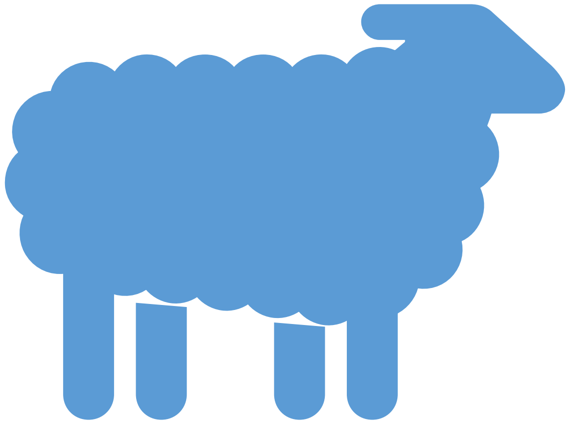


Wool & hides situation from the producers and agri-cooperatives' perspective

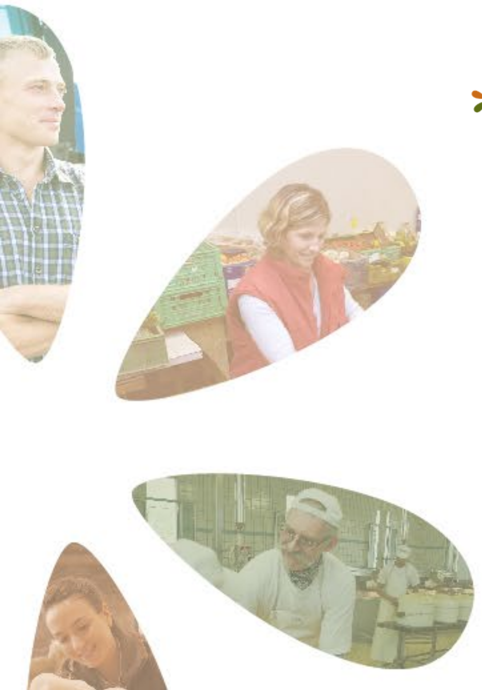
Raúl Muñiz
Chair of the Copa-Cogeca WP on Sheep & Goats

Structure of the presentation

- General introduction
- Inputs from Copa-Cogeca members
  - Portugal, Austria, Croatia, Lithuania, Italy, France, Ireland, UK, Spain
- Case study – Spain
  - National and regional situation
  - Comparison with global trends
  - SWOT analysis
  - Conclusions

General introduction

- The EU wool sector is going through a crisis
- A historical and sustainable by-product that should be a source of income, is now a cost
- The situation is very similar for other by-products such as hides
- The reality of wool in the Member States is very diverse, but some trends are very similar:
    - High cost, small profit
    - Lack of washing or any processing facilities
    - Difficult to access the international market
    - Very different sheep breeds and qualities

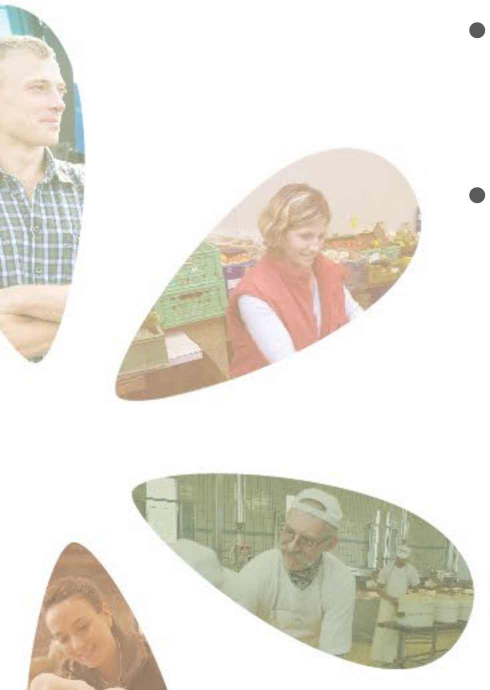


Wool production overview in selected European Countries

Portugal

- **Estimated Wool Produced (2022):** 5,075 tonnes
- **Type of Wool:** Sheep Wool (Fine Wool)
- **Marketing Channels:** Portuguese Market
- **Challenges:**
    - Main buyer (China) not purchasing Portuguese wool.
    - Excess wool stored.

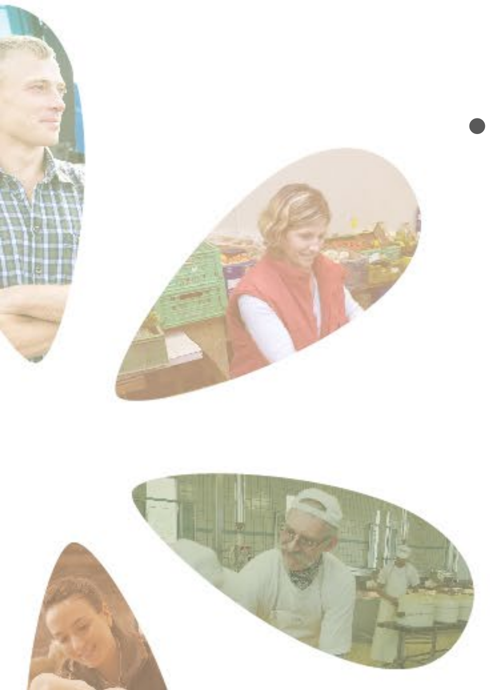
Wool production overview in selected European Countries



Austria

- **Estimated Wool Produced (2022):** 796 tonnes
- **Type of Wool:** Raw Wool (White and Mixed) & small-scale Merino wool
- **Marketing Channels:** Wool Traders, Direct Marketing by Farmers
- **Challenges:**
    - Low raw wool prices.
    - Long distances for wool collection.
    - Lack of wool washing companies in Austria.
    - Few small companies dealing with raw hides.

Wool production overview in selected European Countries



Croatia

- **Estimated Wool Produced (2022):** 830.5 tonnes
- **Type of Wool:** 80% Wool for carpets
- **Marketing Channels:** Farmer - Middle Men - Textile Dealer - Retailer - Consumer
- **Challenges:**
  - Low productivity.
  - Inadequate wool quality.
  - Poor returns from sheep rearing.
  - Lack of organized market for hides.

