



14<sup>th</sup> December 2018

2018/45

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

- Merino wool prices up, Crossbred wool prices down
- First half of the 2018/19 season – prices, offerings and clearance
- Production of 21-24 micron wool slumps in Australia
- Australian wool export volumes fall sharply in October
- Upcoming industry events



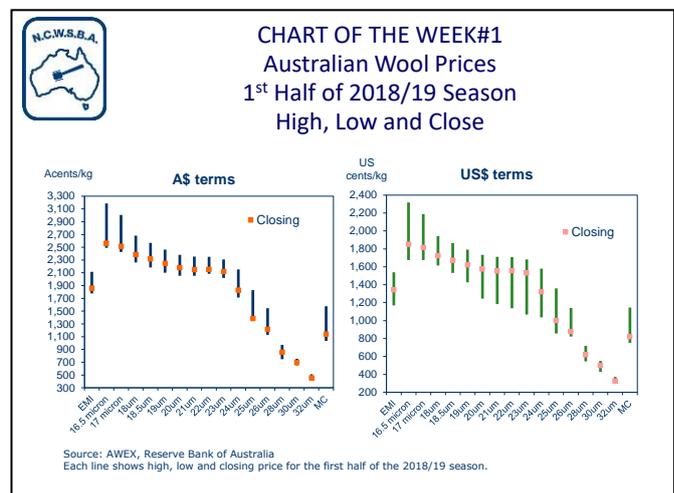
The **Australian wool market** finished the 2018 year on a strong note, with prices for Merino wool solidly higher. Prices for Crossbred wool were rather mixed. Merino wool prices were higher by 15 to 40 cents in Sydney and Melbourne, while prices were 40 to 55 cents higher in Fremantle. Prices for crossbred wool of 28 micron and broader lifted, but 26 micron prices fell. The **Eastern Market Indicator (EMI)** rose by 13 cents to 1862 c/kg. The Northern Market Indicator was 9 cents higher at 1906 c/kg, the Southern Market Indicator lifted by 16 cents to 1834 c/kg and the Western Market Indicator was 22 cents higher at 2031 c/kg. The A\$ was steady the US\$, the Euro and the Chinese Renminbi. The EMI was 9 USc higher at 1345 USc/kg, up by 7 €cents to 1183 €cents/kg, and 59 RMB higher at 9248 RMB/kg.

The **first half of the 2018/19 season** has come to an end and it has been fascinating, to say the least. Auction offerings fell sharply for the past six months, down by 21.6%, to 772,965 bales. The volume sold at auction dropped by 21.7% to 694,702 bales. The pass-in rate for the first six months of the season was 10.1%, compared with a pass-in rate of 5.6% in the first half of the 2017/18 season. The higher pass-in rate this season reflects a fall in prices from the peak in August, despite the average price levels for all wool, both Merino and Crossbred, being higher this season than for the same period last season.

As you all know, Merino wool prices have had a stellar run over the past 18 months and more. Prices continued to lift from the start of the season to a peak in August, but then fell back in September and October to stabilise in November. They finished the first half of the season by rising in December.

The EMI started the season at 2056 c/kg (the close on 29<sup>th</sup> June), peaking peaked at 2116 c/kg on 17<sup>th</sup> August. This is the highest ever week-ending level for the EMI (in nominal terms). The low point for the season to date was 1776 c/kg in early November - it can hardly be called a low point given that it is above the season average price for all seasons since the start of market reporting in the 1970s. The EMI averaged 1967 c/kg in the first half of this season. This is over 200 cents higher than the average for the full 2017/18 season, which was a record year.

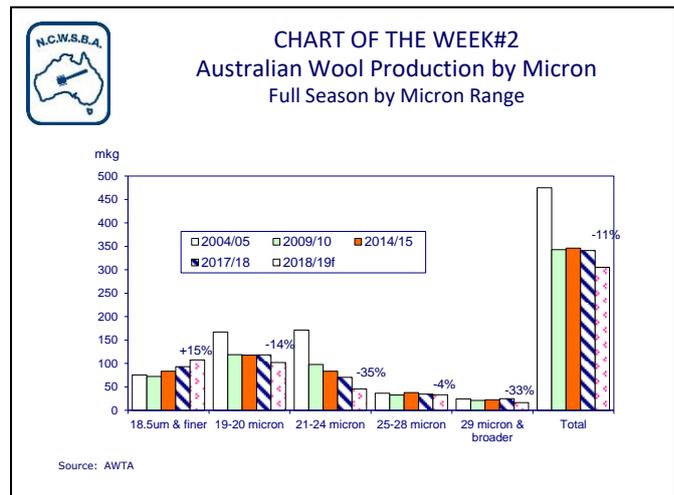
The first **Chart of the Week** shows the high, low, and closing price for the EMI and many of the micron price guides in both A\$ and US\$. As can



be seen, the price at the close before the Christmas recess this week is towards the lower end of the range for the 2018/19 season to date.

As I commented in last week's edition of the *Weekly Newsletter*, the weight of **wool tested in Australia** is down by 12.6% for the 2018/19 to November but the decline is not even across all micron categories. In particular, there has been an increase in the weight of wool tested for superfine wool (18.5 microns and finer). Extrapolating out these trends for the remainder of the season is fraught, but I have had a stab at estimating the volumes of wool production for the full season by micron category, using the AWTA data to date and making some adjustments based on the past. The second **Chart of the Week** shows wool production in Australia by the five different micron categories. It includes my forecasts for the current season based on the Australian Wool Production Forecasting Committee's latest forecast of shorn wool production at 305 mkg in 2018/19 and compared these to the actual production levels in 2017/18, 2014/15, 2009/10 and 2004/05.

As can be seen, production of superfine wool for the 2018/19 season is set to be the highest on record. While the other micron categories are expected to fall this season, to a greater or lesser extent, the collapse in the production of wool in the 21 to 24 micron category is extraordinary. At the current rate, production of this wool will be down by around 35% for the year and is around a quarter of what it was in 2004/05.



The ABS released the **Australian wool exports** for October at the start of the week. It shows that the volume of wool exports dropped quite sharply year-on-year, but there was a modest lift in the value of wool exports. The volume of exports fell by 23% in October compared with a year earlier. However, the value of the exports lifted slightly, by 1%. The volume of exports to China were down by 25%, exports to India were 13% lower and exports to the Czech Republic were down by 58%. Exports to Italy were up by 11% for the month.

For the first four months of the 2018/19 season, Australia's wool exports were 15% lower by volume but 15% higher by value. This continues the trends seen so far this season. By volume, exports to seven of the 10 major destinations were down: China (-18%), India (-12%), Italy (-1%), Czech Republic (-48%), Malaysia (-46%), Egypt (-18%), and Taiwan (-23%). Exports to Korea (+75%), Thailand (+253%) and Japan (+63%) were higher.

**THIS IS THE LAST NCWSBA WEEKLY NEWSLETTER FOR 2018. THE NEWSLETTER WILL RESUME ON FRIDAY, 11<sup>TH</sup> JANUARY 2019.**



*On behalf of the Board of the National Council of Wool Selling Brokers of Australia, I wish you all an enjoyable and restful Christmas and a successful and prosperous 2019.*



#### INDUSTRY EVENTS

The **IWTO 2019 Congress** will be held in Venice on 9<sup>th</sup> to 11<sup>th</sup> April 2019. For further details, [click here](#).

**THE AUSTRALIAN WOOL MARKET IS IN RECESS FOR THREE WEEKS OVER CHRISTMAS.**

**SALES RESUME IN THE WEEK BEGINNING 7<sup>TH</sup> JANUARY 2019.**



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