MEDIA RELEASE

21/10/26 | FOR IMMEDIATE RELEASE

Back on the sheep's back: Australian regulatory approval accelerates A$775 million Australia-Vietnam wool industry transformation

Key points:

- QWool has A$775 million development vision to de-couple the Australian wool industry from Chinese processors, who currently buy 95% of Australia's wool.
- Project green light with environmental approvals secured for first new green energy powered wool scour in Australia.
- Innovative scour design and supply chain efficiencies to make Australian project cost competitive with existing Chinese scours.
- Project to deliver capability step change for Vietnam's growing textile industry.
- Government support in Australia has accelerated project development.
- QWool's next milestone is the start of construction, scheduled for early 2027.

A consortium of Australian wool producers is now one step closer to reshaping the economics of one of Australia's most iconic export industries. QWool, an Australian wool industry backed company, has a A$775 million Australia-Vietnam plan that reverses a structural shift that has seen nearly all of the nation's wool processing capacity migrate offshore to China over the past three decades – along with an estimated A$1.1 billion annual value-added revenues.

While Australia remains the world's leading producer of fine apparel wool, around 95 per cent of the national wool clip is exported in its lowest value form (raw, straight from the sheep), with Chinese processors now the near sole purchasers in Australia's wool selling centres. This means that the global fashion houses that want to use high-quality Australian wool must buy it from Chinese processors. This is about to change, delivering a big boost to Vietnam in the process.

With all required environmental and development approvals now in hand for its first plant, QWool is set to establish a vertically integrated supply chain between Australia and Vietnam that allows for up to one third of Australia's wool to reach further into the wool supply chain and sell a value-added product to new, higher-value markets in countries such as Vietnam, Japan, Korea and Italy. These markets are currently supplied nearly 100% by China, using Australian wool.

QWool Executive Chair John Abbott said innovation in the plant design and simpler supply chains were delivering a unique market disruption opportunity, this time in Australia's favour.

"For thirty years, the industry has been told Australia can't scour wool at a competitive cost. Our scour design and integration with a topmaking plant that we will control in Vietnam changes that," Mr Abbott said.

"The wool scour we will be building will be quite different to past scouring operations in Australia. By rethinking the scouring process from the ground up we've delivered a step-change in the cost of production, eliminated previously problematic waste streams, and delivered a much simpler supply chain.

"For example, we have totally eliminated ongoing energy and water costs by leveraging geothermal and solar energy resources in Outback Australia. These were the key costs that made Australian scouring operations unviable 30 years ago. That means we can scour wool in Australia and compete with China on cost."

"Our supply chain will also be much simpler. We expect to reduce the number of logistics steps in half, compared to the current supply chain. This is a huge cost and environmental saving for the textile supply chain."

Mr Abbott said scouring also unlocks a high-value byproduct – lanolin – which is separated from Australian wool in China.

"Lanolin, the natural grease we remove from the wool, is a premium ingredient for the pharmaceutical and cosmetics industries. Today China captures that value. With QWool, it stays in Australia."

Blackall wool producer Graeme McDonald said producers had watched too much of the value of their wool go offshore for too long.

"We produce the best wool in the world, and then we let China capture most of its value in processing," Mr McDonald said.

"QWool will let producers like us hold onto more of the value of what we produce. This isn't just about the next wool cheque, It's about building something our kids and grandkids can carry forward. That's the legacy we want to leave."

"This vision may start in Blackall, but it will benefit the whole Australian wool industry."

Chair of an Australian farm lobby group for wool producers (AgForce's Sheep, Wool and Goats Committee), Boyd Webb said returning early-stage processing to Australia was a long held ambition that would make whole sheep and wool industry in Australia more resilient and deliver much-needed confidence boost to wool producers about the industry's future.

“When most of your clip goes to a single market, every producer carries that risk, whether they think about it or not,” Mr Webb said.

“Exporting greasy wool isn’t just a missed opportunity, it’s also a major risk. If we ever suffer an ovine disease like foot and mouth, we will lose market access to China overnight. Scouring wool onshore considerably reduces this risk.”

“QWool gives the industry more buyers and more options. Adding value to raw wool before it leaves the country is exactly the kind of diversification the sheep and wool industry needs.”

QWool Executive Director Jonathan Pavetto said the project was an opportunity to disrupt China’s current dominance in the global textile value chain and economic control of the Australian wool industry.

“We know that China re-exports a considerable volume of Australian wool to 3rd markets, such as Vietnam, South Korea, Japan and the Eurozone. Most non-Chinese textile companies we have spoken with in those markets have indicated a strong desire to de-couple, or at least diversify their purchasing from Chinese suppliers,” Mr Pavetto said.

“This doesn’t mean China won’t be an important export destination for Australian wool, it always will be. But it does mean that China won’t have monopoly control over the Australian wool industry as the only export destination for Australia’s high-quality wool.”

“Reducing the Australian industry’s reliance on Chinese buyers also reduces risk of political intervention in the supply chain, which many other Australian rural industries that are reliant on China have been subject to over the past five years.”

Key to the QWool plan is integration between early-stage processing components in Australia and Vietnam. The first and most resource intensive processing stage (scouring) is set to occur across a network of new wool scours multiple outback Australian towns, with the second stage (top making) to be established in Vietnam, in an adjacent industrial park to the fast-growing Phu My 2 port on the outskirts of Ho Chi Minh City. This investment in Vietnam is a first of its kind for its rapidly growing textile sector.