Wool production overview in selected European Countries

Lithuania

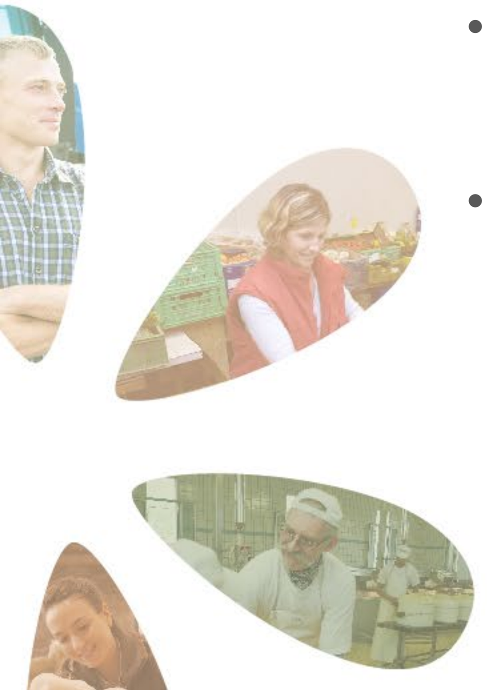
- **Estimated Wool Produced (2022):** 200 tonnes
- **Marketing Channels:** local markets and personal needs (i.e., home insulation)
- **Challenges:**
  - Small wool processing companies.
  - Two big wool processing companies exist, but they import from AU and NZ.
  - Hides processing volumes are very low.

Wool production overview in selected European Countries

Italy (Coldiretti)

- **Estimated Wool Produced (2022):** 10,500 tonnes
- **Types of wool:** Merino, Mezzofine, Alpine, Ordinary
- **Challenges:**
    - Absence of quality assurance system.
    - Lack of organized systems for harvesting, grading, and marketing.
    - Absence of shearing technique training.
    - Need for better production systems in Europe.

Wool production overview in selected European Countries



Italy (Confagricoltura)

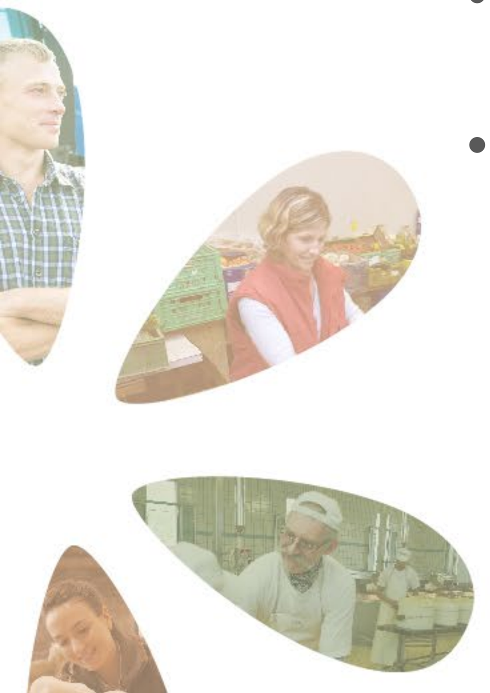
- **Estimated Wool Produced (2022):** 1,200 tonnes
- **Market Situation:**
  - Very limited demand; location of wool makes processing difficult.
  - Wool considered a waste by-product, with a near-zero price.
  - Lack of industrial processing structures.
- **Current Processing Activities:**
  - Only small artisanal processing activities exist.
  - Limited quantities processed due to economic constraints.
- **Challenges:**
  - Absence of industrial processing structures makes wool a net cost.
  - Shearing and disposal both incur high costs (1.5 eur/head for foreign clippers).
  - Investment is needed to restore washing and processing facilities.
  - To give value to wool byproduct, alternative destinations for wool should be explored.
  - Consider potential use in construction industry (insulation).
  - Non-existent market for leather, hides, and skins derived from sheep and goats.
  - Unlike bovine hides and skins, there is no demand for sheep and goat leather.

Wool production overview in selected European Countries

France

- **Estimated Wool Produced (2022):** 10,000 tonnes
- **Types of Wool:**
  - Merino, Fine/Medium, Coloured, Twill Wools
  - 59 different sheep breeds with different wool characteristics
- **Challenges:**
  - Finding ways to supply new markets: interior wool, insulation, tree protection.
  - Build new collection facilities.
  - Find uses for heterogeneous wools.
  - Lack of markets/tools for processing volumes.
  - Classification of wool as a category 3 by-product.

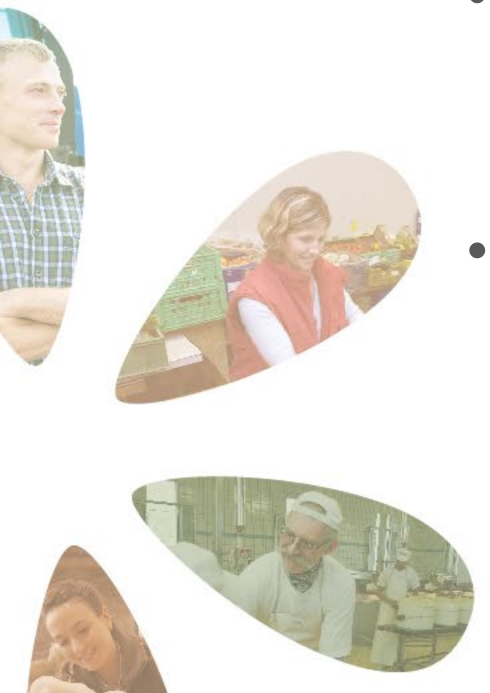
Wool production overview in selected European Countries



Ireland

- **Estimated Wool Produced (2022):** 8,000 tonnes.
- **Types of Wool:** Irish Grown Wool (Mountain/Hill, Crossbred, Lowland), coarse
- **Marketing Channels:** Direct Sales to Domestic and UK-based Wool Merchants
- **Challenges:**
  - Highly fragmented sector.
  - Farm gate prices.
  - Shearing costs farmers over €21 million annually.
  - Cost to shear 8€ per head. Returns for wool at 20c/kg.
  - Fragmented sector with individual farmers.

Wool production overview in selected European Countries



UK

- **Estimated Wool Produced (2022):** 23,000
- **Main Wool Types:** Fine, Medium, Mule, Cheviot, Blackface, Welsh, Swaledale
- **Marketing Channels:**
  - British Wool Brand Identity focuses on British wool’s environmental and sustainability credentials, and the high welfare standards.
- **Challenges:**
  - Decreased production.
  - Weak domestic demand, lower prices.
  - Increased production costs.

