



# The National Council of Wool Selling Brokers of Australia Inc

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## NEWSLETTER



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

- Australian wool prices fall but outperform equity markets
- Trends in commodity and competing fibre prices
- ABARES' positive five-year forecasts for wool and sheep
- AWEX shifts auction sale S41 from Sydney Royal Easter Show
- NCWSBA Centenary – Photos now on the NCWSBA website
- Industry events

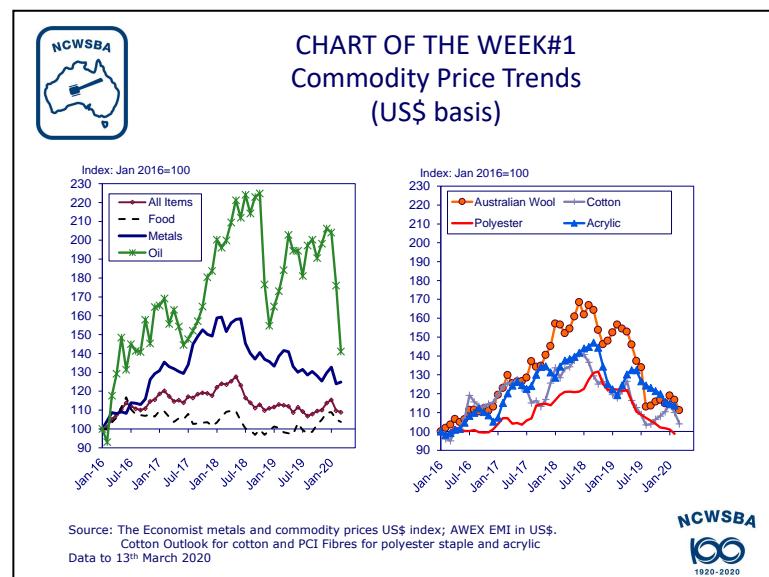


After falling sharply when Australian wool auctions opened on Wednesday, prices in the **Australian wool market** steadied late on Wednesday and on Thursday on the back of a high pass-in and withdrawal rate, a falling A\$ and good demand for better style wools. The Eastern Market Indicator fell by 41 Acents for the week to 1521 Ac/kg, a decline of 2.6%. This is a pretty amazing result considering the pounding global equity markets have taken this week as a result of the uncertainty and concerns about the spread of Covid-19. The US Dow Jones dropped 10% on Thursday, bringing the total losses for the week to date to 22%. The fall was precipitated by the declaration from the World Health Organisation that Covid-19 is now a pandemic, and not helped by President Trump's announcement of a ban on travel by non-US citizens from Europe to the US. In Australia, the ASX 200 fell by 15% by the close on Thursday evening, with a further 7% fall in early trade today (Friday). Remarkably, the EMI has only fallen back to levels seen just before Christmas.

Prices in A\$ terms have been sustained by a 25.5% pass-in rate for the week and a 6.2% withdrawal rate. As well, the A\$ fell sharply against the US\$ and the Euro (by 1.6 UScents and 2.3€cents) to the lowest level since the first half of 2009. It also declined against the Renminbi. As a result, the EMI was down over the week by 52 USc to 982 USc/kg, by 59€c to 869€c/kg and by 327 RMB to 6848 RMB/kg.

While wool prices have pulled back in the past few weeks, this is nothing on the decline in oil prices which dropped by 30% this week alone, driven lower both by the Covid-19 pandemic and a refusal by Russia to limit supplies. The first **Chart of the Week** shows the trends in prices for various commodities and textile fibres since January 2016 (as an index). The plunge in oil prices stands out as prices have fallen below the low of January 2019, although prices remain well above the levels at the start of 2016. So far, prices for **other commodities** such as metals and food have not fallen much, although they have eased back as the chart shows. That may well change in coming weeks as the impact of the Covid-19 pandemic hits sales, production and supply chains.

The chart also shows the trends in **textile fibre prices**. The price series for polyester and acrylic is only to end February, so it doesn't capture any change this month. You would expect, however, that the plunge in oil prices will be reflected in prices for both fibres in the next month or so. Cotton prices have declined in the past month or so.



ABARES, the Australian Government's agricultural commodity forecaster, held its annual Outlook Conference in Canberra on 3<sup>rd</sup> March. As usual, ABARES released **their new five-year forecasts for Australia's agricultural industries**, including for the wool and sheep industries. It was unfortunate for ABARES that the usual timing of the Conference came at an unusually uncertain time for the global economy as the Covid-19 epidemic was starting to take hold in Italy. More to the point, when the ABARES forecasters wrote their forecasts a month earlier the epidemic was mostly confined to China. We are now very much in unchartered territory.

