

[Home](#) > [British Wool Review 2022](#)

[Department  
for Environment  
Food & Rural Affairs](#)

[Northern Ireland Executive](#)

[Scottish  
Government](#)

[Welsh  
Government](#)

Research and analysis

# British Wool Review 2022

Published 15 March 2023

## Contents

[Executive summary](#)

[Market analysis](#)

[British Wool Marketing Board \(BWMB\)](#)

[The case for regulatory change](#)

[Annex A: List of bodies engaged during the review](#)



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gov.uk](mailto:psi@nationalarchives.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://draft-origin.publishing.service.gov.uk/government/publications/british-wool-review-2022/british-wool-review-2022>

# Executive summary

## Terms of reference

This review was conducted by Defra working in collaboration with the devolved administrations, with the support of British Wool's executive and board. All recommendations contained herein have been agreed by ministers from the UK and devolved governments, and where appropriate will be acted upon by the administrations collectively.

This review had 2 aims:

- to consider whether the current model for British Wool (BW) (public, non-financial corporation) is sustainable and best serves the interests of UK wool producers
- to determine the future regulatory framework of British Wool and its relationship with the government

We sought the views of board members, regional committee members and key sheep and wool industry representative organisations during the review and their feedback has informed the response – a full list of bodies engaged is included in Annex A.

British Wool describe themselves as “a farmer led organisation that works on behalf of its members under cooperative principles, handling wool from all UK sheep farmers regardless of type, location and quantity. British Wool markets the wool collectively, in a managed way throughout the year, to maximise the value of wool for all sheep farmers in the UK.”

While payments to farmers and price of fleece were outside the scope of this review, it has found that, despite fleece values continuing to decline, producers continue to see the role of British Wool as a vital part of the supply chain. Not only in its ability to collect wool from everywhere in the UK, but also in delivering shearing courses, promoting, and marketing UK wool as a high-quality product, and its work with universities to develop new and innovative uses for British fleeces.

British Wool has, in recent years, taken significant steps to put in place a modern and transparent approach to their governance, finances and relationship with members. This can be further supported through establishment of clearer relationship management structures and improved reporting and communication arrangements both with government and members.

British Wool has established infrastructure to deliver this universal service, but they face ongoing challenges with the price of wool continuing to decline, continued decline in flock sizes, and the ongoing impacts of the global market closures caused by the pandemic.

To respond and plan for these challenges British Wool will need an agile and commercially minded management and board. They are already thinking about how to increase demand and brand value of British wool and have made significant improvements in their approach to governance. However, the current legislation, particularly the construction of the board, and the current requirements of the Financial Arrangement are limiting British Wool's operational capabilities.

Throughout this review British Wool and Defra have had constructive conversations about the options for their future legislative structure and relationship with the government. This review has seen no evidence that the rationale which existed for government-legislated regulation of this market continues to exist and has found no evidence of a market failure that would justify ongoing government regulatory oversight.

This review agrees with the board that, in the long term, as a modern independent cooperative organisation they would be best placed to respond to future market pressures.

However, the current market situation, combined with ongoing financial pressures created by the pension deficit, mean that in the short-term British Wool should remain a public body and deliver changes to their legal and financial structures to ensure they are on the most stable footing going into independence.

## **Recommendations**

1. UK and devolved governments to set out clearer relationship management structures and improved reporting and communication arrangements between HMG and British Wool, recognising British Wool's status as a public, non-financial corporation.
2. UK and devolved governments review the Financial Arrangement to assess if the current requirements of the arrangement remain proportionate and appropriate.
3. British Wool to bring forward amendments to the 1950 order, following the process as set out in in paragraph 88(1) of schedule 1 to the 1950 order within a year of this review's publication.

