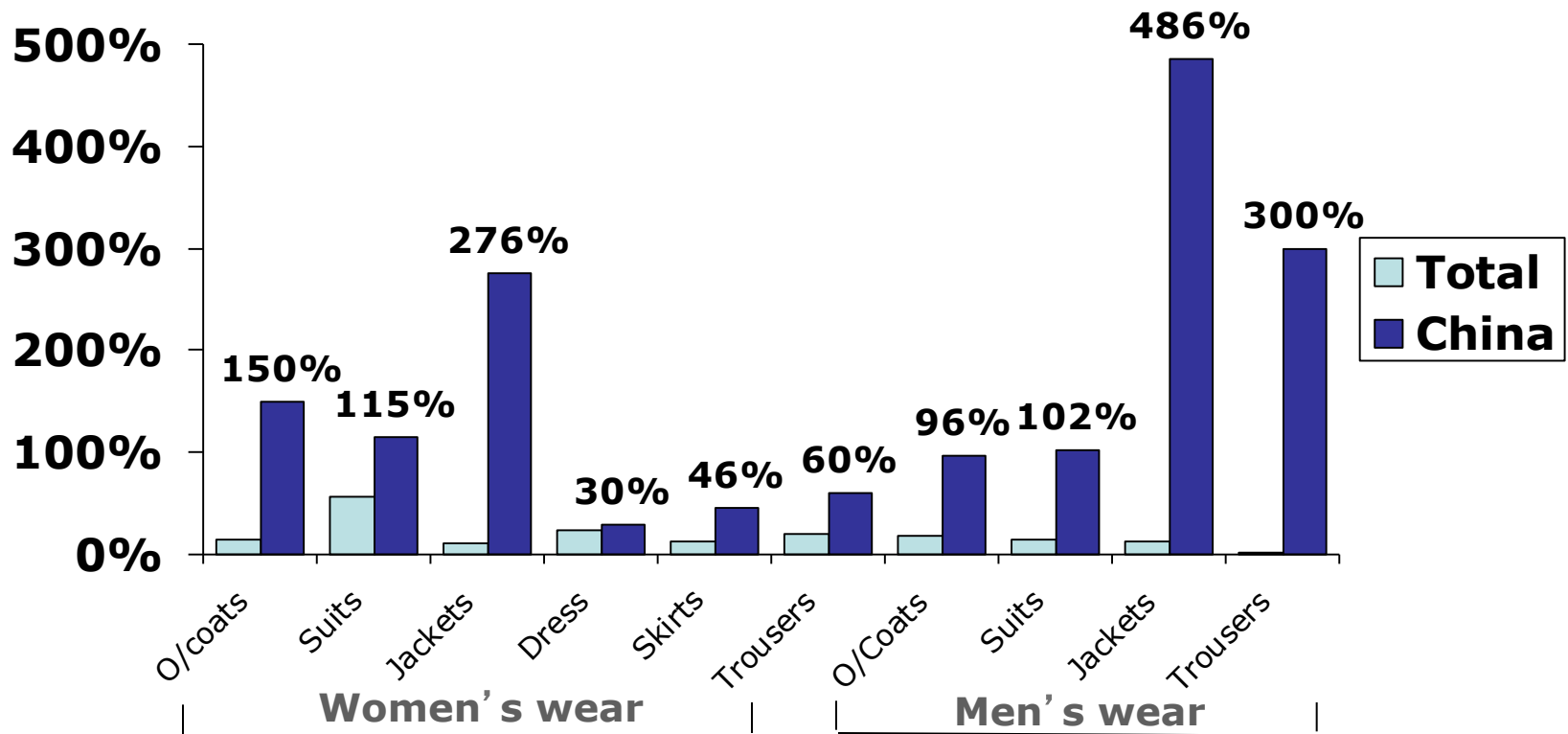
Source: Werner International.

Trends in clothing prices



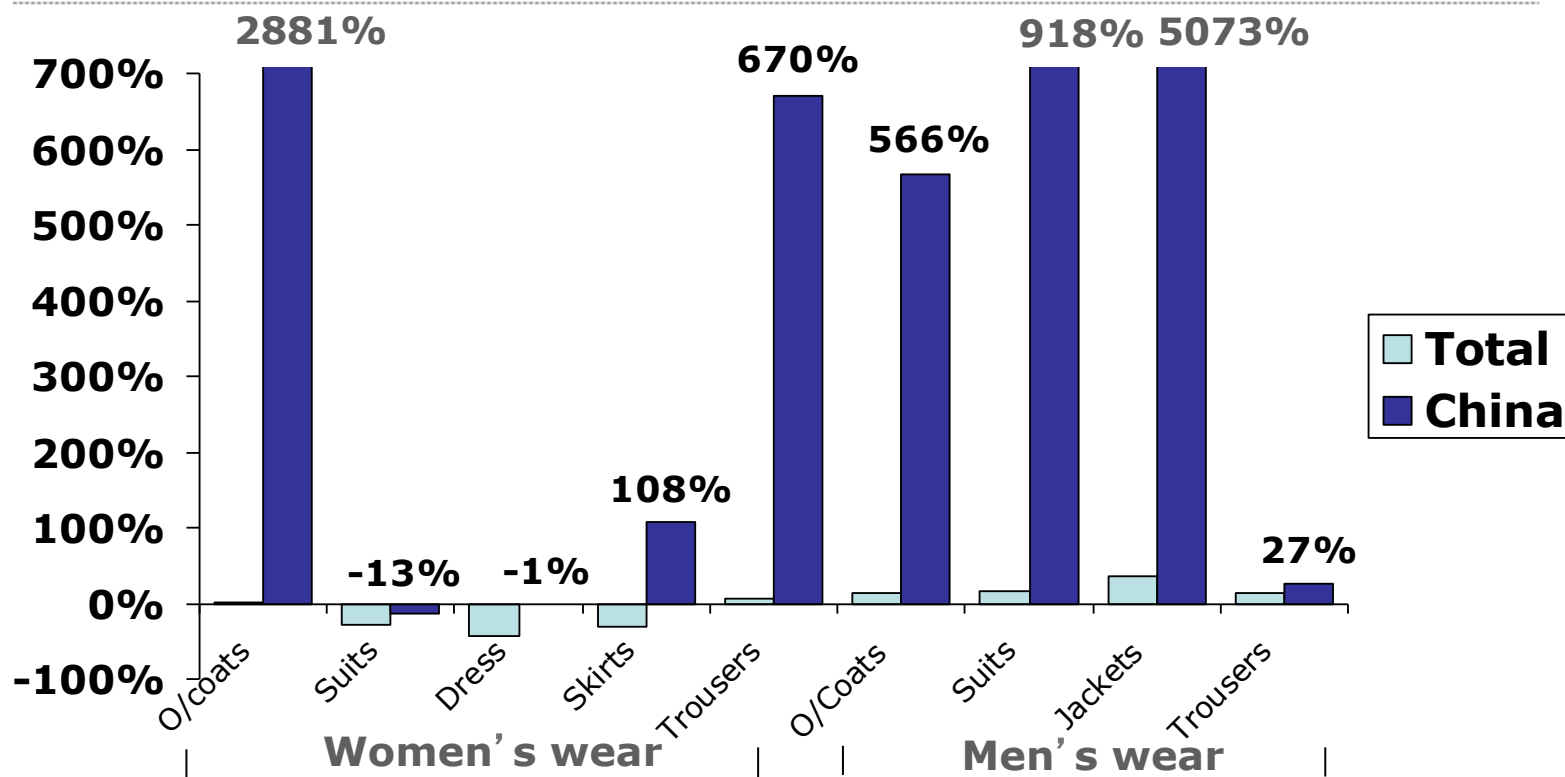
Source: Statistisches Bundesamt, Japan Statistics Bureau, US Department of Labor, UK National Statistics Office. Japan excludes kimonos.

