

## Indian Wool and Woolen Industry

The Indian wool and woolen textile industry is the seventh-largest in the world. The industry employed 2.7 million people in 2010-11. The main woolen items producing states of India are Jammu and Kashmir, Himachal Pradesh, Punjab, Haryana, Rajasthan, Uttar Pradesh, Uttarakhand, Gujarat, Maharashtra, Andhra Pradesh and Karnataka. Punjab alone accounts for 40 per cent woolen units, while Haryana 27 per cent, Rajasthan for 10 per cent and the rest of the state's account for the remaining 23 per cent.

India produced 46.4 million kg of indigenous raw wool during 2013-14. Out of the total indigenous raw wool production, only 5 per cent is apparel grade, while 10 per cent is coarse grade. The remaining 85 per cent is used for carpet manufacturing, which is a major source of export earnings.

### Key Markets and Export Destinations

In 2013-14, wool and woolen exports stood at US\$ 113.24 million. The US and the EU are the major importers of Indian wool and wool-blended products. In 2013-14, the US was the largest market for India woolen yarn, fabrics and made-ups, followed by Germany and UK.

### International Scenario

The wool market in 2014 has recorded very mixed results compared to the previous wool selling season. Fine wools around the world have struggled due to overproduction whereas medium crossbred and coarser micron wools have fared better as the year has progressed.

China continues to be the most dominant country in the world in terms of being a producer, processor, exporter and consumer of textile fibres. Although the Chinese economy is still quite robust at around 7% annual growth, they are facing many new challenges. The Chinese government is transitioning the economy away from the "old normal" which was based on high investment to build capacity, cheap labour and exports, to the "new normal" which will feature developing domestic consumption, focusing on quality, brands and technology with a shift from production orientation to service orientation in their economy. One aspect of this transition has been a tightening of access to credit and this is having an impact on many wool textile mills in China and their ability to conclude new business because of cash flow issues. As a result China's wool imports are down over 12% compared to the previous year. Another concern for the wool textile industry in China is the new environmental regulations that are being introduced. This will require significant investment to develop effluent control systems that will meet these new standards. As a result, this is taking away some capital from wool purchasing as factories invest to upgrade their recycling and disposal methods to comply with the new regulations.

China is still by far the world's largest wool importer, processor and exporter of wool products; however Vietnam's importance to the wool supply chain continues to grow. This has been due to good conditions for wool apparel manufacturing, a strong export reputation and the ongoing Trans-Pacific Partnership (TPP) agreement negotiations.

Wool demand improvement continues to be contingent on the Chinese economy, their export market and on global economic recovery. Although key economic indicators for Europe and USA have been encouraging, other global events such as the Ukraine crisis, ongoing tensions in the Middle East and the Ebola epidemic will not be helpful for the wool business and could undermine achieving global economic stability. Despite competition from other fibres, raw wool demand is expected to improve in the coming months as the economies of major wool consuming countries continues to make positive progress, albeit at a slow pace. Worldwide wool production will drop again this year in most major wool producing countries.

In Australia wool production is predicted to fall by 3.7% in the 2014/15 season due to ongoing drought conditions and the resulting reduction in sheep numbers. A similar situation is also occurring in New Zealand although sheep numbers there appear to be stable at present. This continued low level of world wool production will assist in supporting wool prices to a degree, but is not a healthy situation for the long term viability of the wool industry if it continues.

**Country wise World Wool Production ('000 MT)**

Country	2008	2009	2010	2011	2012	2013
China	367.69	364.00	386.77	443.98	437.12	471.11
Australia	407.88	370.60	352.74	368.33	362.10	360.52
New Zealand	157.50	185.80	176.30	163.70	165.00	165.00
United Kingdom	63.29	65.39	67.00	67.50	68.00	68.00
Iran	73.70	74.66	60.00	61.00	61.50	61.50
Morocco	53.45	55.03	55.30	55.50	56.00	56.00
Sudan (former)	53.10	54.67	55.00	55.00	56.00	56.00
Russian Federation	53.49	54.66	53.52	52.58	55.25	54.65
Turkey	44.17	40.27	42.82	46.59	51.18	51.18
India	42.90	43.22	42.99	44.70	46.10	46.50
<b>World</b>	<b>2091.81</b>	<b>2065.57</b>	<b>2020.03</b>	<b>2089.52</b>	<b>2093.60</b>	<b>2126.90</b>

Source: FAO Stats

Wool is a freely-traded international commodity, subject to global supply and demand. While wool represents only 3% of world fibre production, it is important to the economy and way of life in many countries. Though China is the largest producer of wool, Australia dominates the world wool market. China is the largest wool buyer. The United States accounts for less than 1 percent of the world's wool production and is a net importer of wool. In the U.S., the top states for wool production are California, Colorado, and Wyoming.

