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NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

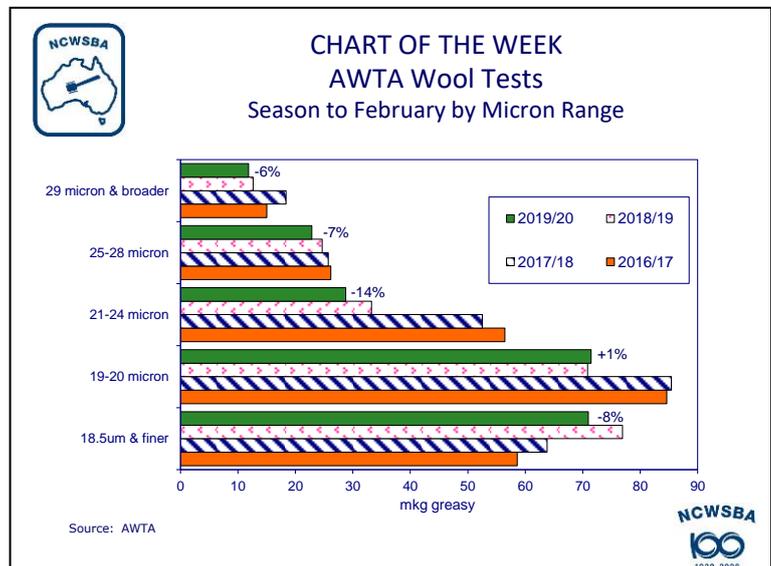
- Australian wool auctions resume after cyber-attack, prices ease
- Superfine wool tested weights fall 8%
- Increase in bales declared as Ceased Mulesed
- Australian wool export slide in January
- Wetter outlook for Autumn
- Upcoming industry events



To everybody's great relief, **Australian wool auctions** were back up and running this week following last week's halt due to a cyber-attack. After intensive work by IT staff at Talman, AWTA, AWH and AWEX, among others, auctions resumed on Wednesday after the Tuesday auction in Melbourne was re-scheduled. Talman worked to get the Application Service Provider (ASP) hosting service (used by most buyers and some brokers) back on-line, while AWTA worked with AWH to bring the AWTM Electronic Data Interchange (EDI) on-line to replace the Talman-operated OZDE EDI network which was still inaccessible. AWEX staff provided essential input, work and support. I am very glad that the AWTM EDI network was available to ensure the interchange of auction catalogues, wool delivery orders, invoices and other documents between brokers, buyers, transport companies and dumps. There has been a lot of work behind the scenes in difficult circumstances from key IT people at AWTA, AWH, AWEX, Talman and software providers, not to mention broker and buyer staff, for which they should be acknowledged and thanked.

The **Australian wool market** opened amid uncertainty and trepidation after the week's unplanned recess and concern about the continued spread of Covid-19 across the world, notably in northern Italy. As well, a carry-over of some wool from last week meant that 62,217 bales were on offer this week. AWEX reports that it was the largest weekly offering since 2008. The market proved to be remarkably resilient on Wednesday, with wool prices generally firm in the eastern selling centres, although prices were softer in Fremantle. Prices fell back on Thursday due to the combination of the added supply and less certain demand. Over the week, the **Eastern Market Indicator** fell by 19 cents to 1562 Ac/kg. The A\$ was lower against all the major currencies over the past fortnight. As a result, the EMI was down by 17 USc to 1034 USc/kg, by 45€c to 928€c/kg and by 207 RMB to 7175 RMB/kg.

The latest data from AWTA shows a sharp fall in the **volume of wool tested** in February compared with February 2019, for Australia and for each state. Overall, the weight of wool tested in Australia fell by 10.3% in February. For the 8 months of this season to February, the weight of wool tested was 5.7% lower than for the same period in 2018/19. There were some very large declines by state in February based on Wool Statistical Area data, led by a 32% drop in wool tested in Tasmania (albeit one of the smaller wool producing states). New South Wales (the largest producing state) recorded a 12% decline in February, as did



