



**Ensuring a sustainable future for Australia's  
wool supply chain - Industry Action Plan**

WoolProducers Australia

February 2024

# Background

## Australian wool exports are characterised by concentration in product and partners

In 2022-23, data from the ABS showed that only 6%, or 22.5 million kilograms, of Australian wool exports was processed in Australia. The remainder, 94%, is shipped as 'greasy' wool, with no processing undertaken in Australia.

Australia's greasy wool exports are almost entirely shipped to China, accounting for 85% of the value of Australia's greasy wool trade in 2022. The next largest markets for Australian greasy wool exports that year were Italy (6%), India (5%) and Czechia (2%).

The relationship between the Australian and Chinese wool industries is developed, strong, and symbiotic. China's manufacturing industry is supported by Australia as the major global supplier of wool in much the same way Australian wool is supported by China as the major global processor. This trade relationship is mutually beneficial and of ongoing importance to the Australian wool industry.

## The existing supply chain exposes Australian wool producers to an array of risks

The risk of an animal disease event in Australia affecting exports has been longstanding (*Figure 1*). Recent global events, such as geopolitical tensions between Australia and China and supply chain disruptions, have brought other risks to the fore.

Figure 1: Summary of identified problems and opportunities



## Opportunities to address identified risks

In 2022, WoolProducers Australia (WPA) secured funding from the Commonwealth Government's Australian Trade and Market Access Cooperative program to deliver a feasibility assessment of domestic and diversified international early-stage wool processing and determine its trade risk mitigation benefits.

The feasibility assessment of Phase 1 was delivered by Deloitte Access Economics in two parts and found that developing early-stage processing capacity in Australia has the potential to be internationally cost-competitive and would provide a meaningful avenue to manage a range of risks in the international market.

Based on the findings of Phase 1, Deloitte Access Economics recommended undertaking further research to consider:

1. pathways to strengthen demand in overseas locations,
2. investment in processing capacity in Australia, and
3. a strategic review of wool investment in Research, Development and Extension to support long term competitiveness.

In April 2023, WPA was announced as the recipient of a second ATMAC grant to further explore the findings and recommendations of the 2022 Phase 1 report and develop pathways for domestic and diversified international early-stage wool processing.

In mid-2023, WPA engaged Deloitte Access Economics to undertake a second phase of work. It is being delivered in two workstreams, the domestic workstream and the diversified international workstream.

This Action Plan brings together the findings of the two streams of work and sets out some priority actions that can be commenced. These actions would continue the process that WPA have begun and would see some components transition from strategic assessment into implementation.

# Actions - Summary

### Setting out actions and responsibilities

In light of these goals, the following slides set out a set of actions that can be undertaken to achieve these goals. These actions range from operational to strategic steps and from short term to long term. Each action also sets out who is responsible for implementing the actions, and the expected timelines to achieve it.

There are a select number of actions which are tightly integrated into a short-term plan for the industry. These actions share a theme that they can start soon, are relatively modest in terms of cost and difficulty and have good potential to support the achievement of the goals of the plan in the longer run. These actions should be front of mind as immediate next steps:

#### Establish a Wool Trade Policy Office (Action D1)

This action involves creating a Wool Trade Policy Office to carry on the work that has started. The office could be modelled on the current AusHub activities in Vietnam, and be designed to support other ongoing Government strategies (e.g., Southeast Asia Economic Strategy).

Domestically, the initial focus for the *Wool Trade Policy Office* would be on ensuring there is ongoing development of the domestic business case. The business case ultimately needs an investor to take it on at an appropriate time. This will require development of the 'who' and diligent monitoring of the 'when'. It is also the responsibility of the office to act as a coordinator with industry (domestically and internationally) as well as with government agencies such as DAFF, DFAT and Austrade.

Internationally, the initial focus for the *Wool Trade Policy Office* would be on executing or coordinating appropriate actions in each of the identified countries.