## **Market analysis**

### **UK wool market**

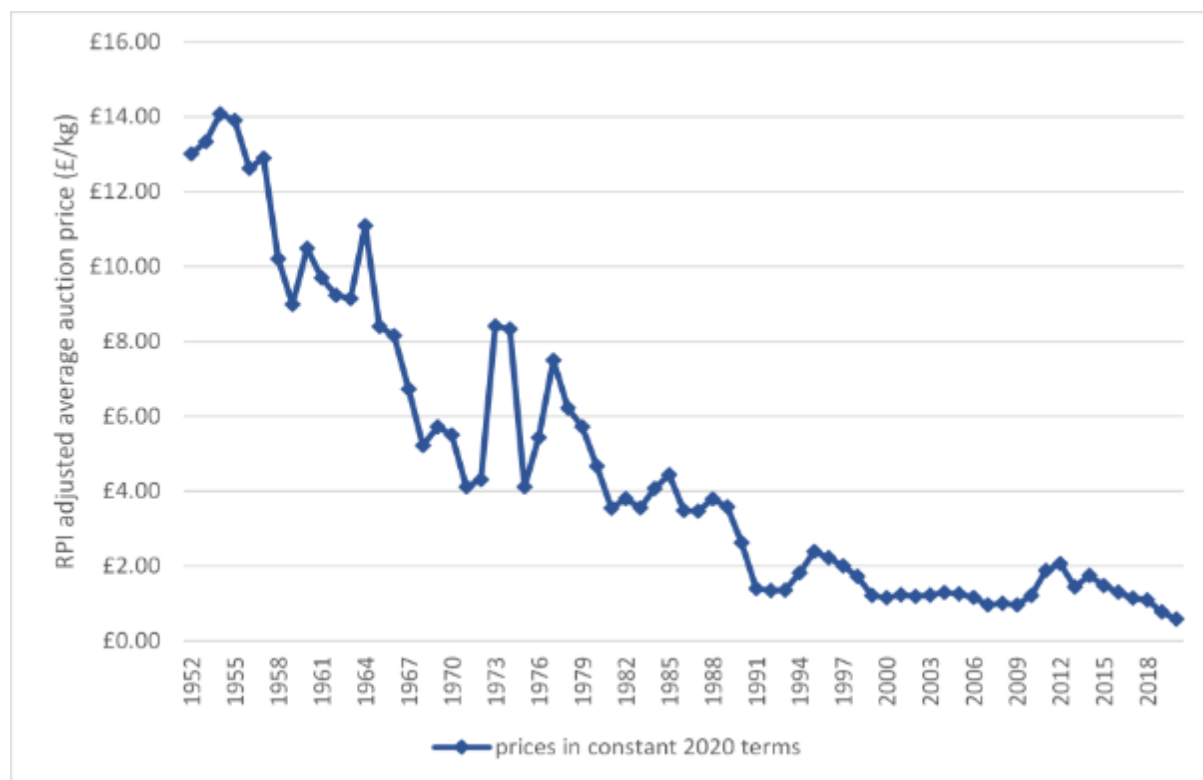
In 1950, when the British Wool Marketing Board (BWMB) was established, wool was a key national resource and it was considered necessary to regulate the market "for security of supply, the economy and wellbeing of consumers." In 1955 the average price received was £14/kg (RPI adjusted average auction price).

However, as shown in the graph in Figure 1, fleece values have steadily declined since the late 1950s. From the early 1990's wool prices have remained below approximately £3/kg, with more significant decline taking place since 2015 where

values fell below £1/kg for the first time. Fleece values in 2019 saw an average price of £0.89/kg at auction, with total average return to producers (less BW overheads) of just £0.33/kg – this was in part due to the arrival of the coronavirus (COVID-19) pandemic, which closed UK and international markets at the beginning of 2020.

In 2019 the UK accounted for just 3% of the world global production of wool. In 2020, wool itself accounted for less than 1% of world fibre production: 62% of fibre production was synthetic and 24% cotton. [\[footnote 1\]](#) The growth in synthetic fibres has had a marked impact on the price of wool, which has reduced the return to producers.

Figure 1: UK fleece sale values



The UK's varying climate and landscape have necessitated the breeding of a wide range of sheep able to survive in some of the UK's harsher environments. This creates variation in wool type and quality.

Sheep grow wool continuously to protect against the weather. Wool is a natural product of the sheep's life cycle, and the welfare of sheep is improved if they are shorn every 12 months. The main shearing season in the UK will begin in May, running through to July, depending on where in the UK the sheep are reared. Therefore, the annual wool clip size will vary; for example, a colder spring will mean a later shearing season; a warmer spring will mean earlier shearing and lower wool weights.