Simon White, President of the Australia Vietnam Business Council Queensland, said the proposed investments mark a significant vote of confidence in Vietnam's industrial future, positioning the country to capture more value from global supply chains, further cement its reputation as one of the world's premier manufacturing destinations and build two-way trade between Australia and Vietnam.

"Investments like this don't just create factories. They create industrial capability, attract new capital and reinforce Vietnam's standing as a world-class manufacturing destination."

"This investment sends a powerful signal that Vietnam is moving beyond a focus on low-cost manufacturing at scale to manufacturing with integrated value chains with greater value-add, the most modern technology and sophistication."

"By linking one of Australia's most iconic rural industries (wool) with Vietnamese processing and manufacturing capability, this project has the potential to become a flagship example of the next generation of Australia-Vietnam trade and investment."

The company has received strong government backing in Australia. Queensland Minister for Primary Industries Tony Perrett said QWool reflected the ambition of the government's Primary Industries Prosper 2050 blueprint.

"Prosper 2050 is an ambitious target of increasing Queensland's agriculture output to $30 billion by 2030, driving future investment, creating jobs, and unlocking opportunities for producers," Mr Perrett said.

"QWool is that vision in action. That's why the Queensland Government has provided $940,000 to support QWool's due diligence and the innovation in its plant design."

"I will always have the back of our Western Queensland communities. This is our promise – we are here for the people who make Queensland's agriculture great."

QWool's next milestone is the start of construction, scheduled for early 2027, with first wool scoured in Blackall expected in mid-2028.

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Media contact: Jonathan Pavetto, QWool Executive Director, +61 420 472 996
jonathan@qwool.com.au

High resolution renders of the Blackall Scour are available here.

Also available for comment:

- John Abbott, QWool Executive Chair – 0448 223 589
- Jonathan Pavetto, QWool Executive Director – 0420 472 996
- Graeme McDonald Wool Producer – 0427 195 220
- Bill Glasson Wool producer – 0427 757 375
- Boyd Webb AgForce Sheep Wool And Goats Committee Chair – 0408 587 012
- Jonathan Pavetto, QWool Executive Director – 0420 472 996
- Simon White Australia Vietnam Business Council Queensland President – 04417 417 006
- Tony Perrett Queensland Minister for Primary Industries (via media advisor Nicole Bond – 0417 199 369)

For background – the QWool story:

The Australian wool industry is one of Australia's great rural industries – much of modern Australia's prosperity is thanks to the export revenue generated by the wool industry. At its peak, Australia produced and exported 1 billion kilograms of high-quality merino wool accounting for 85% of global trade in fine wool.

The Australian wool industry was prosperous because it not only produced the world's best garment wools, it sold them as a value-added product to multiple markets.

In the last 30 years, the wool industry has become a shadow of its former self. It has lost virtually all of its local manufacturing capacity and sells to only one market: China. As a result, Chinese processors now control 95% of Australia's wool exports and therefore the price Australian wool producers receive.

In 2026, the wool industry will produce only 250 million kilograms this year, one quarter of its peak volume. It is no wonder why many once prosperous wool producing communities in rural Australia have been struggling for their survival.

Now totally reliant on Chinese processors, Australia's wool producers are terribly exposed to political trade intervention (which has already occurred across many Australian farm commodities), market loss from biosecurity risk (unprocessed wool cannot be exported if exposed to an ovine disease such as foot and mouth) or falling foul of incoming EU product traceability requirements, which many Chinese processors would struggle to comply with.

China now has a A$1 billion wool processing industry that has been built on the back of Australian wool producers. Value-add revenue from early-stage processing is now remaining in China, instead of returning to Australia's wool producers.

This situation is untenable for the future of the Australian wool industry and presents a global market disruption opportunity, this time in Australia's favour.

QWool was established by innovative wool producers to return early-stage processing to Australia and connect Australian wool producers to higher value markets – outside of China.

After five years of research and development, QWool's next milestone is the start of construction of its Blackall scour and top-making facilities, which will re-establish Australia's supply chain to the global textile industry. This represents the single largest investment in the Australian wool industry in generations.

Supported by $1.3 million in grants from Queensland Department of Primary Industries and the Australian Department of Foreign Affairs and Trade, QWool has detailed designs for what will be the most advanced wool processing plants in the world (scouring and

topmaking), all required environmental approvals, and relationships with non-Chinese textile manufacturers that want direct access to Australia's high-quality merino wool.

QWool's innovation in factory design, combined with structural cost increases in global shipping costs and changes to global textile market dynamics now means Australian-based processors can compete with China.

As soon as the capital is raised, construction will commence on its first modern wool scour in Blackall QLD, delivering:

- Over 50 direct jobs and 50 indirect jobs (100 total) that will transform the once-thriving wool producing community in western Queensland.
- $50 million in value-add to the Australian economy
- A new future for 80,000 wool producers across Australia by connecting them to higher value markets beyond the Chinese processors that now control the industry.

Planning for subsequent plants in NSW will also accelerate.

QWool's vision is to develop a series of plants across Australia that can value-add up to one third of the national wool clip, which will have a total investment envelope over A$775 million.