Consequently, the office will have a number of roles across Australia and priority locations, including an Australian based programme manager, an Indian based project officer covering India and Bangladesh and a Vietnam project officer based in the country. It is expected that the office would require a budget which can be used to cover its activities, which include participating in in-country textile sector events and supporting annual delegation between countries.

#### Vietnam: Instigate

The *Wool Trade Policy Office* should focus on building existing processing firms' understanding of the Vietnam market opportunity. This should be working towards securing a joint investment in a pilot early-stage processing plant in Vietnam that is aligned to a strategic wool industry plan for Vietnam (Action V1, V3).

#### India: Integrate

The *Wool Trade Policy Office* should focus on helping the Indian wool industry to build its integration with downstream demand drivers for yarn. This should be working towards a B2B marketing campaign to grow demand for Indian yarn internationally (Action I1, I2).

#### Bangladesh: Cultivate

The *Wool Trade Policy Office* should foster knowledge within the Bangladesh textile industry of wool. This could initially involve developing a market research report on the potential opportunities for wool in the garment supply chain in Bangladesh and a feasibility study to investigate the degree to which existing spinning machinery in Bangladesh can be repurposed to process wool (Action B1, B2).

# Problems and Goals

### Identifying the Problem and Goals for this action plan

Before identifying actions, it is important to be clear on the problems with the current state that are being addressed and the ultimate goals of the action plan. Although succinct, these problems and goals have been identified based on the detailed analysis undertaken for both the domestic and international industry and incorporate input from wool processors, governments and other supply chain participants in Australia and internationally.



## Problems

- The current structure of Australia's wool supply chain exposes the industry to several risks, especially the risk of a potential animal disease outbreak in Australia and the resultant control measures undertaken by Australia's trading partners to restrict wool market access.
- If these risks were to be realised, they would cause a significant reduction in the value of Australia's wool exports. This reduction would have major financial, economic and social consequences for Australia's wool industry and Australia's economy more broadly.
- These risks fundamentally arise from two factors:
  - **Only a portion of Australia's wool production is processed in Australia** – This means that most of Australia's greasy (unprocessed) wool have not undergone procedures that should have inactivated animal disease in wool for industrial use. Therefore, Australia's greasy wool exports still have the potential to transmit animal disease.
  - **Australia's wool exports are heavily concentrated on a single market** – This means that trade and policy decisions in that single country can have a significant consequences for Australian wool producers.



## Goals

Considering these problems, the overarching goal of this action plan is to, eventually:

1. Improve the wool supply chain's capacity to manage an animal disease event in Australia through **increasing the portion of production that is processed before export.**
2. **Increase the number of and volume traded with geographically diverse trading partners** to improve the supply chain's ability to effectively manage trading partner risk.

# Detailed Actions

## Industry action plan

# Actions - Domestic

No.	Objective	Action	Target completion	Responsibility
D1	Establish the Wool Trade Policy Office	<p>Establish a Wool Trade Policy Office with the explicit purpose of supporting the diversification of Australia's wool exports. The initial focus of the office would be:</p> <ul style="list-style-type: none"> <li>- Brief industry on the need for this role and approach</li> <li>- Identify and agree potential governance structures</li> <li>- Identify potential funding sources</li> <li>- Recruit, employ and train:               <ul style="list-style-type: none"> <li>o Policy officers to continue trade development role in key markets of Vietnam, India and Bangladesh</li> <li>o Policy officers to ensure the business case for domestic early-stage processing remains live and is progressed by an investor when appropriate.</li> </ul> </li> </ul>	2024	WPA
D2	Grow processing R&D investment	<p>Investigate the potential to support domestic wool processing R&amp;D to support the long term competitiveness of Australian industry.</p> <ul style="list-style-type: none"> <li>- Investigate potential university partnerships to establish a Wool Processing Centre of Excellence.</li> <li>- Research undertaken at the proposed Wool Processing Centre of Excellence should be focussed on areas that would benefit diversification of trade such as improving transport characteristics of scoured wool (e.g. improving fibre breakage properties).</li> <li>- Research should also support the transfer of knowledge and skills to diverse trading partners.</li> <li>- Future areas of work could include supporting the establishment of a pilot facility to trial and scaling new innovations. This could include a focus on energy efficiency, pollution reduction and emission reduction.</li> </ul>	2026	Australian wool industry, WPA, Australian Government

