The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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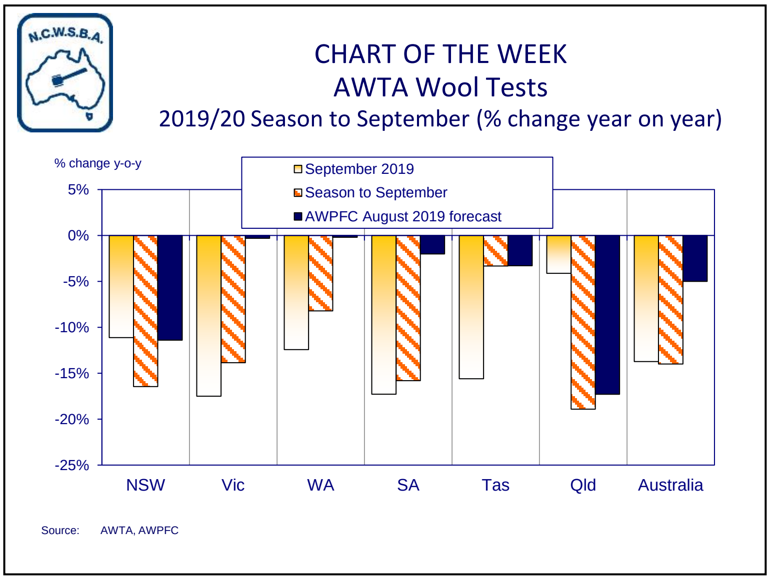
From the desk of Chris Wilcox, Executive Director

- Roller-coaster ride continues for Australian wool prices
- AWTA wool test volumes slump in September
- Volumes of non-mulesed wool down but share rises again
- Upcoming industry events

The recent recovery in wool prices in the **Australian wool market** came to a crunching halt this week, with prices falling sharply as offering volumes lifted and demand dried up. Prices for all microns fell, with the largest falls seen for Merino wool of 21 micron and finer. Crossbred wool prices were down, but by less. Merino cardings did better. With prices slumping, the pass-in rate soared with 33.4% of the offering passed in for the week. The **Eastern Market Indicator (EMI)** fell by 98 cents to 1511 c/kg, giving up a significant portion of the gains seen in September. The Southern Market Indicator fell the most, by 100 cents to 1493 c/kg. The Northern Market Indicator dropped by 97 cents to 1538 c/kg and the Western Market Indicator was down by 92 cents at 1610 c/kg. The A$ was a weaker against the major user currencies. The EMI fell by 72 UScents to 1015 USc/kg, by 65 €cents to 926 €cents/kg and by 487 RMB to 7,255 RMB/kg. I think that the volatility we have seen in the past 2 months will continue for the rest of the year, with prices rising and falling, partly in response to changes in the offering volumes and partly in response to short-term variation in raw wool demand.

Earlier this week AWTA released **data on wool tests** for September. The weight of wool tested across Australia fell sharply compared with September 2018, continuing the trend seen so far this season. Across Australia, there was a 13.7% drop in the weight of wool tested for the month. At just 24.28 mkg it is the lowest total for September in many, many years. As a result, there was a 14% drop in the weight of wool tested in the first quarter of the 2019/20 season. This is a larger decline than the current forecast from the Australian Wool Production Forecasting Committee (AWPFC) which is for a 5% decline for the full 2019/20 season.

The **Chart of the Week** shows the year-on-year % change for September and for the first three months of the 2019/20 season for each state and for Australia compared with the AWPFC's forecast made in August. The data presented is on a Wool Statistical Area basis, so gives the best indication of the state of production origin. As can be seen, the % decline in wool tests for the first quarter is greater than the AWPFC's forecast of production for each of the four largest wool producing states.



The most surprising result for me is the large decline in wool tested for Victoria for the season to date. The AWTA tests show that the weight of wool tested originating from Victoria was down by almost 14% for the first three months compared with the same period in 2018/19. This is surprising given that seasonal conditions in Victoria are generally better than most other states and better than last year, with significant parts of the state (includes the large wool producing regions in the Western District) seeing average or above average rainfall in the past six months. The decline could be a combination of a fall from the higher than usual wool test volumes for Victoria in the first quarter of 2018/19 and producers holding wool back on-farm following the big drop in wool prices in August.

The decline in wool tests for South Australia is also a bit surprising, although it could be that this reflects the intense drought conditions in the northern pastoral regions of that state, with shearing only starting in the damper south-east of the state. The higher than expected decline for Western Australia could be in part due to wool being held on farm in response to the large drop in wool prices in August. Other states are reporting lower production levels in line with the AWPFC's forecast.

The results for wool tests by **micron category** are also interesting. Wool test volumes have declined in all micron categories, even for the 18.5 micron & finer range (which increased sharply in 2018/19) which was down by 9%. But the largest decline has again been in the 21-24 micron range, with volumes tested down by 25% in the first quarter. It has been a dramatic and unprecedented decline in production of this wool in the past two seasons.

The AWPFC is currently scheduled to meet on 11th December 2019 to review its forecast for 2019/20. The next two months will be critical in determining what the Committee does in reviewing its forecast.

The decline in wool test volumes is reflected in the 19.6% decline in the volume of wool offered at auction for the season to this week. The decline has been even greater for first-hand farm lots offered at auction. According to data from AWEX, there has been a drop of 30% in the number of bales of this first-hand farm lots. This has of course resulted in a lower **number of bales with a National Wool Declaration (NWD)** and fewer bales declared as Non-Mulesed (NM) and Pain Relief (PR). The table below shows the number of bales offered with each mulesing status. As can be seen, the number of bales declared as NM or PR fell by less than for the aggregate and for wool without an NWD. As a result, the proportion of wool offered at auction declared as NM was 13.6% and the proportion of wool declared as PR reached 39.2%. In total, the amount of wool declared as NM, PR or Ceased Mulesed (CM) was over 55% of the total volume of first-hand wool offered in the first three months of 2019/20.

Table: NWD Statistics – July-September (bales)#

	CM	NM	PR	CM+NM+PR	Mulesed	All NWDs	ND	Total
2018/19	5,599	36,564	113,215	155,378	65,774	221,152	98,598	319,750
2019/20	5,145	30,448	87,539	123,132	39,112	162,244	60,965	223,209
% change	*-8%*	*-17%*	*-23%*	*-21%*	*-41%*	*-27%*	*-38%*	*-30%*
2018/19 share (%)	1.8%	11.4%	35.4%	48.6%	20.6%	69.2%	30.8%	100%
2019/20 share (%)	2.3%	13.6%	39.2%	55.2%	17.5%	72.7%	27.3%	100%

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

INDUSTRY EVENTS

The **2019 AWTA Annual General Meeting** will be held in Melbourne on Friday, 18th October 2019.

The **2019 IWTO Round Table** will be in held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **NCWBA Centenary Auction and Cocktail Reception** will be held in Melbourne on Thursday, 20th February 2020.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

WOOL SALES WEEK BEGINNING 7th OCT 2019 – week 15 (roster as at 3/10/2019)

Sydney
Wed, 9th Oct; Thurs, 10th Oct 8,341 bales

Melbourne
Wed, 9th Oct; Thurs, 10th Oct 18,085 bales

Fremantle
Wed, 9th Oct; Thurs, 10th Oct 7,748 bales