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Australian drought, sporty shoppers push up prices of wool clothing

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6 MIN READ



MADRID/SYDNEY (Reuters) - A jump in the price of wool from drought-ravaged Australia, the world's top exporter of high-quality fleeces, is rattling through the global clothing supply chain, with some mills passing along costs and retailers cutting down on wool or raising prices.



A shearer removes wool from a sheep on a drought-affected property located west of the New South Wales town of Tamworth in Australia, June 1, 2018. Picture taken June 1, 2018. REUTERS/David Gray

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Italian clothmaker Botto Giuseppe, which supplies luxury brands Giorgio Armani SpA and Max Mara, says it has increased prices on average by 7 to 8 percent in the last year on wool fabric, while high-end Swiss-based sportswear label Mover has put up the retail price of its merino wool t-shirts by 15 percent.

“The wool price has increased consistently over the past three years,” said Silvio Botto Poala, Chief Executive Officer of Botto Giuseppe, a 142-year-old company. “But the big jump has been in the past year.”

Neither Armani or Max Mara immediately responded to requests for comment.

Meanwhile, Swedish fast fashion company H&M ([HMB.ST](#)) has cut down on the amount of wool it uses in production, it said in an emailed response to Reuters’ questions, thus avoiding price rises on items like wool-blend sweaters and coats. It declined to give further details.

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Botto Giuseppe has increased the price of wool flannel fabric used for suits to 19.50 euros per meter compared to 18 euros a year ago, CEO Botto Poala said. Pure merino wool t-shirts from Swiss skiwear label Mover retail for 75 euros (\$85), compared to 65 euros last year, CEO Nicolas Rochat said.

Pendleton, a sixth-generation-owned, Oregon-based textile company known for its plaid woolen shirts, said it would put up some of its prices next year due to higher wool prices.

“We won’t go into less expensive wools, we will just have to take a sharper margin and we’ll have to increase the price,” said John Bishop, CEO of the company which has collaborated with Nike ([NKE.N](#)) on a range of plaid wool sneakers.

The privately-held company declined to give details on how margins will be affected. Nike did not respond to several requests for comment.

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Wool has become increasingly popular for use in sportswear due to its temperature regulating properties and a surge in demand for sustainable fabrics, particularly from younger consumers, manufacturers and farmers say.

But the jump in demand has coincided with a sustained drought in the east of Australia, which supplies over 90 percent of the world's exported high-quality wool used in clothing.

BUYERS PUSH BACK

Lack of rain has turned pastures barren, driving farmers to bring in expensive feed. Many have had to send livestock to abattoirs, prompting Australia's chief commodity forecaster ABARES to cut wool production forecasts by 4 percent this year.

Anthony Uren, manager at the Congi farm in the north-east of New South Wales, said he was keeping his 36,000 merino sheep fed on parched paddocks by bringing in feed like hay and barley.

"We've never had less rainfall than we've had this year," said Uren, who supplies wool to Botto Giuseppe, among others.

Benchmark prices for high-quality Australian wool were trading at more than A\$21 (\$15.40) a kg in August, up from A\$16 a year earlier.

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The effects of drought are now clearly visible to wool growers and buyers. Fleeces of animals affected by drought are thinner and often tainted by dust, said buyer Andrew Blanch, managing director of Italian textile maker-owned New England Wool. Clients of Chinese wool mills are also starting to balk at the high prices, leading to a stand-off between buyers and sellers and some bales being left unsold, said Michael Jones, chief executive of Australia's dominant wool storage and export house, AWH.

As a result, prices have retreated 15 percent since September, according to Australian Wool Innovation auction price reports. But prices are still near historical highs and sellers know they are in possession of an in-demand product facing supply shortages, Jones said.

ACTIVE WEAR

Demand for wool active wear in particular continues to grow.

Italian clothmaker Reda started to produce woolen sports fabrics after the financial crash of 2008 which saw demand for suits tumble, said CEO Ercole Botto Poala, who is related to the chief executive of Botto Giuseppe.



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Wool active wear fabric now makes up 10 percent of the company's 110 million euro annual turnover and is its fastest-growing product range, he said. The company bought new factory space in May to keep up with consumer demand, he said. Reda's clients range from San Francisco-based wool sneaker brand Allbirds, popular with Silicon Valley tech workers, to luxury label Zegna which uses its trade-marked fabric Techmerino in a range of pure wool casual wear including sweatpants. Reda has put up its prices in response to higher wool prices, but declined to say by how much. Neither Allbirds nor Zegna would comment on the matter.

(\$1 = 1.3712 Australian dollars)