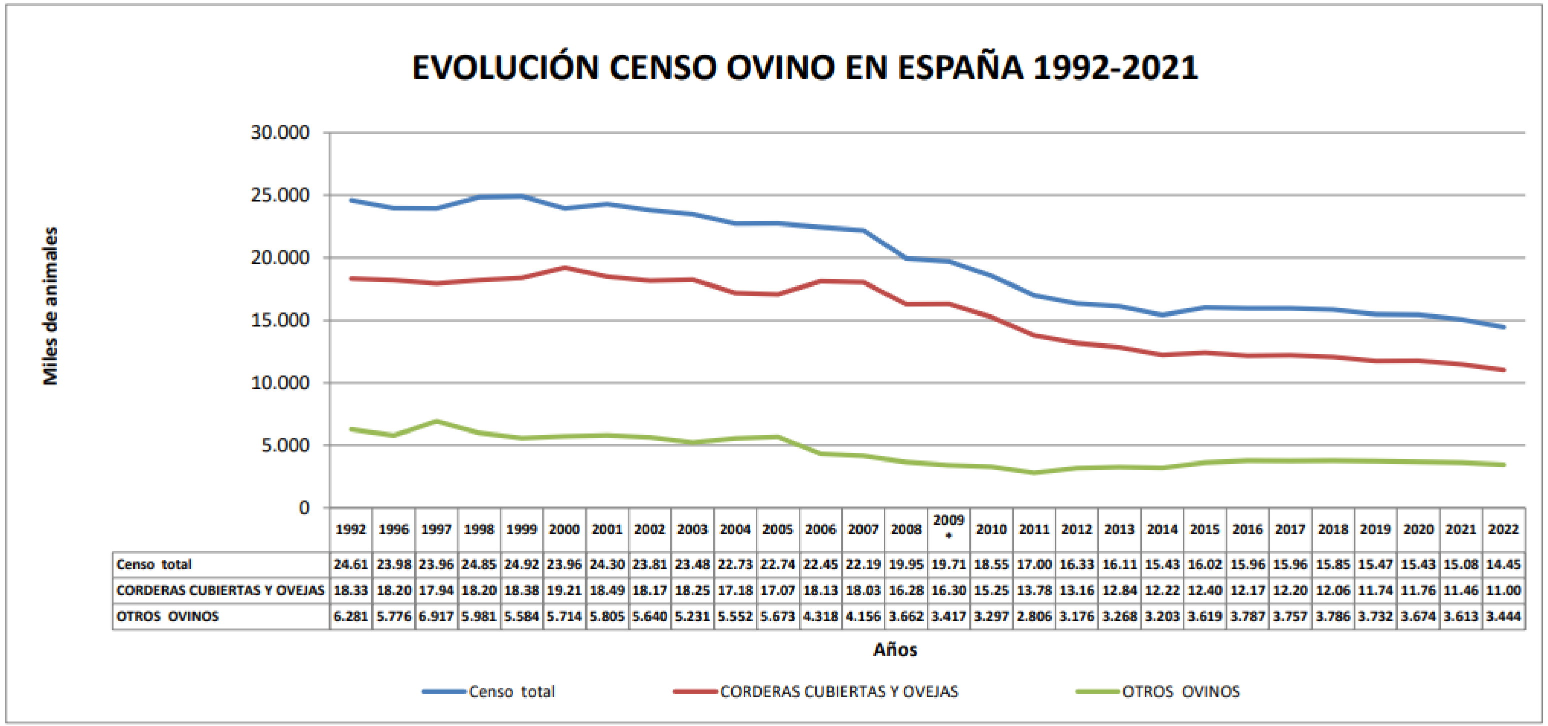
Wool production overview in selected European Countries

Spain

- **Estimated Wool Produced (2022):** 22,000 tonnes
- **Types of Wool:** Merina, Entrefina
- **Marketing Channels:** Commercial Brokers
- **Challenges:**
  - Low Australian prices.
  - Micronage issues.
  - Export channels closed.

Case study – Spain
Sheep census

Evolución del censo de ganado OVINO en España (Miles de animales en noviembre de cada año)			
Censo total	**CORDERAS CUBIERTAS Y OVEJAS**	**OTROS OVINOS**	**Años**
24.615	18.334	6.281	1992
23.982	18.206	5.776	1996
23.965	17.940	6.917	1997
24.857	18.209	5.981	1998
24.920	18.381	5.584	1999
23.965	19.213	5.714	2000
24.300	18.495	5.805	2001
23.813	18.173	5.640	2002
23.486	18.255	5.231	2003
22.736	17.184	5.552	2004
22.749	17.076	5.673	2005
22.451	18.133	4.318	2006
22.194	18.037	4.156	2007
19.952	16.289	3.662	2008
19.718	16.300	3.417	2009*
18.552	15.255	3.297	2010
17.002	13.788	2.806	2011
16.339	13.162	3.176	2012
16.118	12.849	3.268	2013
15.432	12.229	3.203	2014
16.026	12.407	3.619	2015
15.963	12.175	3.787	2016
15.963	12.206	3.757	2017
15.853	12.066	3.786	2018
15.478	11.746	3.732	2019
15.439	11.765	3.674	2020
15.081	11.468	3.613	2021
14.453	11.009	3.444	2022
-4,17	**-4,01**	**-4,68**	**2022/2021(%)**



Fuente: S.G.de Análisis, Coordinación y Estadística (MAPA)
**A partir de 2009 en dato de censo es de la encuesta de NOVIEMBRE*
Elaboración: S.G. Producciones Ganaderas y Cinegéticas
Actualizado marzo 2023

Case study – Spain
Sheep census – Regional distribution

Censo de ganado OVINO en enero 2023 por Comunidades Autónomas		
CC AA	**animales**	**%**
Extremadura	3.732.194	25,0
Castilla y León	2.435.107	16,3
Castilla La Mancha	2.356.829	15,8
Andalucía	2.185.769	14,7
Aragón	1.491.348	10,0
Murcia	609.801	4,1
Cataluña	468.540	3,1
Navarra	400.661	2,7
Baleares	258.105	1,7
Valencia	256.039	1,7
País Vasco	233.428	1,6
Galicia	162.528	1,1
La Rioja	94.919	0,6
Madrid	86.069	0,6
Asturias	54.722	0,4
Canarias	42.962	0,3
Cantabria	38.974	0,3
Total	14.907.995	100,0