Percentage change in Chinese wool woven wear and total imports into the EU in 2005 y-o-y



Source: Interlaine, The Woolmark Company.

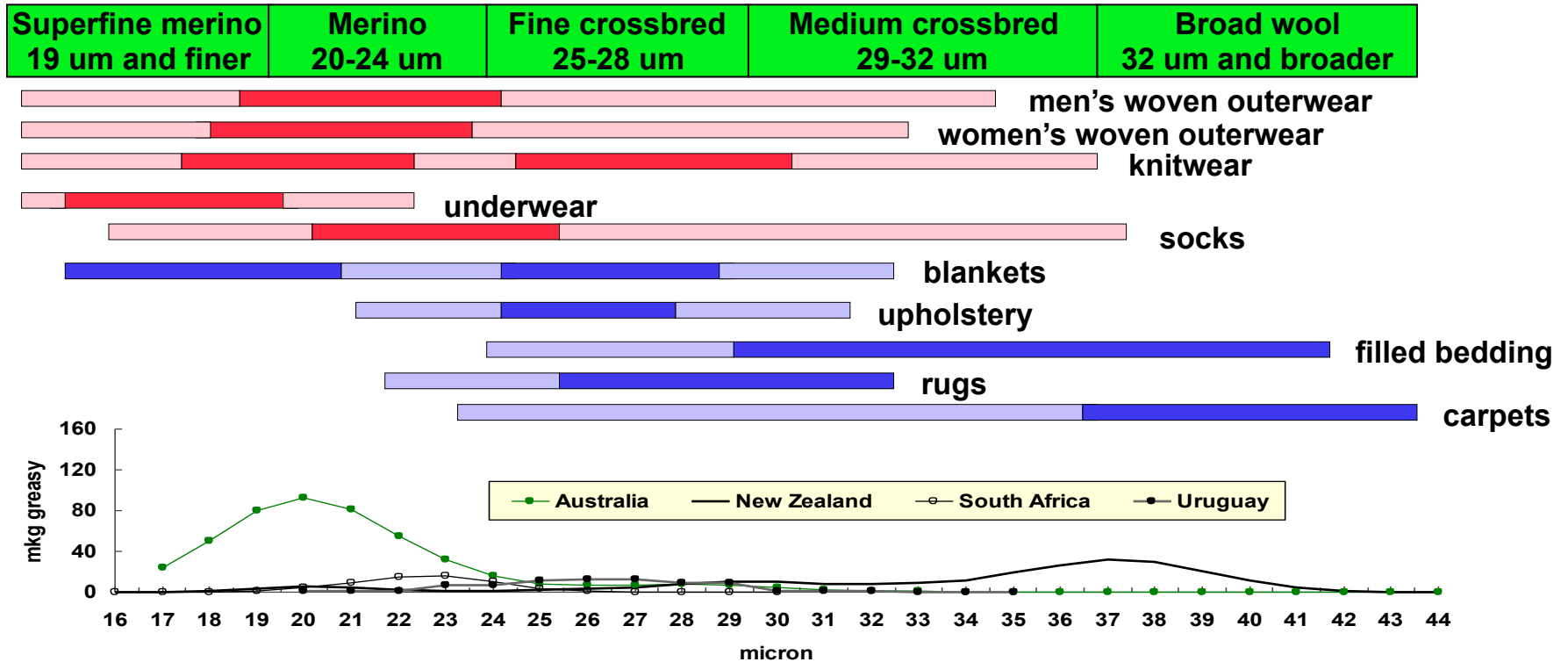
Percentage change in Chinese wool woven wear and total imports into the USA in 2005 y-o-y



Source: Interlaine, The Woolmark Company.

