



2nd November 2018

2018/39

From the desk of Chris Wilcox, Executive Director

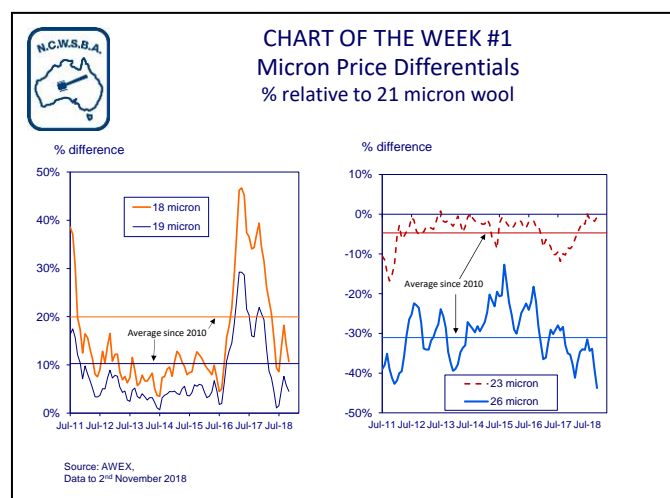
- Australian wool prices slide further
- Micron price premium for superfine wool falls back
- AWTA tests down again in October but at a slower pace
- NM and PR-declared wool volumes increase despite a fall in total offerings
- Seasonal conditions remain dry, outlook dry
- Upcoming industry events



Wool prices slid back again this week in the **Australian wool market**. The **Eastern Market Indicator (EMI)** fell by 20 cents to 1854c/kg for the week. The declines may have been larger but for a high pass-in rate of 16.7% across the three selling centres. This was below last week's high 23.6% pass-in rate. Prices for all Merino wools were down for the week, while Crossbreds were a bit mixed. The Merino Carding Indicator again saw the heaviest falls, falling by 69 cents (-6%). The Merino Carding Indicator is now at 1081 c/kg, the lowest in 2 years. The Western Market Indicator was down by 28 cents to 2005 c/kg, the Northern Market Indicator fell by 23 cents to 1891 c/kg and the Southern Market Indicator slid by 19 cents to 1830 c/kg. The A\$ was stronger against the three main client market currencies. Given this and the lower EMI in A\$, the EMI fell by 5 USc to 1322 USc/kg and by 3 €cents at 1165 €cents/kg. It was, however, flat against the Chinese Renminbi. One thing to note about the recent currency moves is that the Chinese Renminbi is now at the lowest level against the US\$ since May 2008 – more than a decade. This is no real surprise given that the Chinese economic growth rate has softened while the US economy is growing strongly.

Since the start of the 2018/19 season, the EMI has fallen by 164 cents. There have been falls across all microns with the exception of the 32 Micron Price Guide, which has lifted by 6% (from a very low base). The largest fall has been recorded for the Merino Carding Indicator, which is 410 cents or 27% lower. Of the main fleece types, the biggest falls have been for wool of 16.5 micron and finer, which is down by 415 cents (or 14%) since the start of the season. The broad Merino wools (22 micron and 23 micron) have fallen by a lower proportion, down by 6% to 7%.

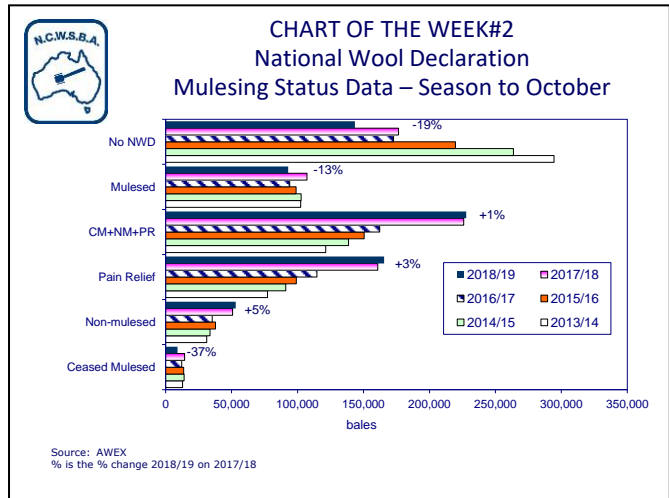
These larger relative falls for the superfine wools have meant that the **price differential** for fine and superfine wool relative to medium Merino wool (21 micron) has fallen sharply. As the first **Chart of the Week** shows, the price premium for 18 micron and 19 micron wool is now well below the recent peak of 12-18 months ago and also below the long-term average. In contrast, the price differential of 21 micron wool over 23 micron wool is now very low. The price discount for 26 micron wool is at a record level.