The total annual value of UK wool sold through British Wool's auctions over the last 5 years has been between £20 million to £30 million. Few sheep farmers are now reliant on their wool cheque, with income from wool making up less than 3% of

sheep revenue in 2019, and an even lower proportion of their overall income. [\[footnote 2\]](#)

The UK clip is bought, in the main, by UK merchants and manufacturers who are heavily reliant on British Wool's ability to collect wool and sell it in sufficient quantities for their supply chain needs. Without such an organisation they would be unlikely to collect wool on a scale large enough to make it viable for processing. It was reported to this review that, while there was some appetite to grow their independent purchasing, these merchants recognised that because they are currently heavily reliant on British Wool's established infrastructure a permanent shift to 'at the gate' purchase would be unlikely, in the short term at least.

This review's engagement with the sector also highlighted, that although a low return, many producers continue to see the annual clip payment as a route to covering the cost of the shearing, in part, if not in whole. Should they not receive that payment it could, over time, impact on their overall profitability. Stakeholder representative organisations raised concerns over the possibility that if shearing costs are not met, producers might be less incentivised to shear sheep, leading to poor animal welfare or fleeces left to rot on farm, leading to negative environmental impacts.

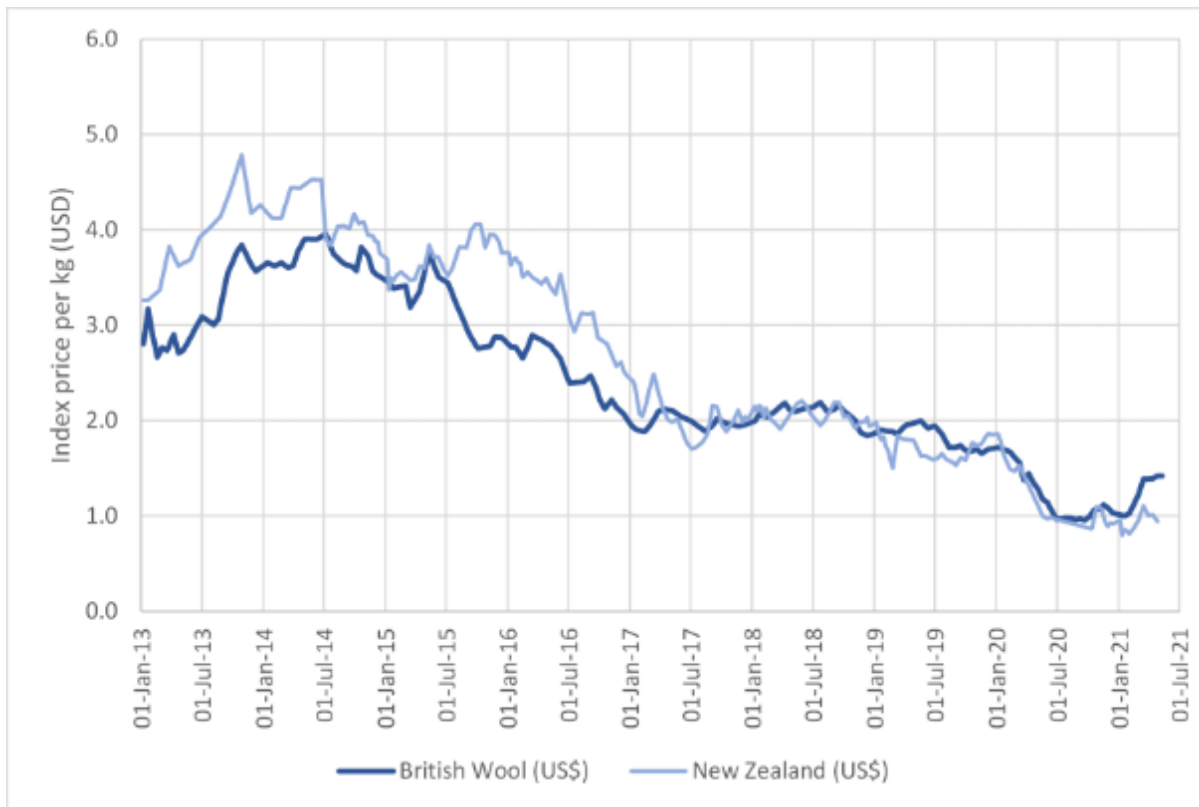
This review has highlighted the important role that British Wool continues to provide to farmers, particularly those with smaller flocks, those in remote rural areas, or with rare breeds, who would otherwise be unable to create the economies of scale needed to sell their wool at a competitive rate and would likely get no return at all.

