



18th January 2019

2019/02

From the desk of Chris Wilcox, Executive Director

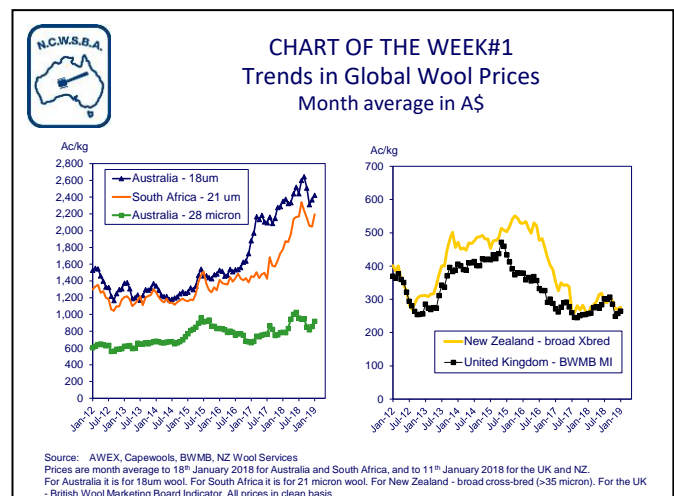
- Mixed results in the Australian wool market
- Update on wool prices in other countries
- Australian wool export volumes to China lowest since 2003/04
- Detailed data from the National Wool Declaration in the first half of 2018/19
- Upcoming industry events



The largest offering since April last year saw a mixed result in the **Australian wool market** this week. Despite high volumes on offer, Crossbred wools of 26 micron and broader lifted strongly. Price movements for Merino wool were patchy between selling centres. Overall, the **Eastern Market Indicator** rose by 13 cents to 1923 c/kg. It is slowly clawing back the losses seen in October and November. The Northern Market Indicator lifted 12 cents to 1960 c/kg, the Southern Market Indicator was up 12 cents to 1899 c/kg and the Western Market Indicator rose 22 cents to 2105 c/kg. The A\$ was weaker against the US\$ and Renminbi but a little stronger against the Euro. The EMI was higher against the US\$ and Euro, up 4 USc 1375 USc/kg and up by 21 €cents to 1208 €cents/kg, but was a touch lower in Renminbi terms (15 RMB) at 9306 RMB/kg.

There were 51,703 bales offered this week, which AWEX reports as being the highest weekly offering since April last year. It is not a particularly large offering volume for this time of the year. even for recent years, let alone a decade and more ago. For example, for the same sale week in January 2016 there were 59,775 bales offered, in January 2017 there were 56,077 bales offered and in January there were 54,350 bales offered. This decline reflects the impact the drought in Australia is having on wool production.

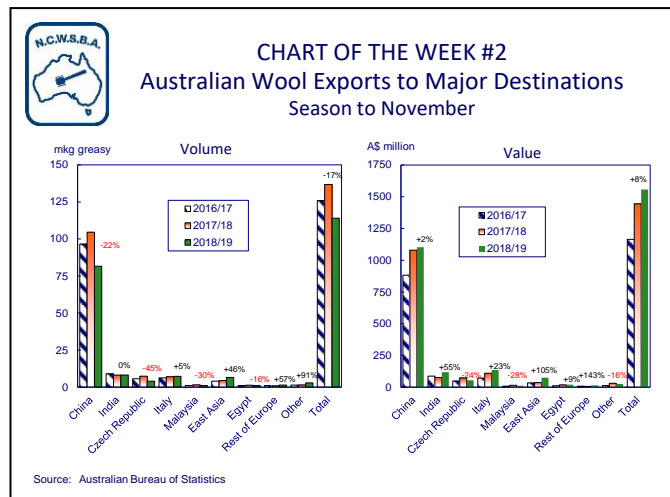
While Australian Merino wool prices pulled back in October and November, prices remain at historically high levels. It is interesting to update what has happened to **prices in other countries** over the past 12 months. The first **Chart of the Week** shows the trends in prices for selected wool types in Australia, South Africa, New Zealand and the United Kingdom since January 2012. The strong ramp up in Merino wool prices since mid-2016 as the Merino price Supercycle took hold can be seen for both Australia and South Africa for 18 micron and 21 micron wool. The movements in prices for 28 micron wool have been more muted, but there has been a rising trend since mid-2016. In contrast, as I have covered in previous editions of the *Weekly Newsletter*, prices for broad wool from NZ and the UK (32 micron and broader) fell sharply from a peak in 2015-2016. While there have been some smaller ups and downs since mid-2017, prices are still languishing and showing no signs of a sustained recovery.