Wool end uses and retail trends

Wool usage and fibre diameter

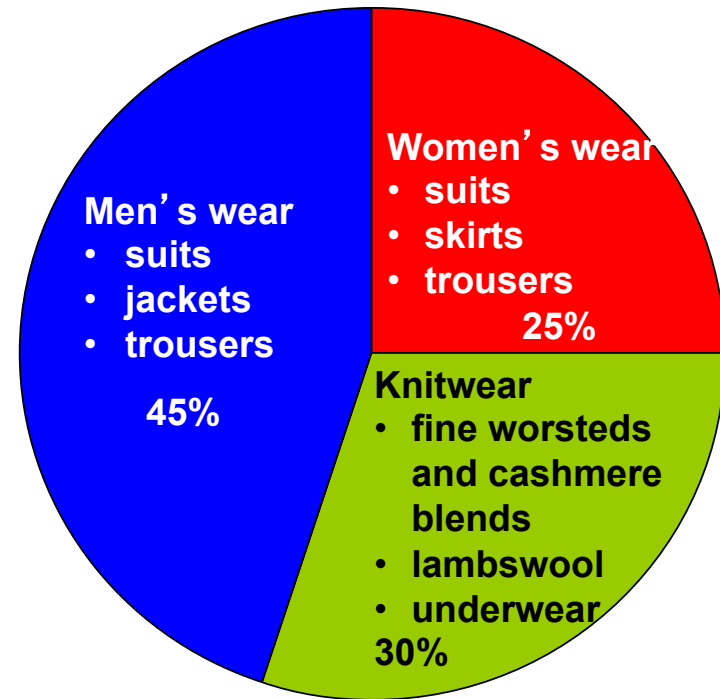


Source: The Woolmark Company.

Key consumer markets for fine and superfine wool (19.5 microns and finer)

Key Consumer Markets	
Division 1	Division 2
Japan	UK
Italy	Korea
Germany	France
US	Taiwan
China	Other W. Europe

The dominant luxury fibre in lightweight knitwear and tailored formalwear

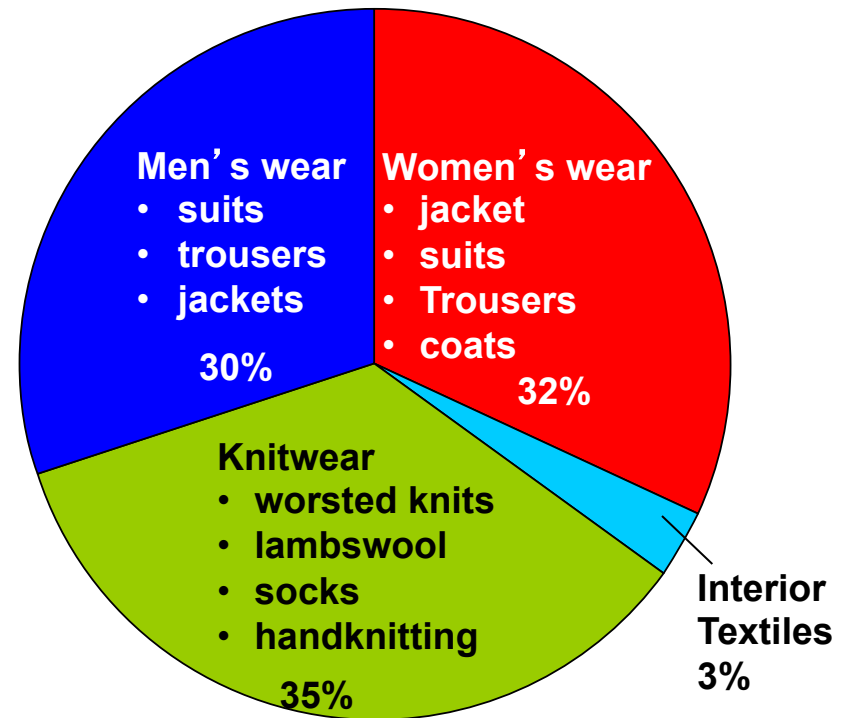


Source: The Woolmark Company databases and estimates, international trade statistics.

Key consumer markets for medium merino wool (19.6-micron to 25-micron)

Key Consumer Markets	
Division 1	Division 2
China	Germany, France, Spain, other W. Europe
US	Taiwan, Korea
UK	India
Italy	Turkey
Japan	Russia, other E. Europe

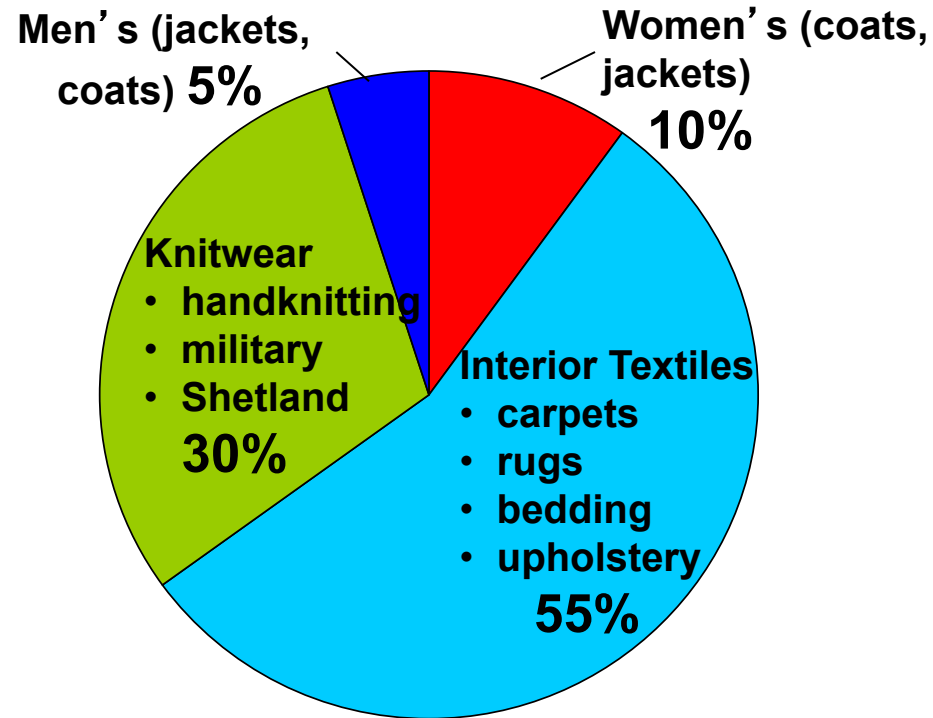
Extensive use in lower price point garments, often in blends



Source: The Woolmark Company databases and estimates, international trade statistics.