## **International wool market**

Over recent decades the manufacturing base for woollen products has been shifting to Asia. China is the largest importer of wool in the world and the largest exporter of manufactured woollen goods. Chinese raw wool production has also been expanding rapidly over recent years to become the third largest world producer, while the largest producer Australia, has halved production since 1990. 70% of global wool production is exported to China for scouring and further processing.

The wide range of sheep breeds and wool type in the UK means there are no directly comparable markets. Major international markets for wool, such as Australia and New Zealand have a handful of breeds, and have much larger flocks, approximately 20,000 head. The size and scale of their clip requires no coordinating body to support sale because the farmers have the quantities for merchants to make direct purchases profitable.

Figure 2: Price comparison of UK and New Zealand wool

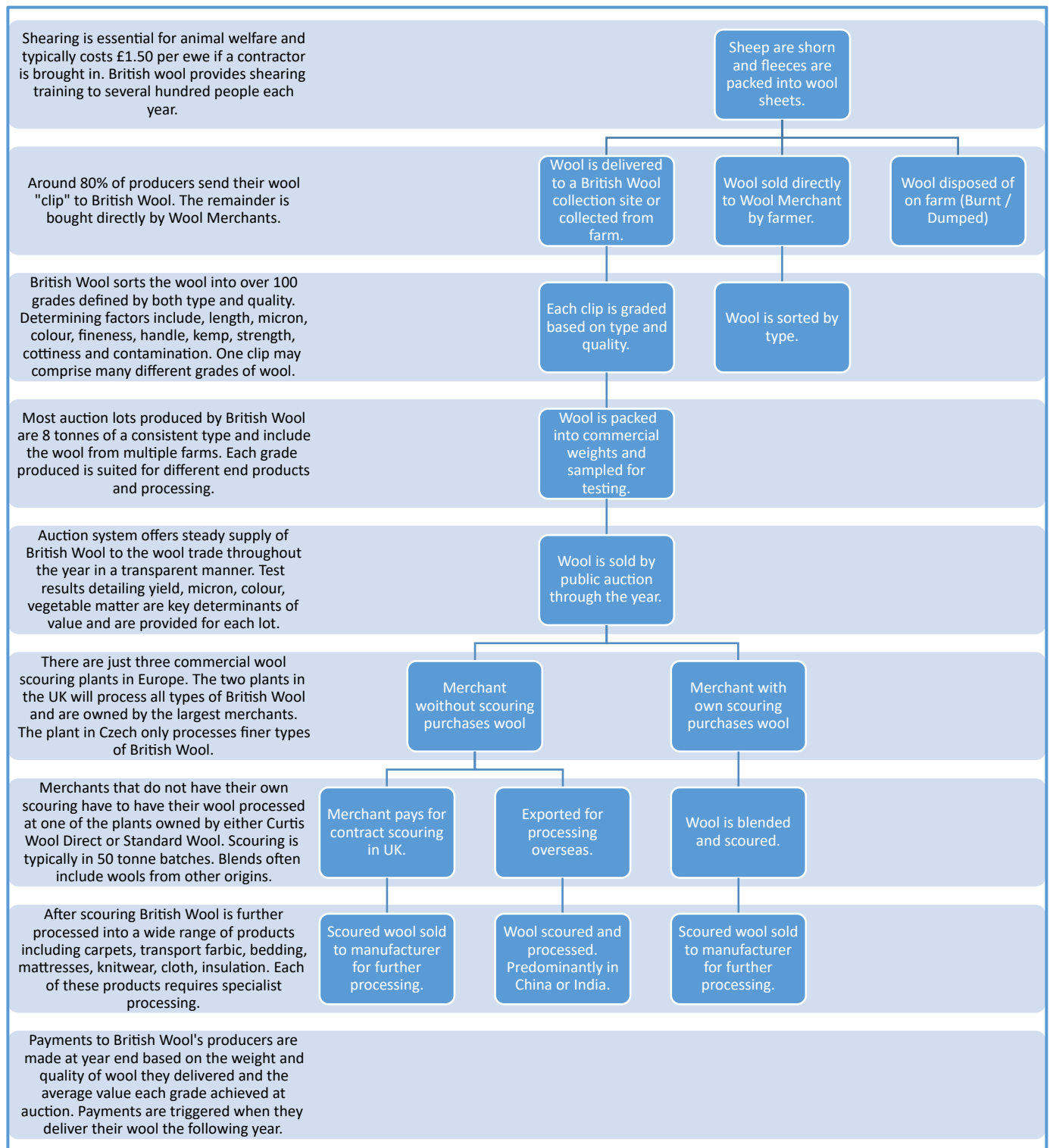


As is shown in Figure 2, despite the differences in the market structure the UK and New Zealand wool price largely track each other, this is likely to be in large part due to the open auctions organised by British Wool, that enables scalability to UK farmers that they wouldn't see if acting independently.