With these caveats, ABARES has remained bullish about **wool prices**, although they have wound them back somewhat from their optimistic forecasts that they made in March 2019. ABARES now predicts that, after a decline in the average annual EMI this season from the heights of last season, wool prices will rise steadily over the next five years. ABARES predicts that the EMI will increase from a season average of 1,580 c/kg this season to an average of 1,627 c/kg in 2020/21 and continue to rise to 1,762 c/kg by 2024/25.

Despite the continued rise in wool prices, ABARES forecasts that **shorn wool production** will only increase slowly, from 272 mkg in 2019/20 (the current forecast from the Australian Wool Production Forecasting Committee) to 326 mkg in 2024/25. If correct, this will mean that production over the next five years will remain below the static production level or around 340 mkg seen for a decade between 2008/09 and 2017/18. ABARES expects that initially production will increase due to higher fleece weights as the industry recovers from the long-running drought, but then be due to a very slow recovery in sheep numbers in Australia. ABARES predicts that the value of Australian wool exports will recover to \$4.0 billion by 2024/25.

For **other broadacre livestock industries**, ABARES predicts that lamb prices will ease a little in 2020/21 but remain historically high at a seasonal average of 774 c/kg and then ease back further over the forecast period. Sheep prices are also expected to remain high. ABARES forecasts that beef prices will average 538 c/kg in 2020/21, an increase on the average this season and well above the average in 2018/19. It expects prices to then fall back over the remaining four years of the forecast period. A summary of the key forecasts is provided in the second **Chart of the Week** on page 3. You can download the full report from [here](#).

The fall-out from the spread of Covid-19 is gathering pace. AWEX today announced that the AWEX Board has **withdrawn Sale S41 from being held at the Sydney Royal Easter Show** (scheduled for 7<sup>th</sup> and 8<sup>th</sup> April) and instructed NASC to reschedule S41 back to Yennora. AWEX has done this to ensure the safety and welfare of AWEX staff, as well as for the safety of broker and buyer staff and others who operate at the auction.

No doubt there will be other wool industry events that will be cancelled or relocated as a result of the Covid-19 pandemic. The Australian industry will also need to consider scenarios, plans and options for the wool auctions. Longer term, it is too early to know the impact of the pandemic on retail sales and economic activity. Interestingly, friends and colleagues of mine in China told me last night that the situation there is calm and life is returning to normal, albeit with a requirement to wear masks in public and in offices, as well as other protective measures, including temperature checks as they enter buildings.

On a brighter note, the **photos from the very successful NCWSBA Centenary auction and reception** on 20<sup>th</sup> February are now available on the NCWSBA website. There are some excellent photos of the events, including photos of all the guests who attended the Centenary reception. Click [here](#) to see the photos.

#### INDUSTRY EVENTS

**The Australian Wool Production Forecasting Committee** meets on 29<sup>th</sup> April 2020 in Melbourne.  
**The Italian Wool Trade Association** plans to hold its Centenary celebrations in Biella on 16<sup>th</sup> April.  
**The International Wool Textile Organisation's 2020 Congress** planned for Brussels on 21<sup>st</sup> to 23<sup>rd</sup> May.

#### WOOL SALES WEEK BEGINNING 16<sup>th</sup> MAR 2020 – week 38 (roster as at 5/3/2020)

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



# CHART OF THE WEEK#2

## ABARES Forecasts for wool, sheep, cotton, beef & wheat

### March 2020

	17/18	18/19	19/20e	20/21f	21/22f	22/23f	23/24f	24/25f
EMI (Ac/kg)	1,732	1,939	1,580	1,627	1,660	1,693	1,727	1,762
Shorn wool prod (mkg)	341	300	272	282	301	315	325	326
Sheep shorn (mill)	76.8	72.5	67.1	66.8	68.4	70.8	73.0	73.3
Total wool exports (\$mill)	4,380	4,152	2,967	3,168	3,492	3,730	3,903	4,008
Total wool exports (mkg)	452	393	345	358	386	405	415	418
Lamb price (Ac/kg)	614	723	790	774	759	744	729	714
Sheep price (Ac/kg)	419	452	570	559	547	536	526	515
Beef price (Ac/kg)	452	446	505	538	449	485	418	399
CotLook A index (USc/lb)	88.0	84.4	76.5	74.0	75.0	77.0	79.0	81.5
Wheat price (A\$/tonne)	297	395	355	319	313	297	317	318

Source: ABARES

Note: Prices are annual averages and saleyard price. Production is annual total. Sheep numbers is at 30<sup>th</sup> June unadjusted for the new EVAO cut-off used by the ABS. Wool exports and production is shorn wool, wool on sheepskins, fellmongered and slipe wool.