Fuente: SITRAN

Elaboración: S.G. Producciones Ganaderas y Cinegéticas

Datos de enero 2023

Case study – Spain
Provincial analysis on production

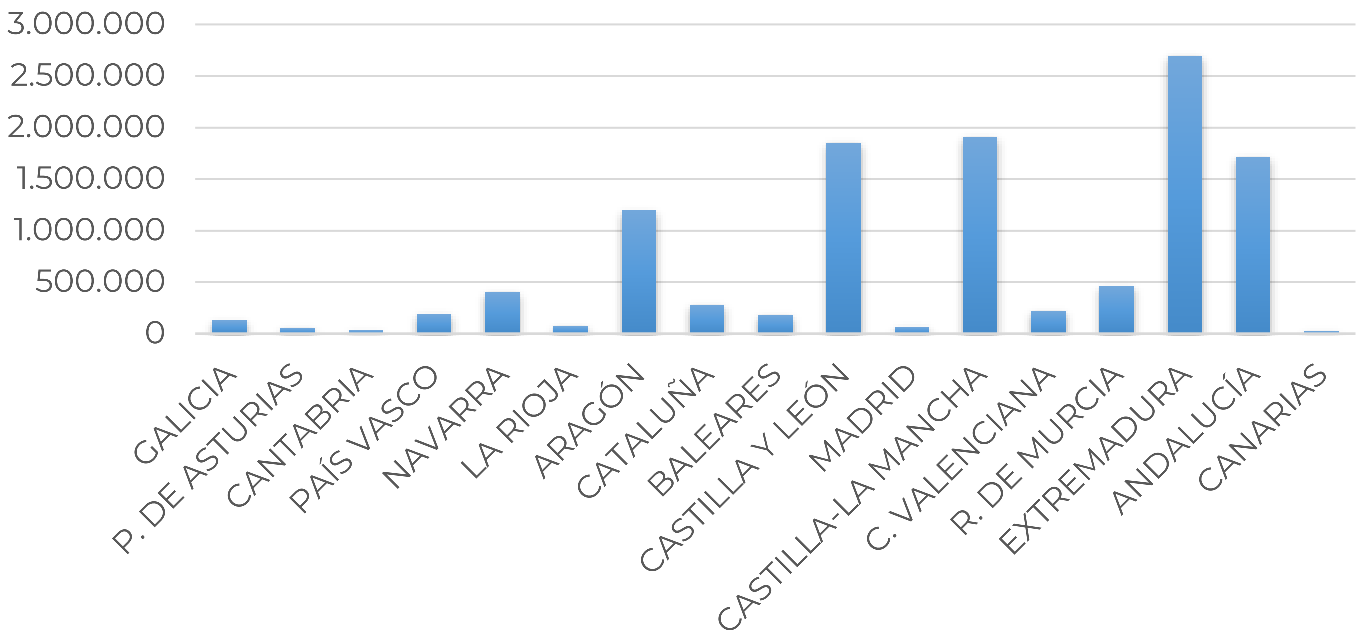
Fina	Entrefina	Basta	Lana negra
7.612	10.356	3.790	233

GOBIERNO DE ESPAÑA
MINISTERIO DE AGRICULTURA, PESCA Y ALIMENTACIÓN

Case study – Spain
Sheared animals

CC.AA	Total
GALICIA	126.411
P. DE ASTURIAS	55.783
CANTABRIA	31.385
PAÍS VASCO	189.767
NAVARRA	401.386
LA RIOJA	74.899
ARAGÓN	1.195.620
CATALUÑA	278.179
BALEARES	177.951
CASTILLA Y LEÓN	1.846.130
MADRID	65.385
CASTILLA-LA MANCHA	1.910.950
C. VALENCIANA	219.492
R. DE MURCIA	460.461
EXTREMADURA	2.691.514
ANDALUCÍA	1.716.308
CANARIAS	25.426
ESPAÑA	**11.467.046**