## British Wool's role in the wool market

As is required by the scheme, producers deliver their clip into a network of British Wool depots across the UK where the wool is graded into more than 100 categories, sorted into type and quality, tested by the Wool Testing Authority Europe (WTAE), baled and sold in open and competitive auctions. Most auction lots produced by British Wool are 8 tonnes of a consistent type and include the wool from multiple farms. Alternatively, farmers may choose to sell their wool direct to merchants, in contravention of the order. After sale, the wool will go on to be scoured (cleaned), typically in 50 tonne batches and in blends that can include wools from other origins. After scouring, British wool is further processed into a wide range of products including carpets, transport fabric, bedding, mattresses, knitwear, cloth, and insulation. Each of these products requires specialist processing. A step by step of the wool journey from farm to consumer is set out in the UK wool journey map in Figure 3. Despite sheep shearing being carried out in just a few months, by collecting and storing the UK clip, British Wool can sell fleece year-round, something that was noted by the onward supply chain as being highly valuable because it allows them to secure product outside of the shearing season. Payments to British Wool's producer members are made at year end based on the weight and quality of wool they delivered and the average value each grade achieved at auction. Payments are triggered when they deliver their wool the following year.

Figure 3: UK wool journey map



The UK grading system, as established by British Wool, categorises wool based upon both its style and characteristics, and in total they provide almost 120 grades of fleece wool. It is the aggregation of these grades into saleable quantities that secures the value for each producer.

When the BWMB was established in 1950 the largest portion of the wool clip went into making apparel. In 2022 that is a much smaller proportion, with approximately 50% going into carpeting, the majority of which is sold to the hospitality sector. The remainder is used for bedding, such as duvets, pillows, and mattresses; and in furniture coverings in transport vehicles, such as train seat coverings. With



increasing recognition of wool as a sustainable biodegradable material British Wool has been actively supporting research with universities into new markets, particularly for the lowest value fleeces, including insulation, garden compost and tree guards.

## **Shearing training**

British Wool provides and subsidises an annual shearing training programme to approximately 800 farmers in all parts of the UK. Their shearing training programme is designed around animal welfare, with all candidates trained to shear carefully and sympathetically, whilst also maximising the commercial value of each fleece.

## **Wool Testing Authority Europe (WTAE)**

Established in 2004 the WTAE is the only wool testing laboratory in the Northern Hemisphere. Testing to International Wool Textile Organisation (IWTO) standards, they provide an objective, cost effective wool testing service to the international industry, ensuring both independence and integrity of wool certification.

Despite British Wool being the 100% shareholder, WTAE operate at arms-length to maintain the integrity of their results.

The WTAE is sent a sample of each bale of wool, which is tested for yield (wool content vs grease content), micron (average fibre diameter of the wool), colour (how white the wool is) and vegetable matter (how much straw or bracken, for example, is in the wool). These tests are relied upon by the industry to give certainty on the percentage of wool in each bail and supports greater prices. Prior to this, formal testing process merchants had to physically inspect and assess each sample bale from each lot by eye.

## **British Wool Marketing Board (BWMB)**

### **Statutory footing**

The BWMB ('British Wool') was established by the British Wool Marketing Scheme (Approval) Order 1950 (most recent amendment in 2000) ('the order') due to wool being a key national resource and the post war need to regulate the market "for security of supply, the economy and wellbeing of consumers." British Wool administers the scheme set out in the order. Any registered sheep farmer in the UK has voting rights in relation to the scheme.

The scheme requires British Wool to collect the total UK wool clip proffered each year irrespective of size, quality, or geographical location, and to return market value to the farmer (less overheads). The order requires that sheep farmers register with British Wool and submit their wool each year for sale. Exemptions exist for flocks smaller than 4 animals, or where an exemption has been sought

with, and agreed by British Wool. The industry engagement conducted by this review highlighted that many producers misunderstand the role British Wool play in the sale of their wool, believing that British Wool are buying their wool from them, and then selling on to make a profit.