# Actions - Vietnam

No.	Objective	Action	Target completion	Responsibility
<b>Short-term: Developing the case for early-stage processing in Vietnam</b>				
V1	Build existing processing firms' understanding of Vietnam market opportunity	<p>The <i>Wool Trade Policy Office</i> can should a role in supporting existing processing firms as they conduct feasibility studies on establishing an early-stage processing facility in Vietnam.</p> <p>A key role of the <i>Wool Trade Policy Office</i> would be to conduct further research to deepen market intelligence. Topics covered could include:</p> <ul style="list-style-type: none"> <li>- Market analysis of intermediate and final wool products, and potential downstream markets.</li> <li>- Analysis on factors that could determine locations of early-stage processing (e.g, facility configuration).</li> <li>- Possible tariff and non-tariff barriers that firms could encounter.</li> <li>- Possible government incentives and regulations that firms should note.</li> </ul>	2024	<i>WPA, Australian wool trade policy office</i>
V2	Build strong intergovernmental and industry body relations between Australia and Vietnam	<p>The Australian Government and WoolProducers should build relationships with their Vietnamese counterparts. Examples on areas of cooperation include:</p> <ul style="list-style-type: none"> <li>- Providing assistance in the development of a long-term strategy for development of wool processing in Vietnam covering early stage processing and downstream processing.</li> <li>- Identifying ways in which Australian actors could help address any technical barriers to achieving this long-term vision.</li> </ul>	2025	<i>WPA, Australian wool trade policy office, Australian Government</i>

## Actions - Vietnam

No.	Objective	Action	Target completion	Responsibility
<b>Medium-term: Establishing an early-stage processing facility</b>				
V3	Support the establishment of a "pilot" early-stage processing facility	<p>The Australian and Vietnamese Governments could support the establishment of a 'pilot' early-stage processing facility to provide a 'proof of concept' for early-stage wool processing in Vietnam.</p> <p>The goal of this pilot would be to eventually form a catalyst for other early-stage processing firms to relocate operations to Vietnam.</p>	2025-2027	Australian Government
V4	Invest in building the capabilities and skills level of the Vietnamese workforce	<p>Australian and/or Vietnamese educational institutions could assist Vietnamese wool firms in the developing the skills of their workforce. This could include:</p> <ul style="list-style-type: none"> <li>- Co-developing a structured on-the-job training program that includes an internship in an established manufacturing facility overseas to learn best practice.</li> <li>- Offering relevant courses and diplomas to enable upskilling of workers.</li> </ul> <p>WoolProducers and the Australian Government can play a role in facilitating connections between educational institutions and Vietnamese wool firms seeking to develop its labour force.</p>	2025-2027	Led by partners in Vietnam, supported by Australian Government, Australian educational institutions



## Industry action plan

# Actions - Vietnam

No.	Objective	Action	Target completion	Responsibility
<b>Long-term: Scaling production to build a thriving industrial presence</b>				
V5	Increase the volume of wool trade and investment in the wool industry between Australia and Vietnam	<p>The Australian and Vietnamese Governments should continue to work together to find ways to lower barriers to trade and investment between Australia and Vietnam in the wool industry.</p> <p>For example, the Australian and Vietnamese Governments could work together to reduce the number of extensive records required when processors seek to import goods that the Vietnamese Government deems to be a threat to their biodiversity and existing livestock.</p>	2030+	Australian Government