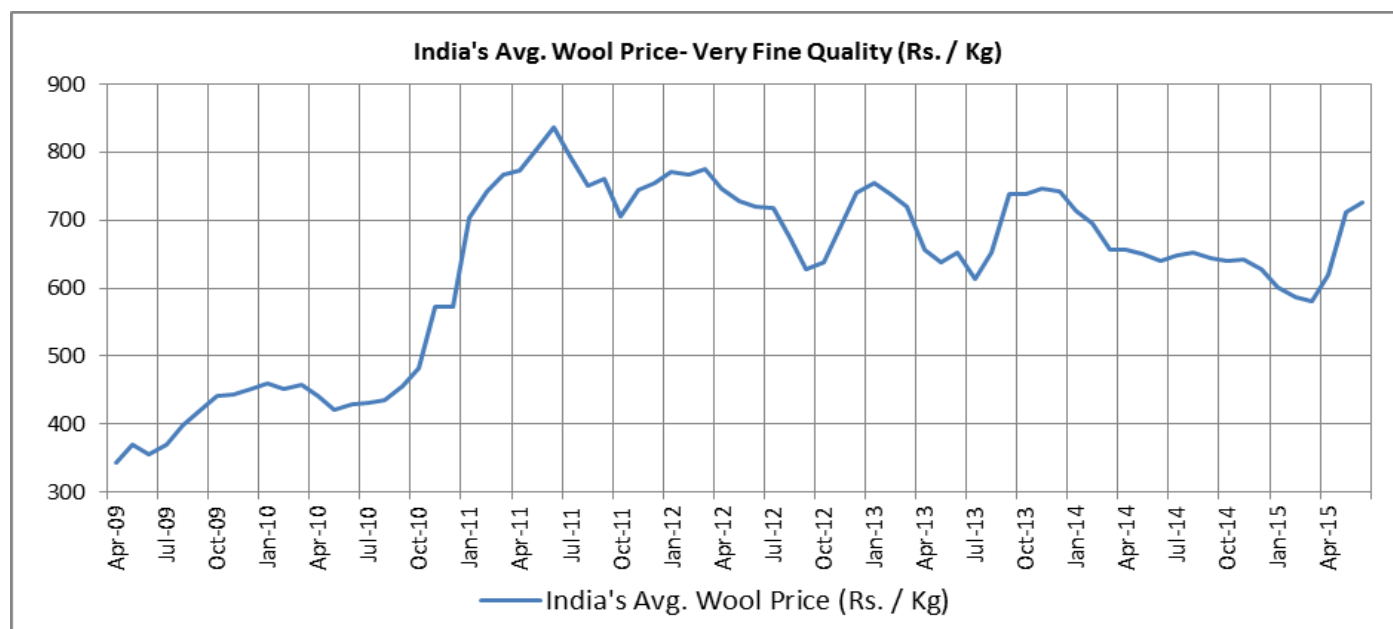
**Trade direction of Indian Wool Industry**

Import of Different Categories of Wool (MT)						
Particulars	2007	2008	2009	2010	2011	2012
Wool, greasy	35567	29915	33220	35612	39329	46754
Wool, degreased	57515	35838	35040	39098	39184	27521
Wool, hair waste	2465	1321	1545	1763	1415	1377
Export of Different Categories of Wool (MT)						
Wool, greasy	19	47	110	69	162	249
Wool, degreased	39	48	513	688	390	94
Wool, hair waste	58	273	486	677	1991	1800

Source: FAO Stats

**Price Trend Analysis**

Indian wool trades are hopeful of reaping good returns from new of lower production from Australia & New Zealand owing to strong El Nino.





The analysis of the price movement in spot wool market reveals that the prices tend to peak in the month of February and September primarily due to increased cyclical demand for wool from the industry. The global wool in the international market heading for shrinkage in production, which is likely to keep in the Indian Wool Trade on the positive note and indirectly support the prices in the coming months.

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