## Relationship with the government

The government's responsibilities in relation to British Wool are set out in the 1950 order and can be summarised as:

1. To maintain a Financial Arrangement.
2. Subject to ministerial agreement, lay the British Wool annual financial accounts before their respective Parliament and Assemblies.
3. Maintain an ongoing relationship with the independent members of the board who are jointly appointed by ministers – these appointments are made under the schedule to the 1950 order.

Public bodies are formally established organisations that are, at least in part, publicly funded to deliver a public or government service, though not as a ministerial department. The term refers to a wide range of public sector entities, however because British Wool is self-funded, and Defra has no accounting officer responsibility for the organisation, the Office for National Statistics (ONS) classify British Wool as a public, non-financial corporation. British Wool has sufficient operating independence that it can effectively be considered separate from the government.

This review has found the board and executive engaging and fully cooperative with the review process, but we understand that the relationship with the government has not always been such and that in times past was quite strained and fragmented. This has led to some misrepresentation and misunderstanding of that relationship, demonstrated during our sector engagement with respondents believing government to have a significant and influential role in decisions taken by the board, as well as the government's influence within the board through the public appointees.

The joint HM Treasury and Cabinet Office Public Bodies Reform Programme (PBRB) was established in January 2021. Its mission is for accountable, effective, and efficient public bodies that are aligned to its 5 priority workstreams. [\[footnote 3\]](#) British Wool, due to their operationally independent status currently sit outside the scope of this programme. However, this review recommends that, in order to continue to provide clear route of communication and transparency, clear relationship management structures should be put in place.

**Recommendation:** UK and devolved governments to set out clearer relationship management structures and improved reporting and communication arrangements between His Majesty's Government of the United Kingdom of Great Britain and Northern Ireland and British Wool, recognising British Wool's status as a public, non-financial corporation.

## **Governance and strategy**

Recognising some of the challenges faced by the organisation, British Wool's board have made positive steps to improve its internal and external operations. One example is the establishment of a Governance Working Group at the start of 2021 which has resulted in updated internal governance and documentation to ensure that best practice is being observed. In addition, a detailed manual for board members has been put in place along with clear guidance for county representatives and regional committee members. Governance will be further enhanced with planned board effectiveness training.

Over the last year British Wool's board and management team have set out a clearly defined strategy and ethos for the organisation with a strong vision for the future. The strategy is designed to ensure that British Wool delivers upon its mission to maximise returns for its members whilst upholding the organisation's ethos as a collective marketing organisation.

## **Financial management**

British Wool collects, grades and sells wool on behalf of registered producers. The government holds no accounting officer responsibility for British Wool and the organisation is not publicly funded.

While British Wool has a requirement to submit their annual accounts to UK and devolved governments, the government has no powers to investigate financial irregularities, or to influence pay, remuneration or spend of British Wool.

The Financial Arrangement, entered into in 1995 between the Minister of Agriculture, Fisheries and Food and the Secretaries of State for Scotland, Wales and Northern Ireland and the board, is concerned with the establishment and operation of the Reserve Account and Reserve Fund. This followed the removal of the Wool Price Guarantee in 1993 and was intended to ensure British Wool "retain adequate resources from which to discharge liabilities arising from its [British Wool's] wool marketing and trading operations." The current agreement has been extended by agreements dated 26 May 2000, 22 April 2005, 2010, 2015, and 2018.

However, this review is aware that British Wool have, in the past needed to treat these funds as working capital in order to respond to market pressures, contrary to the Financial Arrangement, highlighting that the arrangement in its current formulation is not fit for purpose. Furthermore, a Government Internal Audit Agency (GIAA) review (March 2021) recommended:

"The Department [Defra] should, in collaboration with BWMB, refresh the Financial Arrangement to more clearly describe the operating environment and document all related roles and accountabilities required to fulfil the Arrangement"

This review considers that a significant update is overdue to ensure the financial arrangement remains proportionate and continues to enable British Wool to operate effectively. A revised arrangement should also provide the transparency

and scrutiny that government needs to assure itself that funds continue to be used in the best interest of producers.

## **Pension**

British Wool established a pension scheme, which operated on a final salary basis until 2005, whereby it was replaced by a career average scheme to reduce future costs. A pension deficit from the earlier decades is being managed down by a recovery plan put in place by the Pension Fund Trustees.