Provincial analysis of the number of animals sheared, 2022

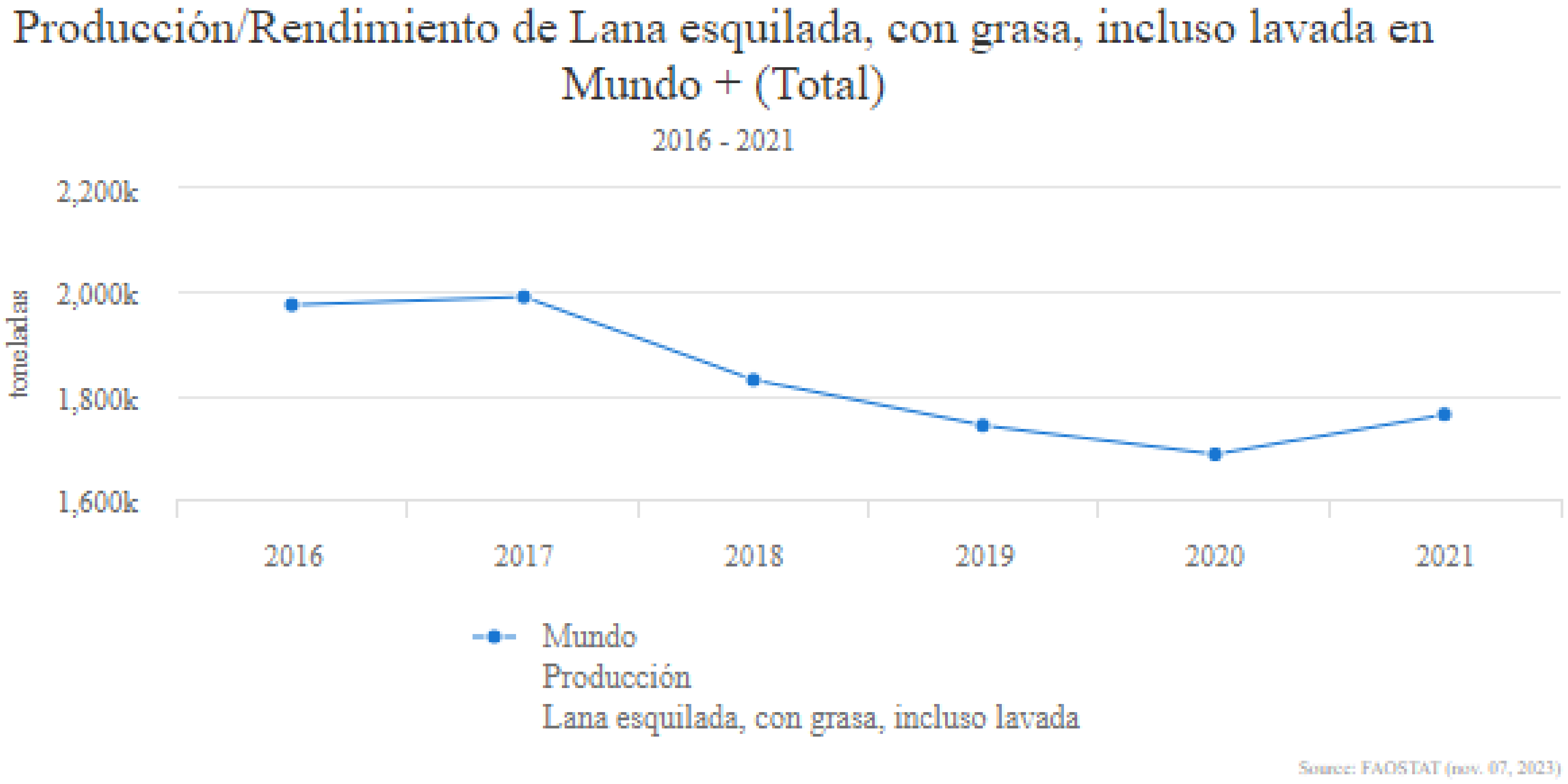


GOBIERNO DE ESPAÑA
MINISTERIO DE AGRICULTURA, PESCA Y ALIMENTACIÓN

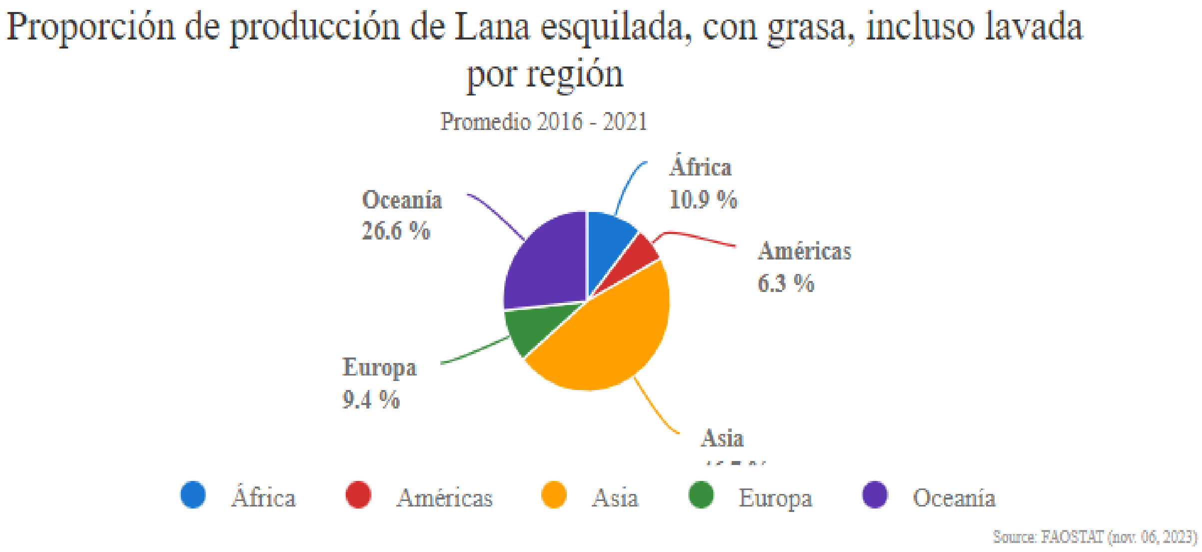
Case study – Spain
Numbers of sheared animals

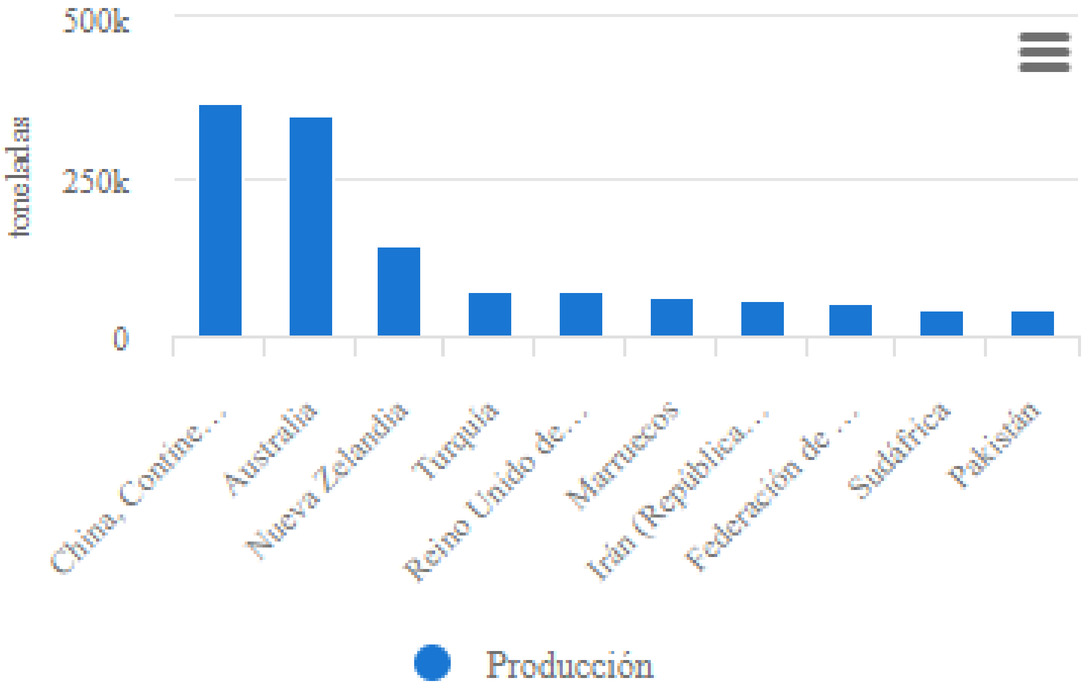
Fina	Entrefina	Basta	Lana negra
3.187.070	6.281.773	1.857.099	141.104