Key consumer markets for all broad wool (26-micron and broader)

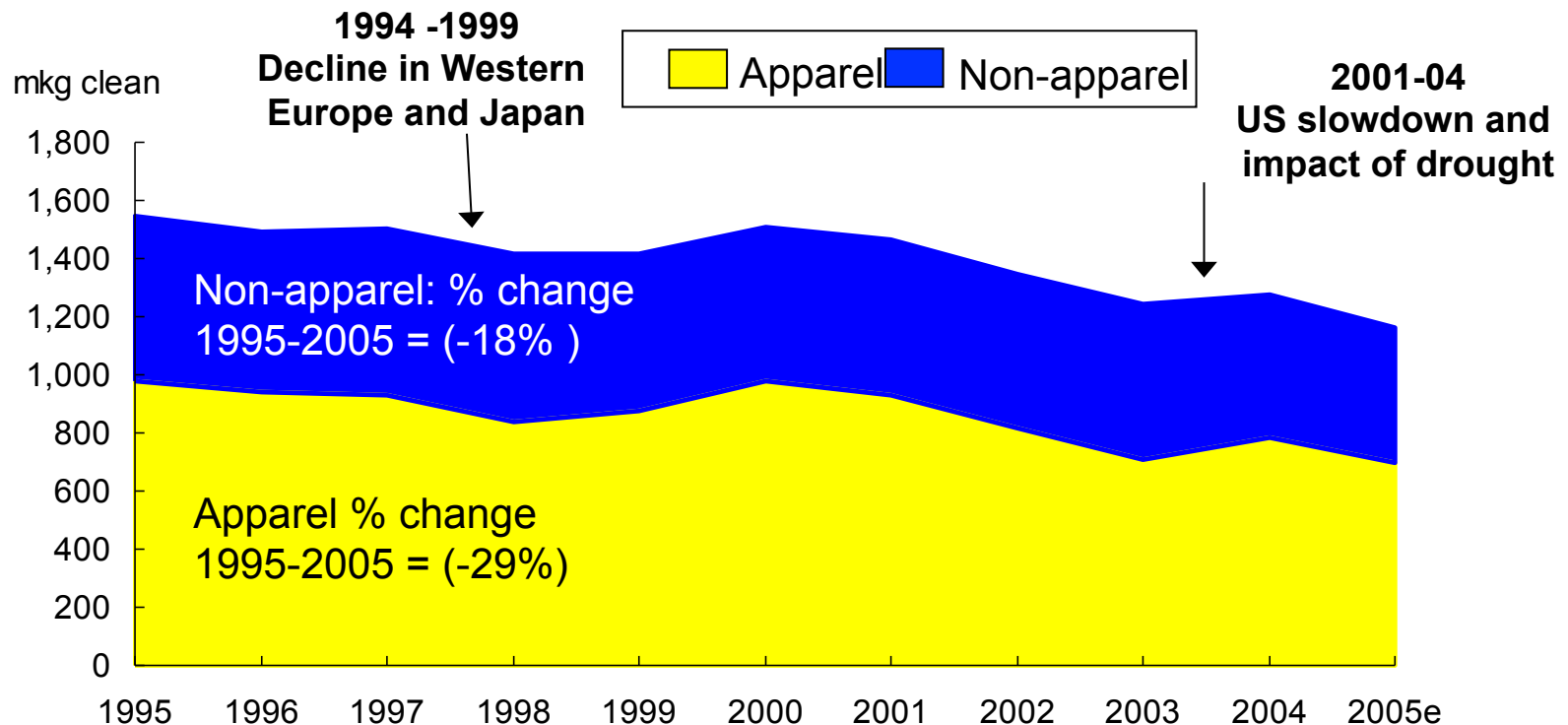
Key Consumer Markets	
Division 1	Division 2
China	Italy, other W. Europe
US	India, Pakistan, other South Asia
UK	Japan
Germany	Russia, other CIS & E. Europe
Turkey	Other Middle East
Australia	North Africa



Carpets, bedding, upholstery, hand knitting yarns, winter-weight coats and sweaters

Source: The Woolmark Company databases and estimates, international trade statistics, McKinsey & Co.

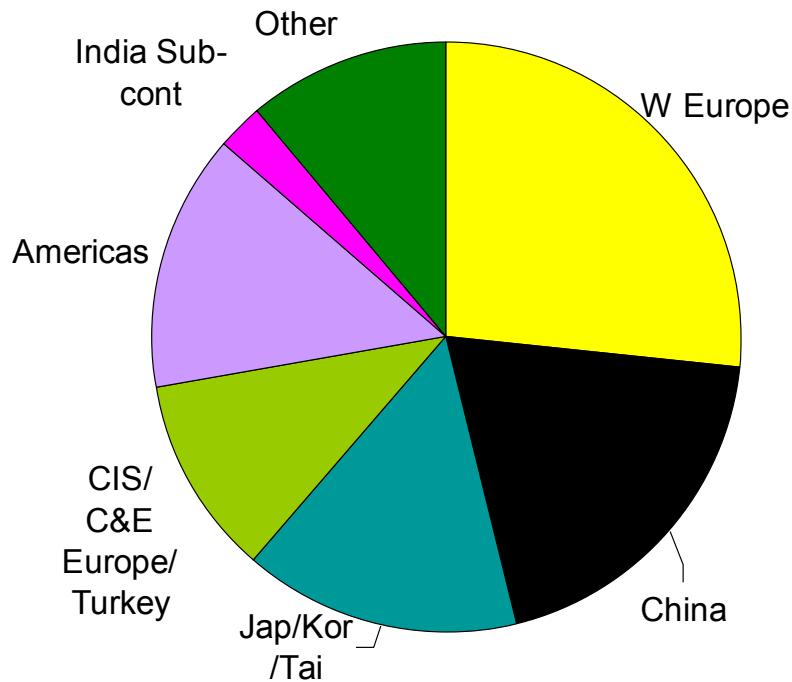
Trends in global wool demand at retail



Source: The Woolmark Company. Note: Demand = availability up to retail stage.