British Wool have made approaches to government to take liability for, or provide financial support to, the reduction of the deficit. However, as a non-financial corporation with operational independence, government has no liability for the deficit, which must be managed by the organisation.

As part of this review, the Government Actuarial Department (GAD) reviewed the 2018 Actuarial Valuation and does not consider the expected repayments to cause any immediate or significant financial issues to the organisation. It is GAD's professional assessment that the deficit is being managed well by the board and the trustees.

Recommendation: UK and devolved governments review the Financial Arrangement, assessing if the current requirements of the arrangement remain proportionate and appropriate.

## **The case for regulatory change**

This review has established that the functions of British Wool and its ability to collect, grade and sell wool and return revenue to producers, will continue to be vital to the success of the sector, particularly as it recovers from the market challenges of the past 2 years.

The UK economy no longer requires the regulation of the wool market for the "security of supply, the economy and wellbeing of consumers." As set out in previous sections of this report, wool's position on the global fibre market has changed significantly, and therefore the rationale which existed for government legislated regulation of this market no longer exists. This review has found no evidence of a market failure that would justify ongoing government regulatory oversight, nor is there evidence that retaining public body status will ensure that producers' interests continue to be best served.

With largely fixed overhead costs, such as transport, depot management, and auctions, British Wool needs to continue to maximise auction competition to generate a good return for farmers. With competitors acting more openly, without change there is a risk that there is a downward spiral of reducing value and lower returns to producers, which further disincentivises producers from sending in their clip to British Wool.

British Wool, by virtue of being member led, already operates in line with cooperative society principles. This review has found that the justification that led to regulation of this sector in 1950 no longer exists and believes that there is no longer sufficient cause or need for the government to continue to regulate this market in such a way.

Prior to, and during this review, British Wool's board have made representations to government about the restrictions in the 1950 order which prevent them from acting commercially, or with sufficient flexibility to respond to competitive market conditions, and they no longer believe the scheme is delivering in the best interest of producers.

The government and the British Wool Board agree that in the long term, moving British Wool out of the public sector would be beneficial to both the organisation and its producer members.

However, the review has concluded that before that process is begun, British Wool should seek to modernise the 1950 order to ensure the scheme and the board are in the best position possible to navigate the process to independence.

This position is supported by the British Wool Board who believe that, once the recommendations in this review are delivered, and the market has had time to stabilise following the pandemic, they will be in a stronger position to become independent of government. Following the modernisation of the 1950 order, the board, working in conjunction with Defra and the devolved governments, should transition British Wool to independent status in accordance with the requirements of the 1958 act

Recommendation: British Wool to bring forward amendments to the 1950 order, following the process as set out in in paragraph 88(1) of schedule 1 to the 1950 order within a year of this reviews publication.

## **Annex A: List of bodies engaged during the review**

Board Members

Regional Board members

National Farmers Union

National Farmers Union Scotland

National Farmers Union Cymru

Ulster Farmers Union

National Sheep Association

National Sheep Association Wales

National Sheep Association Northern Ireland

National Sheep Association Scotland

Farmers Union Wales

Scottish Crofters Federation

Young Farmers (England, Wales)

Young Farmers (Scotland)

Young Farmers (Northern Ireland)

Young Farmers Wales

Campaign for Wool

Wool Carpet Focus Group

Curtis Wool

Modiano

Standard

Andean Sky

Swan Wool

Kent Premier

KO Fibers

R.E. Dickie

Haworth Scouring

Thomas Chadwick (Standard)

Natural Fibre Company

Edward Clay

Lawtons

Danspin

Calder Textile/ Atlantic Yarn

Brintons Carpets

Devon Duvets

Headlam Group

Harris Tweed Hebrides

---

- 
- 
1. [Textile Exchange - Preferred Fiber & Materials: Market Report 2021](https://textileexchange.org/news/textile-exchange-preferred-fiber-and-materials-market-report-2021/)  
(<https://textileexchange.org/news/textile-exchange-preferred-fiber-and-materials-market-report-2021/>)
  2. [Farm Business Survey data](https://www.farmbusinesssurvey.co.uk/) (<https://www.farmbusinesssurvey.co.uk/>)
  3. [Public bodies reform](https://www.gov.uk/guidance/public-bodies-reform) (<https://www.gov.uk/guidance/public-bodies-reform>)
- ↑ [Back to top](#)
- 
- 

## **OGI**

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated

© [Crown copyright](#)