

Head Office



Carleton Place, Ontario

# CANADIAN CO-OPERATIVE WOOL GROWERS ~ LIMITED ~

BRANCHES AND ASSOCIATIONS  
ACROSS CANADA

Box 130  
CARLETON PLACE, ONTARIO  
K7C 3P3

TEL: 613-257-2714  
FAX: 613-257-8896  
E-MAIL: [ccwghq@wool.ca](mailto:ccwghq@wool.ca)  
WEB: [www.wool.ca](http://www.wool.ca)  
[www.ccwg.ca](http://www.ccwg.ca)  
[www.realwoolshop.ca](http://www.realwoolshop.ca)

## CCWG Wool Market and Business Update – Fall 2020

### 2019 / 20 Wool Market Update

In 2019 we reported that the global wool market was under extreme pressure due to the ongoing China / USA trade conflict. This created widespread uncertainty and indecision throughout the entire global wool supply chain and value chain partners. The end result was that new business was very difficult to conclude and many countries carried significant stock of greasy wool, processed wool and unsold textiles into the 2020 wool marketing season. The consensus at the time was that better marketing conditions would prevail, there was optimism of better days ahead with continued progress being made on a new China / USA trade agreement.

When the news broke in January 2020 just prior to the Chinese New Year that a highly contagious virus had been identified in Wuhan City, China it became a game changer. Little did we know of the significant ramifications that it would have on our everyday life as it quickly spread around the globe. By mid March most countries were implementing some form of lock down policy along with strict health and safety protocols to try and control the Covid-19 pandemic.

Non-essential business which included retail clothing shops faced closure and employees were furloughed, or laid off in vast numbers. In an unprecedented situation, the global wool market came to a virtual standstill as auctions in most countries and other wool services were cancelled or suspended. In the textile industry it meant widespread mill closures with many more operating at significantly reduced capacity. Even today it is far from business as usual with many mills struggling to survive. In addition, mills were faced with high inventories due to widespread cancellation of orders and a lack of new business. The ramifications of this resulted in a complete back up of the entire wool supply chain. It is not surprising when you consider that clothing does not become a high priority during a pandemic situation.

Further compounding this problem was the cancellation or restriction of travel and most business / social events throughout the year worldwide. It cannot be underestimated how the significance of Covid-19 control measures has eroded consumer demand and disrupted the entire textile industry. An exception to this in some cases appears to be better marketing opportunities for handknitting yarns and wool handicrafts, no doubt due to people looking for more at home activities. Although consumer confidence had been at an all time low there are signs that this is slowly starting to improve which is encouraging.

At the present time we are now facing the inevitable second wave of Covid and a return to some of the restrictions that had been previously lifted. The unknown factor is when we can reasonably expect a return to our previous normal way of life. As a guide we can look at

the progress that China has made. In China every day life seems to be very much back to normal now and has been for quite some time. This was very evident during their recent Mid Moon Festival which is a national holiday in China from October 1<sup>st</sup> – 8<sup>th</sup>. On the other hand business in China is still facing very difficult conditions, especially for export opportunities as the rest of the world continues to battle Covid.

### **CCWG Business Update**

Covid-19 has had a negative impact on CCWG but fortunately we have been able to mitigate our risk due to the diversification of our business.

Our wool business has been most affected but we continue to receive wool at all locations and to grade wool at Carleton Place so that we have the product ready when there is a marketing opportunity. Until there is evidence of more improvement and stability in the marketplace our policy will still be to accept wool on a consignment basis only until further notice. We regret the necessity of this decision but it is the only realistic option at this time based on present conditions. There is a cost effective plan in place to increase our temporary wool storage capacity at Carleton Place if it becomes necessary. The company is well positioned to participate in a wool market recovery when it occurs, having long term business relationships with our valued customers in Canada and a network of international buyers in seven other countries. We will have to be patient, there are no predictions at this time of a quick rebound in the market.

Our retail business comprised of CCWG Livestock Supplies, Premier Choix Agricole and Real Wool Shop continue to achieve positive financial results for the company with good growth in sales and profitability. Work continues on updating our ecommerce as we develop efficient and user friendly platforms for marketing our wide range of products. Staff have implemented a number of recommendations from the marketing study that was completed last year. In particular there has been a focus on strategies to maximize social media marketing opportunities.

Covid-19 has been an extraordinary experience for everyone that we will not soon forget. You do what you have to in order to survive. CCWG staff have done an outstanding job of coping and adapting our business under these difficult conditions. It has not been easy to comply with all the health and safety requirements for sanitizing, social distancing, masks etc. Sincere appreciation is extended to all staff including grading, administration and retail for the excellent co-operation and effort that has been made at all CCWG locations to ensure customer and staff safety. We are also pleased to report that there has been minimal disruption in the employment of the companies fifty staff members across the country.

Heading for 2021 we look forward to better times and new opportunities. It will require carefully calculated and planned business decisions with minimal risk exposure for the foreseeable future. We would be remiss if we did not also thank our loyal customers for their continued patronage.

Respectfully submitted,

Eric Bjergso  
General Manager