Apparel wool use up to retail stage (mkg clean)

2005



Mkg clean	1995	1995	2005	2005
W Europe	306.6	30%	191.3	27%
China	203.1	20%	139.9	19%
Jap/Kor/Tai	197.3	19%	109.8	15%
CIS/C&E Eur/Turkey	83.4	8%	79.0	11%
Americas	126.5	12%	101.6	14%
Indian-Sub cont.	23.7	2%	17.1	2%
Others	72.6	7%	80.0	11%
Total	1013.2	100%	718.7	100%

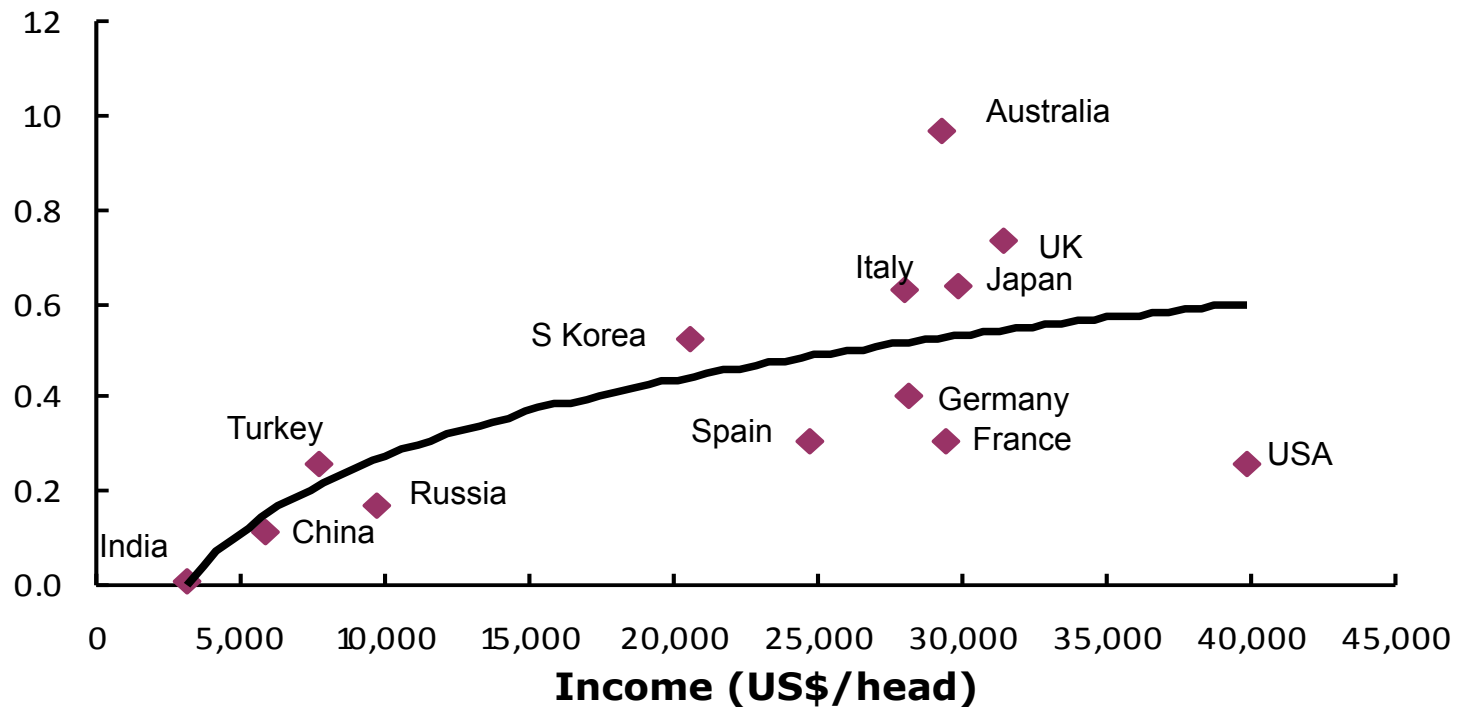
Source: The Woolmark Company.

Per capita apparel wool consumption

Country	Apparel wool NDA (mkg)	Population (million)	Per capita incomes (\$US)	Per capita annual wool consumption (kg)
China	139.9	1,296.2	5,890	0.11
Japan	81.3	127.8	29,810	0.64
US	76.9	293.7	39,820	0.26
UK	44.0	60.0	31,430	0.73
Italy	36.3	57.6	28,020	0.63
South Korea	25.1	48.0	20,530	0.52
Germany	32.7	82.5	28,170	0.40
Russia	24.0	143.9	9,680	0.17
Australia	19.4	20.1	29,340	0.97
France	18.9	60.4	29,460	0.31
Turkey	18.9	71.7	7,720	0.26
Spain	10.7	42.7	24,750	0.25
India	15.6	1,079.7	3,120	0.01

Source: The Woolmark Company, United Nations, World Bank. Wool consumption is a three-year average of 2003 to 2005 apparel NDA at retail. Income is GDP per head on a purchasing power parity basis. Income and population data are for 2004.

Per capita apparel wool consumption versus incomes



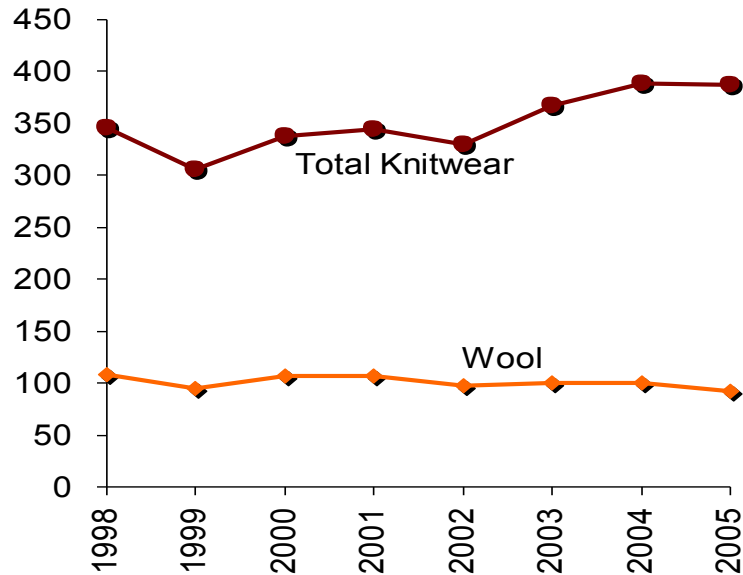
Source: The Woolmark Company. Wool consumption is a three-year average of 2000 to 2005 apparel NDA at retail. Income is GDP per head on a purchasing power parity basis.