Case study – Spain
Production & Performance

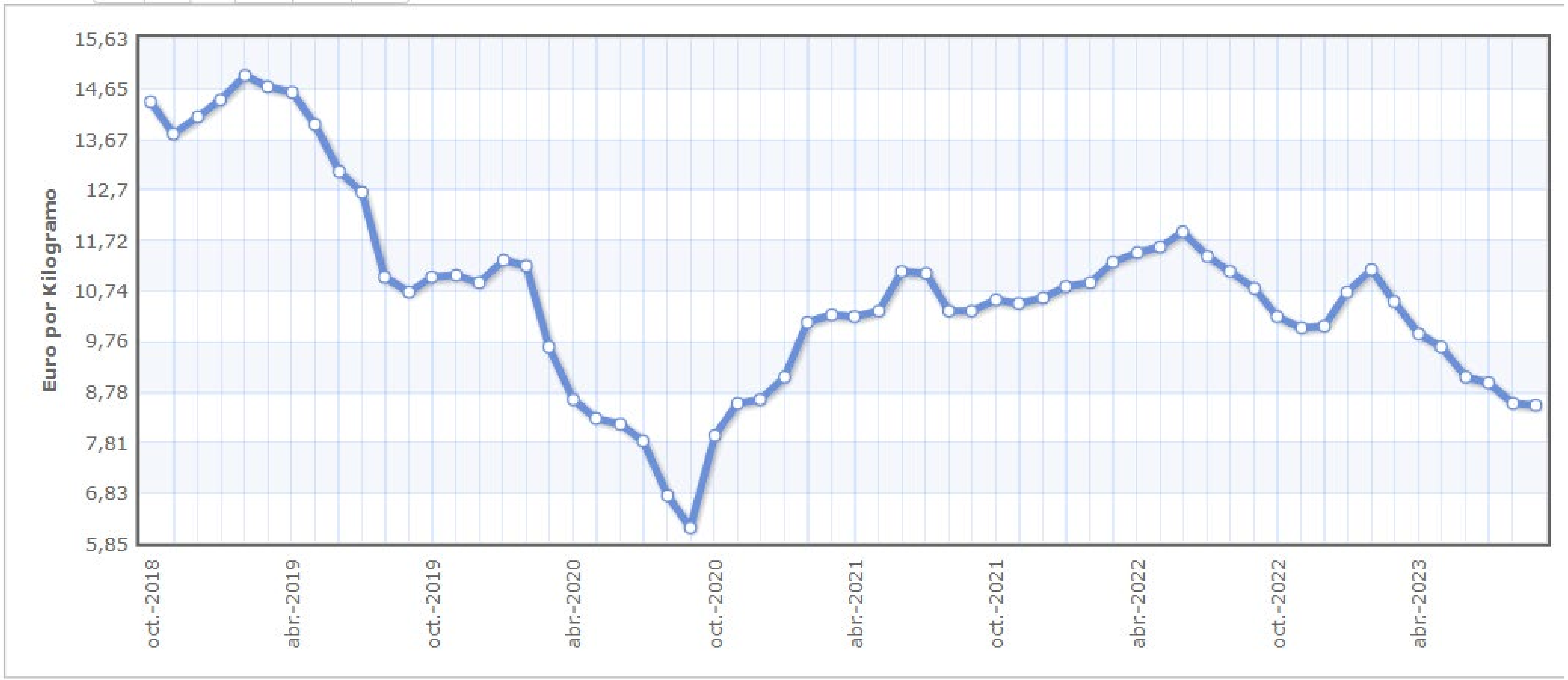


Case study – Spain
Global trends



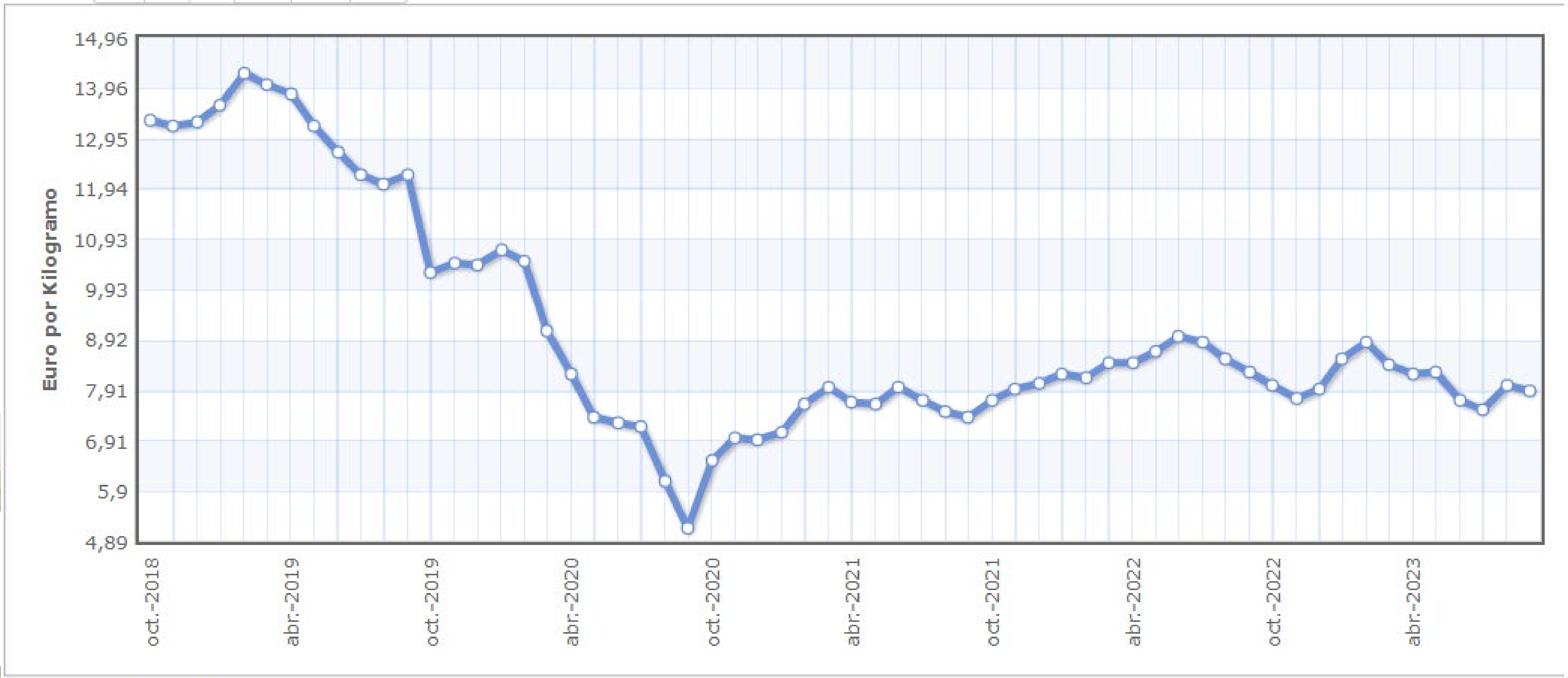


Case study – Spain
Global price trend – Fine wool



Descripción: Wool, fine, 19 micron, Australian Wool Exchange spot quote, Euro por Kilogramo

