



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 surge higher
- China suspends imports of wool from South Africa due to an FMD outbreak
- FAWO's Emergency Animal Diseases strategy
- Exports from the five major wool exporting countries fall
- Imports by most of the major processing countries decline
- FAWO call for nominations for 2019 Australian Wool Industry Medal
- Upcoming industry events



The **Australian wool market** saw a very strong surge in demand and prices this week, which softened a little on Thursday for superfine wool. The strength of the market was no doubt helped by the announcement that the scheduled wool auction in South Africa for this week was cancelled because China has suspended imports of South African wool as a result of an outbreak of Foot and Mouth Disease (FMD) in a far northern province. The **Eastern Market Indicator (EMI)** jumped by 59 cents to 2027 c/kg, the highest since September last year. While South African production is almost entirely restricted to 22 micron and finer wool, prices for all microns lifted sharply in Australian auctions this week. The largest gains were seen for 19 micron to 21 micron wool, but even Crossbred wool prices rose sharply. The 28 micron price guide hit a new record level as a result. The A\$ was stronger against the US\$, weaker against the Renminbi and steady against the Euro. As a result, the EMI increased by 50 UScents to 1451 USc/kg, by 37 €cents to 1279 €cents/kg and by 245 RMB to 9720 RMB/kg.

As noted above, the South African wool industry decided to postpone this week's auction because China's Customs and the China Inspection and Quarantine Bureau have suspended all greasy wool imports from South Africa. This action came as a result of an **outbreak of FMD in South Africa** earlier in the year. I understand that the FMD outbreak occurred in a remote northern province where cattle, not sheep, are kept. The region has been placed under quarantine and other measures have been implemented. The South African wool industry is waiting on further details from China's Inspection and Quarantine Bureau about its position on imports of greasy wool from South Africa. My sources in South Africa say that the wool auction scheduled for next week is expected to go ahead and that the industry is very hopeful of a resumption in trade with China very soon. Nevertheless, the trade problems have come at a time when the supply of wool around the world, particularly of Merino wool, is very restricted given the drought and supply situation in Australia. South Africa produces around 42 mkg greasy of shorn wool (about 235,000 bales) compared with Australia's forecast production of 305 mkg greasy (1.72 million bales) in 2018/19. South Africa accounts for just 2% of world wool production and about 6% of world production of Merino wool. In 2018, 68% of South Africa's wool exports went to China.

The outbreak of FMD in South Africa and the resultant suspension of imports from South Africa by China reinforces the importance of the Australian wool industry having a **robust strategy and plan in place in the event that FMD** (or any other emergency animal disease) is found in Australia. Australia has not had an outbreak of FMD and is valued as a disease-free source of meat and wool. WoolProducers Australia is the Government-recognised organisation responsible for the wool industry's response to an outbreak of an emergency animal disease such as FMD to the farmgate. The Federation of Australian Wool Organisations has been working for the past six years or more on preparing the industry beyond the farmgate (i.e. brokers, private treaty merchants, wool handlers, buyers, exporters, dumps and so on) in the event of an