Wool's share in key segments

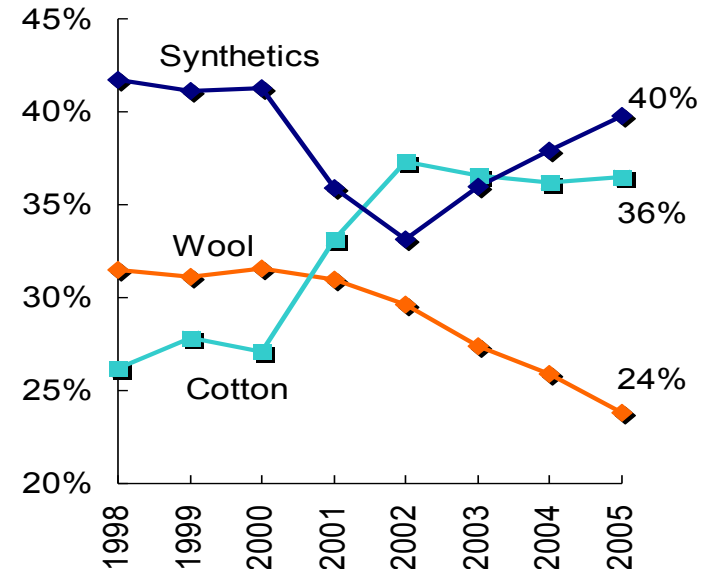
Japan imports of knitwear

Value yen ¥

Imports in Value (¥ bill.)



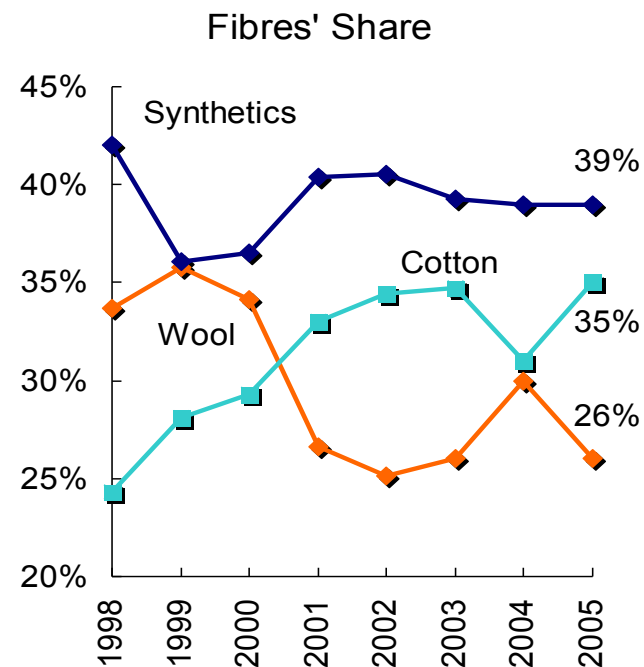
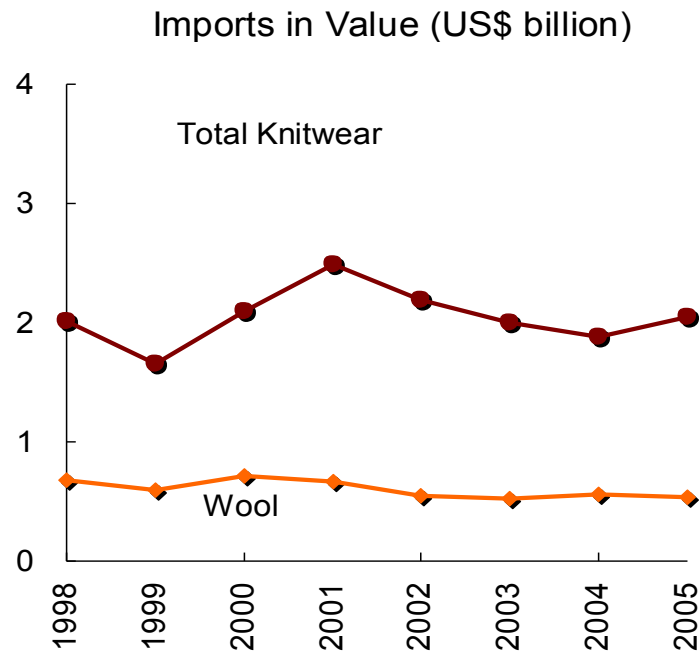
Fibres' Share



Source: Japanese Trade Statistics.
 Note: *Covers period January - December.
 Total knitwear = wool, synthetics, cotton and 'others'.

USA imports of knitwear

Value \$US billions

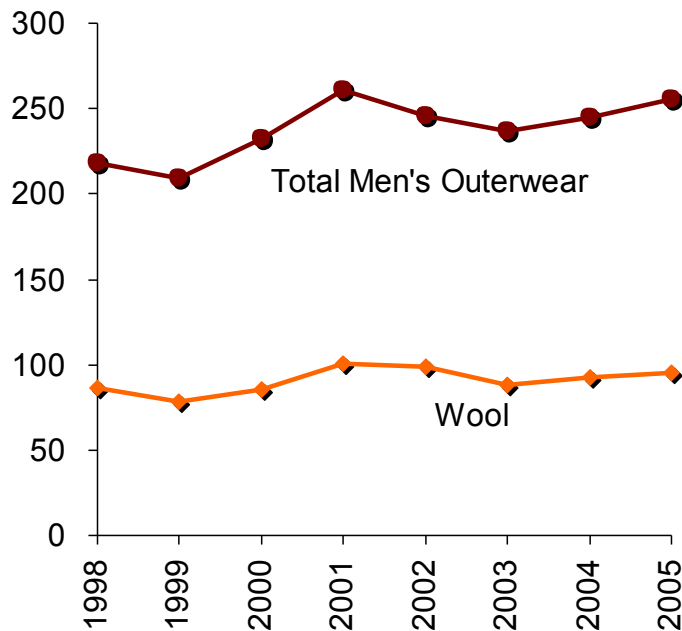


Source: US Dept of Commerce (General imports).
 Note: Knitwear = sweaters/cardigans and excl. vests and sweatshirts.
 Total knitwear = wool, synthetics and cotton.