Case study – Spain
Global price trend – Coarse wool



Descripción: Wool, coarse, 23 micron, Australian Wool Exchange spot quote, Euro por Kilogramo

AUSTRALIAN MARKET

Week: 19
Thu 4:18 pm

AWEX National Market Report

www.awex.com.au
Thursday, 9 November, 2023
Compared to Wednesday, 8 November, 2023

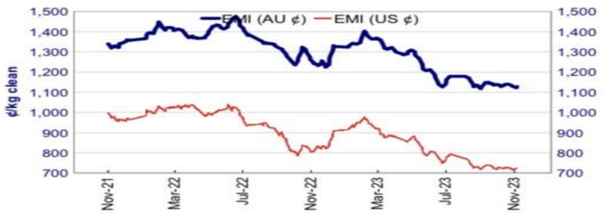
AWEX
we know wool

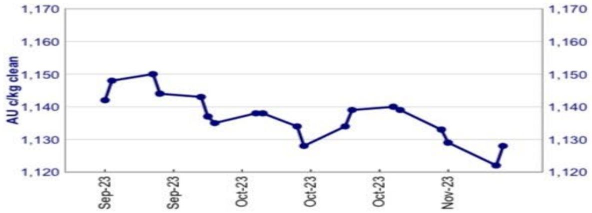
AWEX EMI (AU¢) 1128 +6 AU¢/kg (+0.5%)

AWEX EMI (US¢) 723 0 US¢/kg (0.1%)

Turnover (AU$) $26.1 m.

Passed-In 9.9%





Offering Statistics

	Offered lots	Offered bales	Sold bales	Sold %	PI/NB bales	PI/NB %	W'Drawn bales	WD %	Reoff bales	Reoff %	Sold $	Lot size bales
NORTH-AU	1,378	6,787	6,347	93.5%	440	6.5%	203	2.9%	433	6.4%	$9,719,878	4.93
SOUTH-AU	1,878	10,745	9,542	88.8%	1,203	11.2%	1,187	9.9%	602	5.6%	$11,664,031	5.72
WEST-AU	541	3,599	3,152	87.6%	447	12.4%	447	11.0%	278	7.7%	$4,680,716	6.65
MFLC-AU	1,845	11,356	10,566	93.0%	790	7.0%	1,137	9.1%	659	5.8%	$18,751,817	6.16
MSKT-AU	715	3,446	3,128	90.8%	318	9.2%	421	10.9%	186	5.4%	$3,776,302	4.82
XBFS-AU	571	3,219	2,887	89.7%	332	10.3%	167	4.9%	186	5.8%	$1,478,188	5.64
ODDS-AU	666	3,110	2,460	79.1%	650	20.9%	112	3.5%	282	9.1%	$2,058,317	4.67
	3,797	21,131	19,041	90.1%	2,090	9.9%	1,837	8.0%	1,313	6.2%	$26,064,625	5.57

AWEX Micron Price Guides (c/kg clean)

	NORTH (Sydney)		SOUTH (Melbourne)		WEST (Fremantle)		EAST Ave. (Weighted by bales)
Ind.	**1167**	+4	**1102**	+8	**1267**	+16	
16.5	1832	0	1795	+8			1820
17	1707	+2	1685	+2			1702
17.5	1618	+8	1618	+7			1618
18	1522	+7	1525	+8	1530	+22	1523
18.5	1444	-1	1446	+11	1457	+19	1445
19	1391	0	1388	+9	1394	+15	1390
19.5	1341	-1	1345	+8	1353	+16	1343
20	1302n	+3	1311	+22	1325	+20	1308
21			1298	+29	1299n	+19	1298
22			1253	+11			1253
23							
24							
25							
26			580n	+4			580
28	350n	+2	360	-2			358
30	338n	-2	333	-4			333
32			310n	+2			310
MC	695n	0	684	+5	694n	+15	

Foreign Exchange

	EMI		Buy Rate		
USD	723	(+1)	0.641	▼	0.0026
CNY	5,199	(+15)	4.609	▼	0.0112
EUR	676	(0)	0.599	▼	0.0034
JPY	109,213	(+469)	96.820	▼	0.1000
NZD	1,221	(+4)	1.082	▼	0.0019
ZAR	13,374	(+111)	11.856	▲	0.0356

Major Auction Buyers

	Bales	%
Techwool Trading	3,724	19.6%
Endeavour Wool Exports	2,415	12.7%
Tianyu Wool	2,167	11.4%
PJ Morris Wools	1,484	7.8%
Australian Merino Exports	1,289	6.8%
Pelican Australia	1,265	6.6%
Fox & Lillie	1,102	5.8%