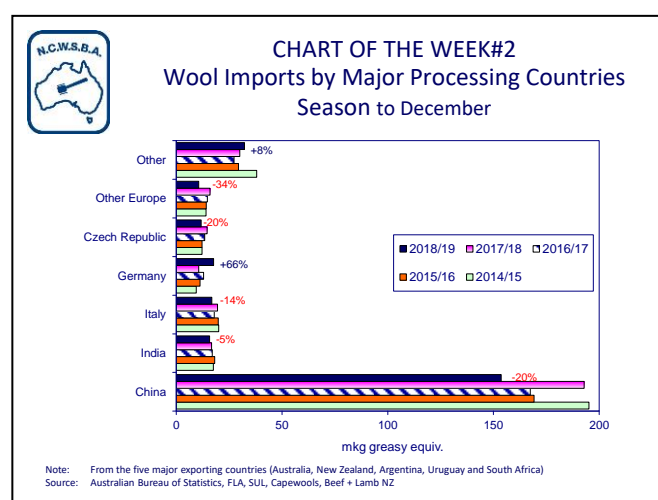
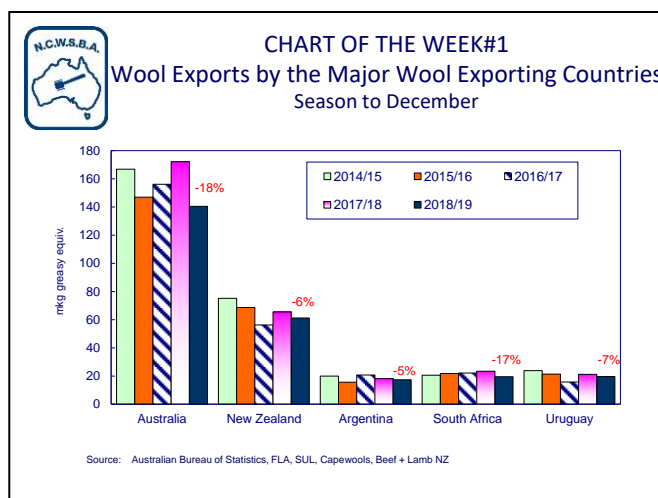
outbreak of emergency animal diseases. This strategy has a number of elements, including the preparation of the AUSVETPLAN for wool enterprises under the auspices of Animal Health Australia, training programs for wool broking and handling staff, development of a bale sprayer to kill the FMD virus on the outside of the wool bales, traceability measures and so on.

I reported in the *Weekly Newsletter* of 8th February that Australia's wool exports for the first six months of the 2018/19 was 18% below the same period in 2017/18. It is not only Australia's exports have dropped this season so far. All of the other **four major wool producing and exporting countries** have also seen a decline in their exports in the 2018/19 season to date (see the first **Chart of the Week**). In total, exports from the five major wool producing and exporting countries have fallen by 14% in the July to December 2018 period. South Africa has seen a similar % decline to that for Australia, while exports from the other three countries have fallen by 5% to 7%. Unlike Australia, some of these other countries (such as New Zealand), are not supply constrained.

Many of the **major wool processing countries** have recorded falls in the volume of wool imported from the major exporting countries. Notably, China's imports have fallen by 20% to the lowest level in over a decade. Exports to Italy and the Czech Republic have also fallen sharply, as have exports to other European destinations (notably the UK and Bulgaria). The second **Chart of the Week** provides details.

The Federation of Australian Wool Organisations (FAWO) has called for nominations for the **2019 Australian Wool Industry Medal**. The Medal recognises men and woman who have made an exceptional and sustained contribution to the Australian wool industry above and beyond what is expected in their normal paid employment. It is open to people from all sectors of the Australian wool industry supply chain and service organisations. It is the third year that the Wool Industry Medal will be awarded and it has been a great success since the inaugural awards in 2017. The wool broking industry has been well represented - last year Stephanie Brooker-Jones and Trevor James were awarded the Medal. The nomination form and further information can be found at www.fawo.org.au.

Registrations for the International Wool Textile Organisation's 2018 Congress in Venice are open. [Click here](#) to register. The Early Bird fee for IWTO Members is €1300 (valid until 6th March). Note, there is an additional 22% Italian VAT.



INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on Monday, 1st April 2019 at AWTA in Melbourne.

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

WOOL SALES WEEK BEGINNING 25th FEB 2019 – week 35 (roster as at 21/2/2019)

<u>Sydney</u>	
Wed, 27 th Feb, Thurs 28 th Feb	12,473 bales
<u>Melbourne</u>	
Wed, 27 th Feb, Thurs 28 th Feb	25,546 bales
<u>Fremantle</u>	
Wed, 27 th Feb, Thurs 28 th Feb	11,719 bales

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