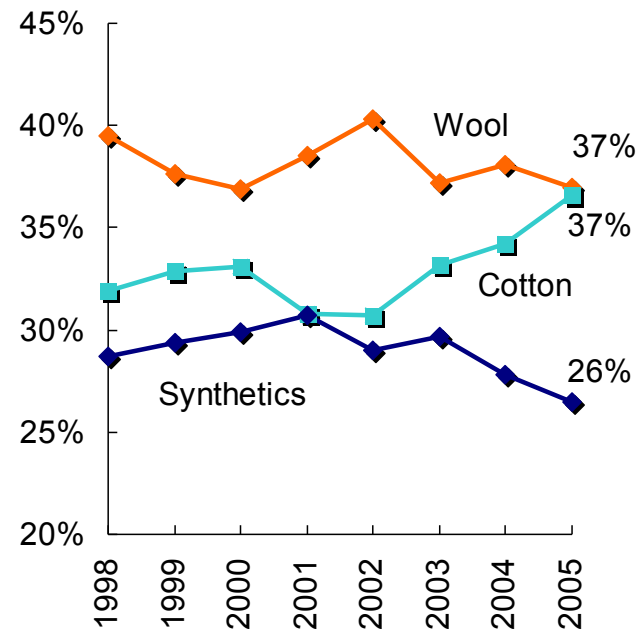
Japan imports of men's outerwear

Value yen ¥

Imports in Value (¥ bill.)



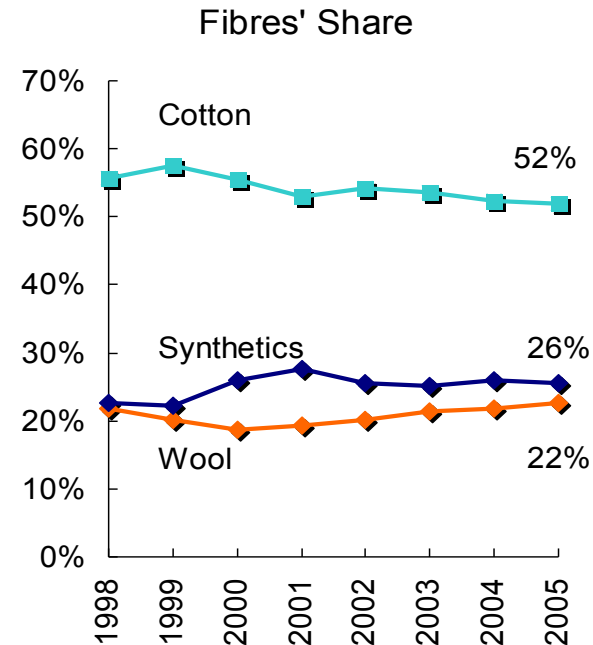
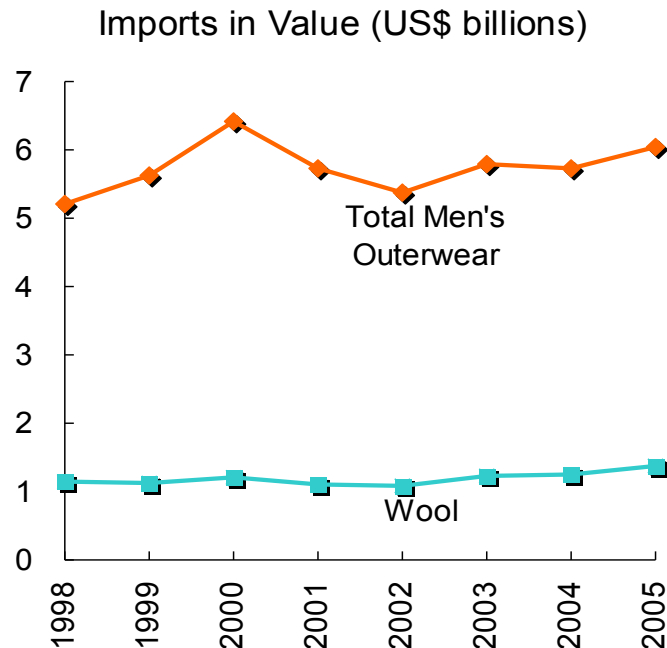
Fibres' Share



Source: Japanese Trade Statistics.
 Note: *Covers period January - December.
 Total men's outerwear = wool, synthetics and cotton.

USA imports of men's outerwear

Value US\$ billions

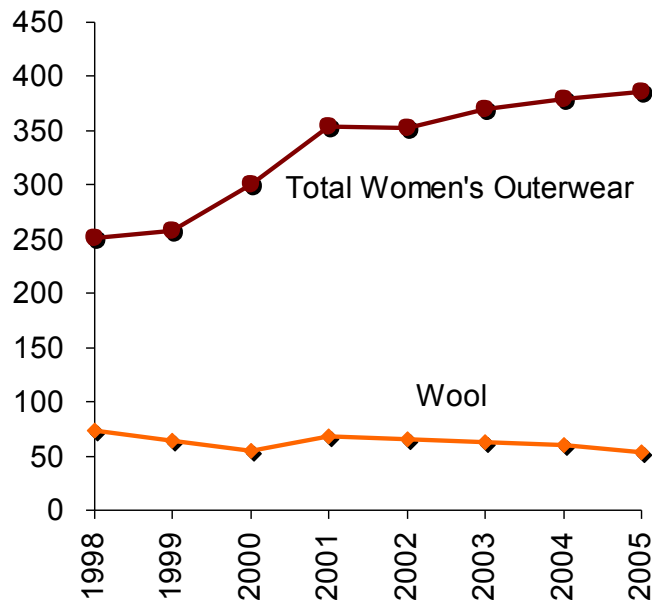


Source: US Dept of Commerce.
 Note: Menswear – Suits incl. ensembles, coats excl. Anorak/parka/windbreakers, Trousers of cotton excl. corduroy and denims Total men's outerwear = wool, synthetics and cotton.