Case study – Spain
Wool Commercialization

comercial ovinos
Sociedad Cooperativa Limitada

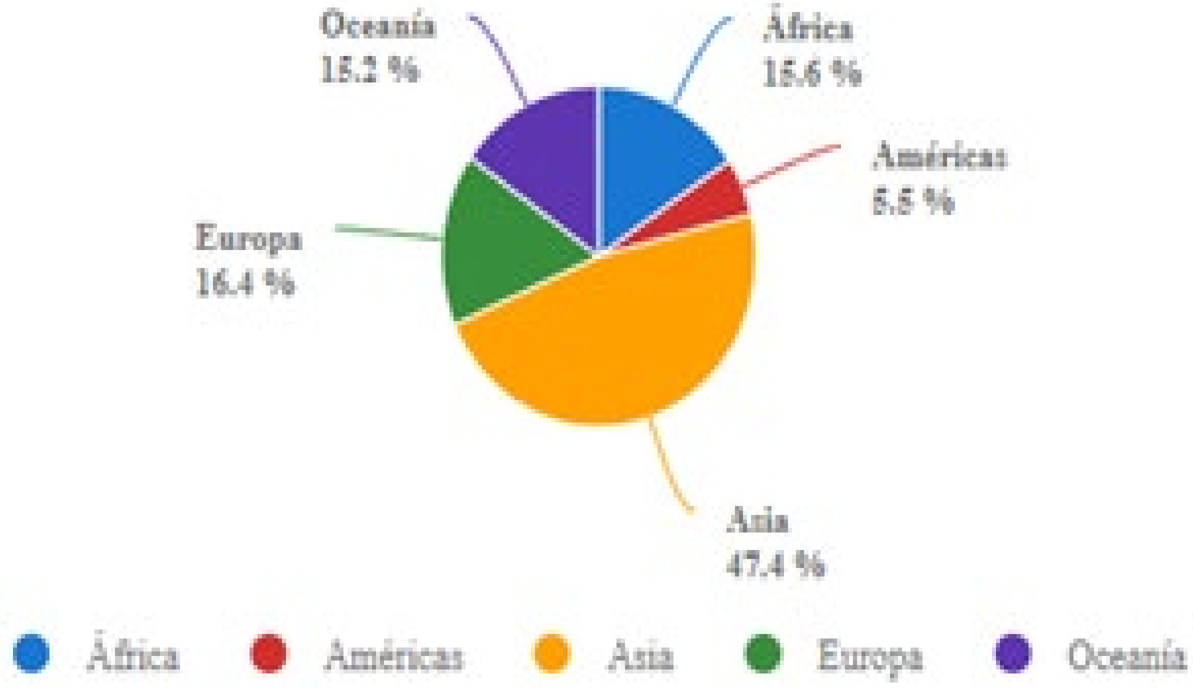
COMERCIALIZACIÓN MUNDIAL

- **COMERCIO INTERIOR:** CATALUÑA
- **COMERCIO INTRACOMUNITARIO:** ITALIA, PORTUGAL, ALEMANIA, BÉLGICA, HOLANDA
- **COMERCIO EXTRACOMUNITARIO:** CHINA, EEUU, URUGUAY, MÉXICO

Case study – Spain
Hide Production

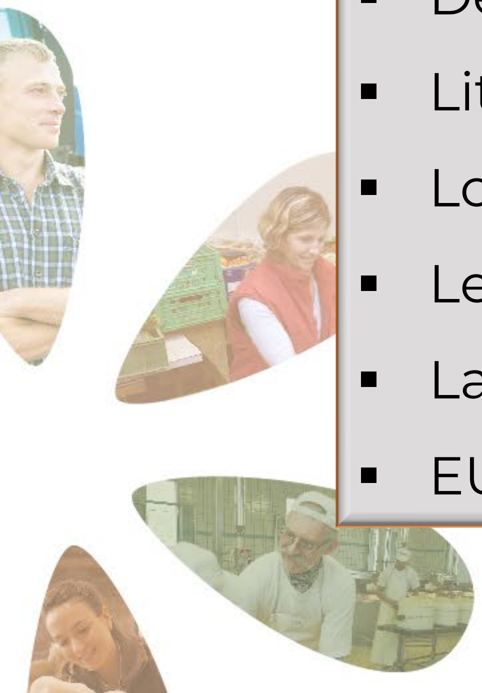
Proporción de producción de Cueros y pieles en bruto de ovinos por región

Promedio 1990 - 2021



Case study – Spain
Hide production

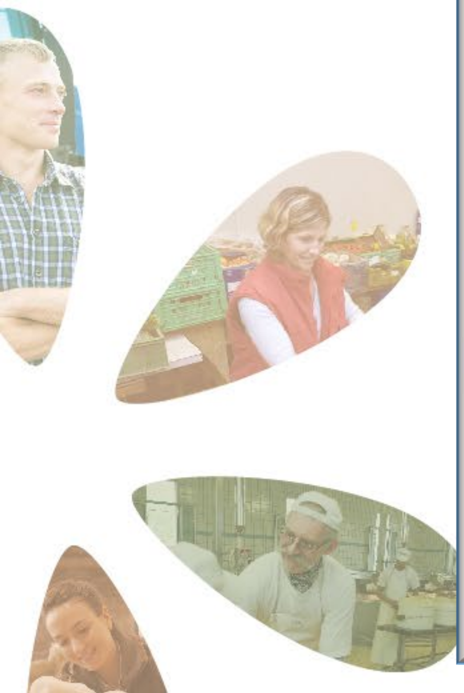
Case study – Spain
SWOT analysis



WEAKNESSES:

- Yarns of 22.7 – 23.5 microns and height of 55mm with little value in today's market.
- China's border closures.
- Decreases in census and wool production as a consequence.
- Little generational renewal.
- Low yields of our wools. High percentage of dirt (lanolin)
- Legislation on animal by-products not intended for human consumption
- Labour and environmental costs in the EU. (Washing water purification)
- EU industrialisation (laundry, carding, combing, etc.) non-existent.

Case study – Spain
SWOT analysis



THREATS:

- Size of our holdings (collection and shearing costs)
- Environmental requirements for wool processing.
- Sectoral: declining censuses, lack of professionalization, shortage of manpower, lack of generational renewal…
- International competition, in production and processing, with different regulations and requirements that are less costly than in the EU.
- Emergence of new diseases that cause the closure of exports.
- Greater use of synthetic fibers compared to natural fibers.
- Lower prices in the Australian wool (quality) market.
- Cierre de la poca industria de transformación de la lana.

Case study – Spain
SWOT analysis

STRENGTHS:

- Grandes posibilidades de mejora de nuestras lanas (limpieza, finura, recogida…)

- Genetic studies for the improvement of our wools.
- Easily recyclable and regenerable product.
- Technical characteristics of wool. Good as a raw material for high-quality and high-value garments (technical and haute couture).

OPPORTUNITIES:

- RWS (Animal Welfare), Organic, Gots (Organic Fibre) certifications; that can open doors to other markets. UE can get a new and better certification.
- Health certificates for wool washed to China.
- Sustainable livestock farming, environmental benefits, natural matter (not plastic)
- Animal welfare.
- Consumer communication, garments with wool = sustainable.
- For thick wool and hair, local markets, handicrafts, decoration…

Case study - Spain
Conclusions

- Sheep censuses in Spain are in continuous decline, as wool production.
- Spanish wool has suffered a loss of quality in recent decades. Fineness and length of the fiber, the main quality parameters, are lost.
- The emergence of synthetic fibers leads to lower demand.
- The emergence of eradicated diseases closes borders to exports.
- We must try to genetically improve our fibers from livestock farms to reach a quality market.

Case study - Spain
Conclusions

- Legislation on animal by-products not intended for human consumption. Leather and wool need a different and appropriate classification to the product.
- Shearing as a measure necessary to Animal Welfare.
- The EU should promote and support associated, professional, integrated and cooperative farms.
- Run an EU-funded promotional campaign that conveys the values and benefits of wool to the consumer.
- The EU must promote its own certification that ensures sustainability, well-being, environmental and social criteria.
- We need a study to see which processing industries are left in the EU and prevent them from closing.

Thank you for your attention!