



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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### From the desk of Chris Wilcox, Executive Director

- Australian wool prices ease ahead of the three-week recess
- AWTA tested more wool in 2017/18
- Wool declared as Non-Mulesed and Pain Relief lift again in 2017/18
- Australian wool exports rise in May
- Report on the Independent Review of AWI released
- Upcoming events

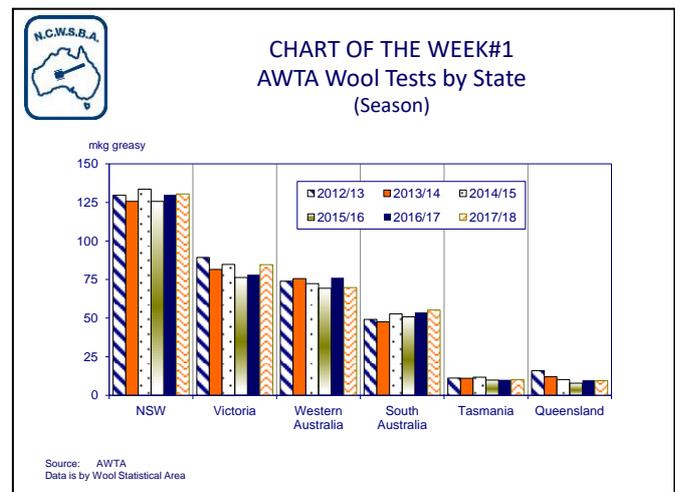


In the last sale before the mid-year recess, the **Australian wool market** eased back a bit further, continuing the trend seen in the past three weeks. The **Eastern Market Indicator** was 13 cents lower at 1981 c/kg. Prices for Merino wool were lower, with the largest declines for 19.5 micron to 22 micron wool. Prices for Crossbred wool were generally a little higher, with the exception of 28 micron wool, which fell. The Northern Market Indicator was down 13 cents to 2013 c/kg, the Southern Market Indicator slid 14 cents to 1961 c/kg, while the Western Market Indicator was 25 cents lower at 2129 c/kg. Despite this easing in the wool market, prices remain at very good levels. The A\$ was relatively steady against the US\$ and the Euro, but was stronger against the Renminbi over the week. As a result, the EMI was 9 UScents lower at 1462 USc/kg; down by 6 €cents to 1252 €cents/kg; but 20 RMB higher at 9790 RMB/kg.

With no edition of the *Weekly Newsletter* last week, there is quite a lot of end of season wool industry data to catch up on. As well, the report from the Review of AWI was released on Monday.

The first set of full season data released over the past fortnight was the **AWTA wool test statistics**. This showed that AWTA tested 0.7% more wool in 2017/18 than it did in 2016/17. The total volume tested was 360.4 mkg greasy. As usual, some of this volume is wool that was tested more than once which means that the weight of wool tested by AWTA is always higher than the estimate of shorn wool production by the Australian Wool Production Forecasting Committee (AWPFC). Even so, the small increase in the weight of wool tested by AWTA for the full 2017/18 season compares with the AWPFC's April forecast of a small 0.6% decline in shorn wool production. Some of this difference may be due to wool being released from on-farm stocks, although given that Merino wool prices have been rising and high for 18 months or more, there would not have been much stock held on farm at the start of the 2017/18 season.

The first **Chart of the Week** shows the total volume of wool tested by state for the 2017/18 season compared with the previous five seasons. As can be seen, there was increased wool volumes tested in Victoria (+8.4%), South Australia (+3%), Tasmania (+1.2%) and a small 0.4% increase in New South Wales. The weight of wool tested declined in Western Australia (8.3%) and Queensland (-3.3%). These state by state results are mostly in line with the AWPFC's forecast, except for New South Wales. The Committee predicted that shorn wool production in that state would decline by 0.8%, while AWTA tested 0.4% more wool for the season. The AWPFC will review these full year results when it meets on 15<sup>th</sup> August. State meetings will precede the national committee meeting.