## Industry action plan

# Actions - India

No.	Objective	Action	Target completion	Responsibility
<b>Short-term: Increase demand for Indian processed wool yarns to utilise existing early-stage processing capacity</b>				
I1	Support Indian industry as they conduct market research of the dynamics of downstream Indian textile and apparel industry	As the Indian wool industry undertakes further market research of the downstream distribution and marketing stages of the wool supply chain, there is an opportunity for Australian industry to help shape the Indian wool industry's integration with downstream demand, focusing on: <ul style="list-style-type: none"> <li>- The drivers of demand for Indian produced wool yarns sold in export markets including Australia.</li> <li>- The drivers of sourcing decisions made by Australian and global apparel brands.</li> </ul>	2025	WPA, <i>Australian wool trade policy office</i> , Australian Government
I2	Help grow India's international profile as a sourcing destination for semi-processed wool products primarily focusing on yarns but also final products such as garments	Support India to maintain and grow its market share of woollen yarn exports. Increased demand for India's exported product can lead to an increase in Australian greasy wool exports to India. Australia can support these efforts through: <ul style="list-style-type: none"> <li>- Launching a B2B marketing campaign aimed at greater integration of the Australian wool with Indian and global supply chains. The marketing campaign should focus on the benefits of Australian wool including highlighting its 'natural' advantages and address any misconceptions surrounding its use.</li> </ul>	2025	Led by partners in India, supported by WPA, <i>Australian wool trade policy office</i>
I3	Establish tighter industry-industry and industry-government relations between Australia and India	Establish and build regular and ever-deepening contact between the Australia and Indian wool industries. These activities could be coordinated through a refreshed MoU. Activities that both industries should conduct include: <ul style="list-style-type: none"> <li>- Joint trade promotions.</li> <li>- Conferences to exchange information on the advantages of wool, projections of demand and supply, capacity and investment.</li> <li>- Address any specific market access barriers that are restricting trade between Australia and India.</li> <li>- Conducting study tours.</li> <li>- Joint development of educational wool resources.</li> </ul>	2025	WPA, <i>Australian wool trade policy office</i> , Australian Government

## Actions - India

No.	Objective	Action	Target completion	Responsibility
<b>Long-term:</b> Increase in downstream demand can catalyse an expansion in Indian early-stage processing to service demand				
I4	Support conditions for existing early-stage processors to expand and encourage new entrants to establish new capacity if demand increases	<p>There is an opportunity for Australia to support the Indian wool industry address barriers when there is growth in its early-stage processing throughput. Areas of potential cooperation include:</p> <ul style="list-style-type: none"> <li>- Reducing barriers to trade, such as Indian non-tariff measures on Australian wool imports.</li> <li>- Ensuring that the Indian workforce has the appropriate skillset to service the increase in demand and can adapt to changing global wool trends.</li> </ul>	2030+	Australian Government, WPA, Australian educational institutions
I5	Prioritise states for further detailed research to inform investment opportunities and consider strategic partnerships at a state-level	Investors should conduct further market research at a state level on potential partners that they could enter into a joint venture with. Ideally, these partners should be in states where processors are already located (e.g., Maharashtra, Punjab, and West Bengal) and have local expertise on India's operating environment, particularly its regulatory structure.	2030+	Australian wool industry
I6	Identify opportunities to sell Australia wool directly to Indian yarn spinning markets (requiring Australia to increase its early-stage processing capacity)	<p>If capacity is increased onshore, the Australian Government and wool industry should investigate the potential of exporting carded and combed wool tops to India. Topics covered could include:</p> <ul style="list-style-type: none"> <li>- Market analysis of intermediate and final wool products, and potential downstream markets in India</li> <li>- Possible tariff and non-tariff barriers that Australian firms could encounter.</li> <li>- Possible government incentives and regulations to support export to India.</li> </ul>	N/A (contingent on Australian capacity expansion)	Australian Government, Australian wool industry