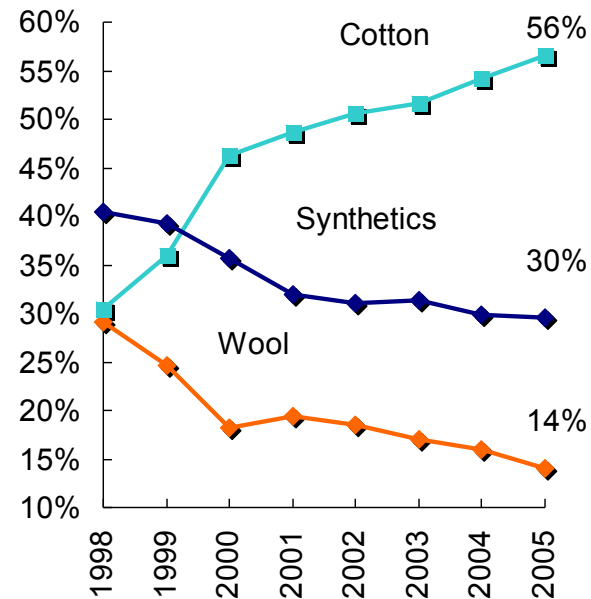
Japan imports of women's outerwear

Value yen ¥

Imports in Value (¥ bill.)



Fibres' Share



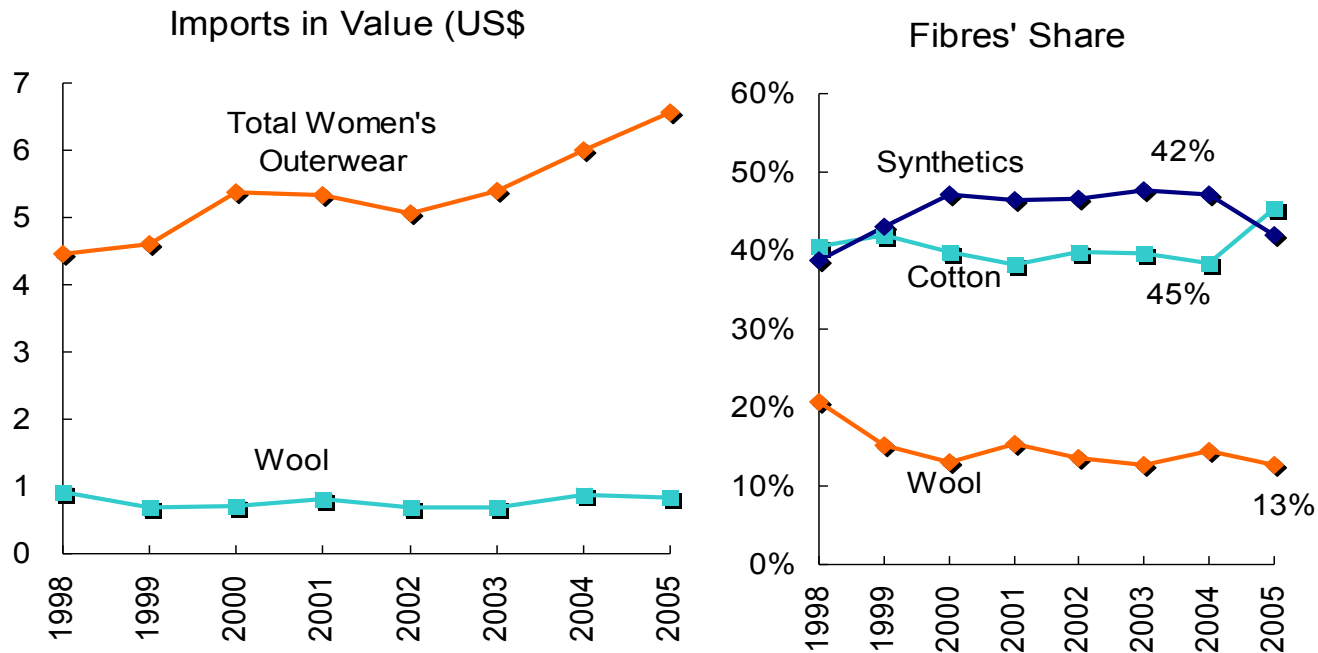
Source: Japanese Trade Statistics.

Note: *Covers period January - December.

Total women's outerwear = wool, cotton, synthetics and 'others'.

USA imports of women's outerwear

Value \$US - billions



Source: US Dept of Commerce.
 Note: Womenswear – Suits incl. ensembles, coats excl. Anorak/parka/windbreakers, Trousers of cotton excl. corduroy and denims Total women's outerwear: wool, synthetics and cotton.

Private consumption forecasts in key apparel wool consuming countries

Country	World share of wool at retail	Private Consumption Forecasts		
		2005	2006 (f)	2007 (f)
China	21%	9.9%	9.6%	8.9%
Japan	11%	2.1%	2.9%	2.2%
USA	11%	3.5%	3.2%	2.7%
UK	6%	1.7%	2.0%	2.3%
Italy	5%	0.1%	1.2%	1.2%
Germany	5%	0.2%	0.9%	0.1%
South Korea	3%	3.2%	4.5%	4.3%
France	3%	2.2%	2.3%	2.1%

(f) forecast (e) estimate China is GDP growth.
Source: The Woolmark Company, Consensus Forecast (June 06).