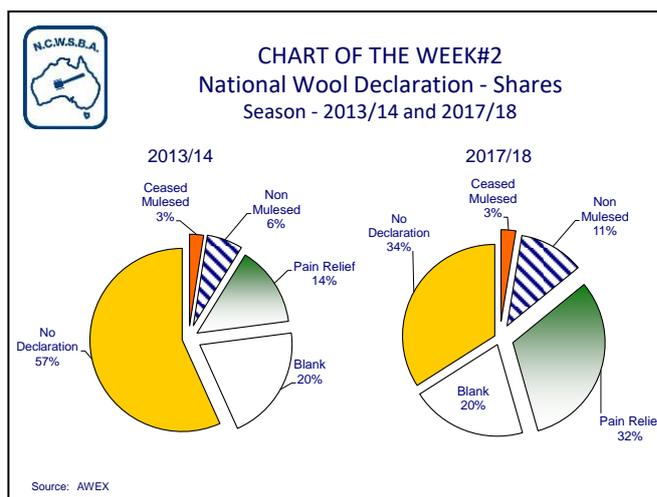
AWEX has released the statistics on **mulesing status** of first-hand wool offered for the full 2017/18 season. The data is taken from the National Wool Declaration (NWD). The table below provides details on the number of bales with each declaration and the shares for the 2016/17 and 2017/18 seasons.

**Table: National Wool Declaration Statistics – Season (bales)**

	CM	NM	PR	CM+NM+PR	Blank	All NWDs	ND	Total
<b>2016/17</b>	45,186	152,405	426,347	623,938	318,130	942,068	597,644	1,539,712
<b>2017/18</b>	41,002	182,465	502,925	726,392	323,456	1,049,848	542,862	1,592,710
<b>% change</b>	-9%	+20%	+18%	+16%	+2%	+11%	-9%	+3%
<b>2016/17 share (%)</b>	2.9%	9.9%	27.7%	40.5%	20.7%	61.2%	38.8%	100%
<b>2017/18 share (%)</b>	2.6%	11.5%	31.6%	45.6%	20.3%	65.9%	34.1%	100%

For the full 2017/18 season there was a significant lift of around 20% in the number of bales declared as either Non-Mulesed (NM) or Pain Relief (PR). This increase took the share of NM wool to 11.5%, well above the 9.9% share recorded in 2016/17. The share of PR wool lifted to 31.6%. There was a 9% drop in wool declared as Ceased Mulesed (CM). This may be due to a change in definition for properties to be eligible to be declared as Ceased Mulesed. The definition is now: *Wool from sheep where mulesing has ceased on the property. No lambs born on this property in the last 12 months have been mulesed. No purchased sheep are mulesed.*

The number of bales with a Blank NWD increased by 2%. As a result, the volume of first hand offered wool with an NWD was up by 11% for the season. The volume of wool without an NWD fell by 9%. The share of wool with an NWD lifted to 65.9%, well ahead of the 61.2% with an NWD in 2016/17. The increase in the use of the NWD over recent years has been striking: in 2013/14 only 43.3% of all wool offered in Australia had an NWD. The share has increased by 20%+ in just four years. The second **Chart of the Week** provides details.



The latest data on **Australian wool exports** were released at the end of last week. The data, from the Australian Bureau of Statistics, is for May and for the 2017/18 season to May. The volume of exports lifted by 17% and the value of exports was 39% higher in May compared with May 2017. For the eleven months to May, wool exports were 4% higher in volume and 21% higher in value. The full season data will be available in early August. I will provide a full analysis of the data when the full season data is released.

The report on the **independent review of Australian Wool Innovation** was released on Monday this week. The review was conducted by EY and announced by the Australian Minister for Agriculture and Water Resources in February 2018. The report concludes that AWI does some things well, but “many opportunities exist for improved performance in future”. The Review made 82 recommendations, broken down into 12 themes. One theme focused on the need to better define AWI’s purpose and role in the industry. Specifically, it said that “AWI should ensure that it is making investments in areas where market failure has been demonstrated and will continue to occur in alignment with their role as a Research and Development Corporation.” This was a key issue that NCWSBA raised in its submission to the Review given the investment by AWI in the WoolQ platform, despite the Australian auction system providing an efficient wool selling system with robust competition.

There is a 7-page summary document which specifies the 12 themes of recommendations, as well as the full 509-page report which includes the details of the 82 recommendations. You can download these at <http://www.agriculture.gov.au/ag-farm-food/innovation/awi-performance-review>.

#### INDUSTRY EVENTS

The **NCWSBA AGM and Forum** will be held on Thursday, 23<sup>rd</sup> August 2018 in Melbourne as part of the **2018 AWIS Wool Week**.

The **Nanjing Wool Market Conference** will be held on 11<sup>th</sup> to 13<sup>th</sup> September 2018 in Nanjing.

The **IWTO 2019 Congress** will be held in Venice on 9<sup>th</sup> to 11<sup>th</sup> April 2019.

**THE AUSTRALIAN WOOL MARKET IS IN RECESSION. SALES RESUME IN THE WEEK BEGINNING 6<sup>TH</sup> AUGUST 2018.**

*Information in the Weekly Newsletter is intended to provide general information only and is not intended to constitute advice for a specific purpose.*