## Industry action plan

# Actions - Bangladesh

No.	Objective	Action	Target completion	Responsibility
<b>Short-term: Grow downstream demand for wool, and identify opportunities for wool in the garment supply chain</b>				
B1	Demonstrate the market opportunity of wool to Bangladesh textile and garment producers	<p>The Australian wool industry should increase awareness and understanding of wool within the Bangladesh textile industry.</p> <p>This can be done through sponsoring a public facing market research report on the potential opportunities for wool in the garment supply chain. The report will require in-country advocacy to promote the uses and benefits of wool to industry.</p> <p>It is important that global brands and procurement buyers are included in this process, so they are aware of Bangladesh as a growing wool supplier.</p> <p>There is also a specific opportunity for Australian woolgrowers to build new connections with downstream suppliers in Bangladesh and develop a platform to promote merino wool.</p>	2025	<i>Australian wool trade policy office, WPA</i>
B2	Encourage the uptake and integration of wool into existing cotton and synthetic spinning operations	<p>Regular market connections with Bangladesh’s textile and apparel manufacturers should focus on educating industry on integrating wool fibre into the supply chain.</p> <p>To assist with this, the Australian wool industry could collaborate with the Bangladesh industry on a technical feasibility study to investigate the degree to which existing spinning machinery can be repurposed to process wool.</p>	2025	<i>Australian wool trade policy office, WPA</i>

## Actions - Bangladesh

No.	Objective	Action	Target completion	Responsibility
<b>Long-term: Increase wool's share of fibre demand in Bangladesh's Ready Made Garment Industry</b>				
B3	Assist Bangladesh in developing the case for wool spinning capacity	<p>Drawing upon their own downstream buyers, Australian woolgrowers could assist Bangladeshi spinners in identifying commercial partnerships to provide wool tops to Bangladesh spinners.</p> <p>Increasing demand for wool tops could diversify demand for Australian greasy wool particularly if Bangladeshi processors sourced from India and Vietnam.</p>	2030+	Australian wool industry
B4	Help Bangladesh build a conducive business environment to encourage the establishment of more firms willing to process wool	<p>There is an opportunity for the Australian Government, WoolProducers and Australian wool industry to work with their Bangladeshi counterparts to establish the broader business environment that could support the eventual establishment of wool spinning and early-stage processing capabilities into Bangladesh.</p> <p>Areas of potential cooperation include:</p> <ul style="list-style-type: none"> <li>- Supporting the review wastewater regulations and management approaches.</li> <li>- Improving Bangladesh's market access, through trade agreements, as an importer of raw and intermediate wool products and an exporter of final garments.</li> <li>- Incorporating technology and embarking on product and process innovation to increase efficiencies which could make Bangladesh more price competitive.</li> <li>- Australian education institutions could partner with Bangladeshi wool firms to ensure that their workforce has appropriate skillsets to incorporate wool into the supply chain.</li> </ul> <p>Should Australia and/or Bangladesh develop top making facilities, there could be an opportunity for Australia to be a direct supplier for the Bangladeshi textile industry.</p>	2030+	Australian Government, WPA, Australian wool industry

## Actions – General International

No.	Objective	Action	Target completion	Responsibility
G1	Work together to increase demand for wool-based products	<p>Ultimately, the capacity of the early-stage processing sector is linked to the final demand for wool-based products.</p> <p>Therefore, the Australian Government and the wool producing industry can work together to research and develop strategies and policies to encourage final demand for wool-based products across multiple international locations, aligned to the current Wool 2030 Strategy.</p> <p>Areas of focus include:</p> <ul style="list-style-type: none"> <li>- Product development to ensure wool is being targeted at emerging consumer demand.</li> <li>- Marketing of wool, including highlighting the renewable, recyclable and biodegradable nature of Australian wool to appeal to downstream buyers who place a greater importance on sustainability on purchasing decisions.</li> <li>- Breaking down preconceptions of wool use with a focus on expanding perceptions beyond suits and winter wear.</li> </ul>	2030	Australian Government, Australian wool industry



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