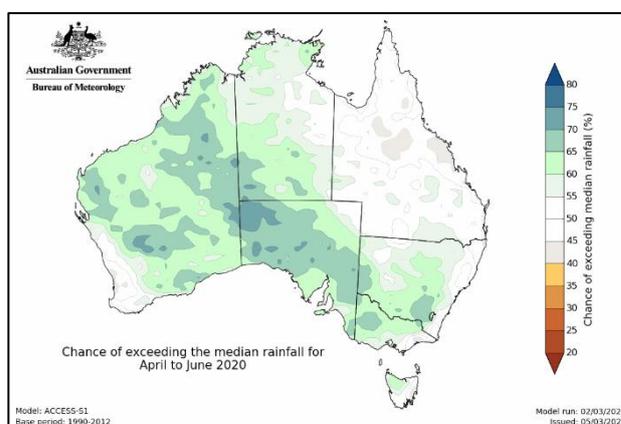
Queensland. There was a 14% drop in South Australia, while Victoria (the second largest state) recorded an 8% drop in the weight of wool tested. Western Australia (the third largest state) recorded a 6% decline.

While there has been a 5.7% drop in the weight of wool tested so far in 2019/20, there are some significant differences between micron ranges. As the **Chart of the Week** shows, after the increase in 2017/18 and 2018/19, the weight of superfine wool (18.5 micron & finer) fell by 8% this season to date. The largest decline has been for medium and broad Merino wool (21-24 micron), fell by 14%. This follows the large decline last season. In contrast, the weight of fine Merino wool (19-20 micron) has increased a little. As can be seen, the weight of Crossbred wool tested has fallen. Overall, the mean fibre diameter has remained steady at 20.6 micron.

Earlier this week AWEX released the latest statistics on **mulesing status**. The data shows that for the 8 months of the season to date, the number of bales declared as Non Mulesed (NM) and Pain Relief (PR) has fallen by 9% and 13% respectively, but these are smaller declines than the fall in the total number of first hand bales offered at auction, which was down by 19%. As a result, the proportion of wool declared as NM remained at 14.5% while the proportion of wool declared as PR was at 37%. There is one piece of data that is surprising and a little odd. The number of bales declared as Ceased Mulesed (CM) increased by 17% for the season to date. Despite this significant increase, the proportion of wool declared as CM stood at 3.3% for the July 2019 to February 2020 period of this season.

The **Australian wool exports** data from the Australian Bureau of Statistics were released yesterday. It shows that the volume of wool exports declined by 2% in January 2020 compared with a year earlier, while the value of exports was down by 18%. Export volumes to China were slightly higher than in January 2019, while exports to India lifted by 35%. Exports to Germany and Bulgaria were also higher. This was more than offset by declines in exports to other destinations, including a 29% fall in exports to the Czech Republic and a 45% drop in exports to Italy. For the seven months to January, wool export volumes were 14% lower and the value of exports were down by 33%.

There has been **widespread rainfall** across eastern Australia in the past few days as ex-cyclone Esther breaks down. This reportedly included western New South Wales, which has remained very dry over the past three months. Looking forward to the three months April-June, the Bureau of Meteorology says that it expects western and southern Australia to be wetter than average. As can be seen on the map (the green shading), this includes Western Australia, South Australia, Victoria and significant parts of both New South Wales and Tasmania.



The state and national committees of the Australian Wool Production Forecasting Committee met over the past week in response to concern around the world about the **impact of the devastating bushfires** across Australia on Australian wool production. The Committee released a statement this morning about the impact, which I have attached to the email with this week's *Newsletter*.

INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on 29th April 2020 in Melbourne.

The **Italian Wool Trade Association** will hold its Centenary celebrations in Biella on 16th April.

The **International Wool Textile Organisation's 2020 Congress** will be held in Brussels on 21st to 23rd April.

WOOL SALES WEEK BEGINNING 9th MAR 2020 – week 37 (roster as at 5/3/2020)

<u>Sydney</u>	Wed, 11 th Mar; Thurs 12 th Mar	8,870 bales
<u>Melbourne</u>	Wed, 11 th Mar; Thurs 12 th Mar	25,312 bales
<u>Fremantle</u>	Wed, 11 th Mar; Thurs 12 th Mar	12,498 bales

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