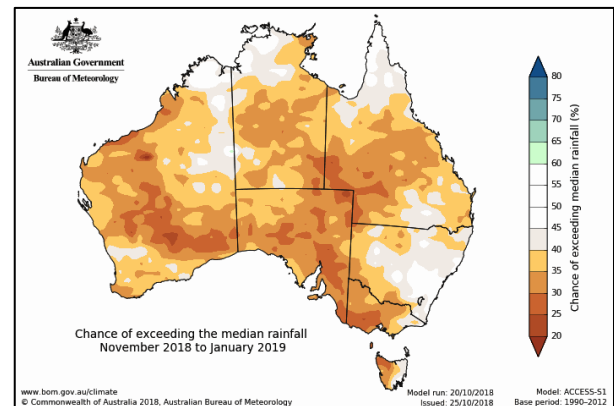
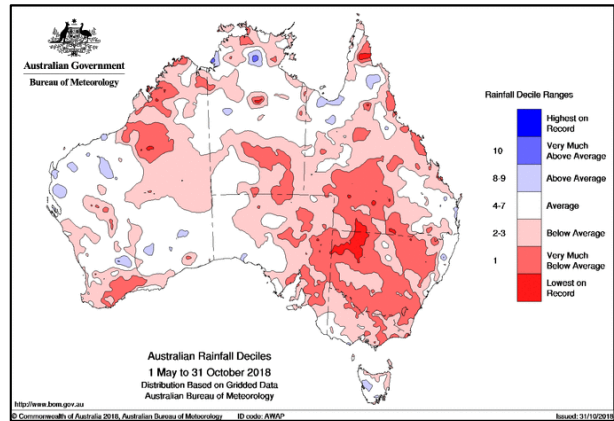
The **latest wool test statistics from AWTA** shows that the volume of wool tested in October fell by 6% year-on-year which is an improvement on the steep 19% decline recorded in September. Tasmania and South Australia both recorded increased wool tests, while Queensland was on par with October 2017. NSW saw a 13% drop in wool test volumes. WA and Victoria both recorded falls, down by 5% and 4%

respectively. For the season to date, the volume of wool tested in Australia was down by 10%. Notably, the volume tested of 16.5 micron and finer wool was up a massive 73%. This much higher supply will have contributed to the recent price decline for this wool.

The latest statistics on **mulesing status** from AWEX shows that the proportion of wool offered and declared as Non Mulesed (NM), Pain Relief (PR) or Ceased Mulesing (CM) is creeping closer to 50%. In the July to October period this wool accounted for 49.1% of all first-hand wool offered at auction. This compares with a share of 44.3% in the same period in 2017. This increased share comes as the total offerings of first hand offered wool has fallen by 9% in the first four months of the 2018/19 season. While total offerings are down, the offerings of NM, PR & CM wool is up by 1%. As the second **Chart of the Week** shows, the volume of NM-declared wool increased by 5% and the volume of PR-declared increased by 3%. The volume of CM-declared wool was down by 37%. The volume of wool without a National Wool Declaration fell by 19%. In total, wool offered at auction with a National Wool Declaration was 69.1% of the total.



In October, **rainfall** was better than in previous months in some parts of NSW and Queensland, the two major drought affected states, and above the long-term average. But it was below or well below average in many parts of South Australia, Victoria and Tasmania, as well as a few parts of NSW. The better rainfall in some areas has, however, only brought temporary relief. The first map shows the **rainfall deficit** across swathes of Australia in the past six months. The red shows below average rainfall – the deeper the colour the greater the rainfall deficit. There is little relief in sight. The Bureau of Meteorology predicts that November to January is likely to be **drier than average for large parts of Australia**. However, most of the northern tropics and eastern NSW have roughly equal chances of a wetter or drier three months. This is better news for these areas of NSW, but not very positive for other parts of the Australia. The second map shows the BoM’s latest outlook for the next three months. The brown shows where there is less than 50% chance of



INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on 14th November 2018.

The **IWTO 2018 Roundtable** will be held in Buenos Aires on 3rd to 4th December 2018.

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

WOOL SALES WEEK BEGINNING 5th NOV 2018 – week 19 (roster as at 1/11/2018)

<u>Sydney</u>	Wed, 7 th Nov, Thurs, 8 th Nov	8,942 bales
<u>Melbourne</u>	Wed, 7 th Nov, Thurs, 8 th Nov	19,686 bales
<u>Fremantle</u>	Wed, 7 th Nov, Thurs, 8 th Nov	7,068 bales

average rainfall – the deeper the colour, the lower the chance.

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