I reported in last week's edition the results for **Australian wool exports** in November at a high level. This week I look at the data for the first five months of the season in more detail. The total export volume was down by 17% headed by a 22% drop in exports to China. The volume of Australia's exports to China this

season is just 81.6 mkg greasy, the lowest amount for the first five months of a season since the 2003/04 season. There was also a large 45% drop in the volume of exports to the Czech Republic and significant declines in exports to Malaysia and Egypt. In contrast, the volume of exports to Italy, East Asia and Bulgaria increased.

While volumes were down, the value of exports was 8% higher. Export values were higher to most countries, including to China (which was up 2%). A notable exception was exports to the Czech Republic. The second **Chart of the Week** provides details of the volume and value of exports by destination country over the past three seasons.



There have been some differences in the direction of the export volumes by **micron category**. Significant declines in the volumes exported have been recorded for the 20-23 micron (-31%) and 28 micron & broader (-35%) categories, while the 24-27 micron category was down by 11%. In contrast, the 19 micron & finer category was 35% higher in volume terms. By value, the 19 micron & finer category was 71% higher. There was a 31% increase in the value of 24-27 micron wool exported in the first five months of the season. The 28 micron & broader category was down 19%. The value of exports of 20-23 micron wool was down a slight 1%, with the sharp increase in prices for this wool almost offsetting the decline in volumes.

I report last week at a high-level on the statistics on **mulesing status** for the first six months of 2018/19. The table below provides further detail by the different categories of mulesing status. The severe impact of the drought can be seen clearly with declines in the volume of wool in all mulesing status categories. Despite the share of Non-Mulesed and Pain Relief wool increasing this season, the volume of this wool offered at auction presents a challenge for buyers and mills to respond to the rising demand for Non-Mulesed and Pain Relief wool.

Table: NWD Statistics – Season to end December (bales)#

	CM	NM	PR	CM+NM+PR	Mulesed	All NWDs	ND	Total
2017/18	22,724	85,054	250,894	358,672	161,032	519,704	276,597	796,301
2018/19	13,283	77,948	221,864	313,095	123,853	436,948	197,019	633,967
% change	-42%	-8%	-12%	-13%	-23%	-16%	-29%	-20%
2017/18 share (%)	2.9%	10.7%	31.5%	45.0%	20.2%	65.3%	34.7%	100%
2018/19 share (%)	2.1%	12.3%	35.0%	49.4%	19.5%	68.9%	31.1%	100%

First-hand offered, clip lots only. Excludes Rehandle, Interlots and Bulk Class.

While the total volume of Non-Mulesed wool fell by 8% in the first six months of the 2018/19 season, there was actually a 5% increase in the number of bales of 18.5 micron & finer wool offered as Non-Mulesed. There was also a 16% increase in the number of bales of 18.5 micron & finer wool offered as Pain Relief. By micron range, the big decline was in 18.6 to 24.5 micron, with a 16% drop in Non-Mulesed wool in this micron range and a 28% drop in Pain Relief wool in this micron range.

INDUSTRY EVENTS

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019. Accommodation at two the three suggested hotels is already full. Rooms remain available at the third option. Registration opens later this month. For further details, [click here](#).

WOOL SALES WEEK BEGINNING 21st JAN 2019 – week 30 (roster as at 17/1/2019)

<u>Sydney</u>	Wed, 23 rd Jan. Thurs 24 th Jan	9,787 bales
<u>Melbourne</u>	Wed, 23 rd Jan. Thurs 24 th Jan	22,502 bales
<u>Fremantle</u>	Wed, 23 rd Jan. Thurs 24 th Jan	9,214 bales

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