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NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Large drop in prices as Australian wool auctions resume
- Australian wool exports up in June, but long-term low in 2019/20
- AWTA wool tests down in July
- NCWSBA Wall Chart available from 21st August
- Upcoming industry events

It was a very tough week as auctions resumed in the **Australian wool market** after the 3-week recess, not helped by a much weaker US$. Wool prices saw significant declines for all microns and wool types, with prices for Merino wool falling by as much as 210 cents (for 17.5 micron wool in Melbourne) over the week, while Crossbred wool prices were down by up to 82 cents. The Eastern Market Indicator (EMI) dropped by 128 Acents over the week, which is the largest weekly decline in absolute terms since the first week of April this year (when the EMI fell by 155 cents). AWEX reports that the 101 cent or 8.9% fall on Tuesday was the largest % daily decline since 2003. At 1006 c/kg, the EMI is at the lowest level since April 2004. The Southern Market Indicator fell by 127 cents to 981 c/kg, the Northern Market Indicator fell by 131 cents to 1044 c/kg and the Western Market Indicator fell by 147 cents to 1055 c/kg. Compared with the close before the recess, the A$ was more than 2½ UScents higher and much stronger against the Renminbi, but a little weaker against the Euro. As a result of the stronger A$, the EMI in US$ and Renminbi fell proportionately less than in A$. It was down by 63 UScents to 723 USc/kg and by 497 RMB to 5027 RMB/kg. The EMI fell by 86 €cents to 612 €cents/kg. Sadly, the EMI in these currencies are all at decade lows, reflecting the massive impact of COVID-19.

The latest data on **Australian wool exports** from the Australian Bureau of Statistics were a bit of a pleasant surprise. It shows that the volume of wool exported from Australia in June actually increased in June compared with June 2019. The increase was only small (+3%) and the export volume in June 2019 was the lowest June monthly total for many years, but, still, any increase in the current environment is very welcome. The reason that the volume of wool exports increased in June was due entirely to a 19% increase in exports to China. As a result, China accounted for 91% of Australia's exports by volume in June. Exports to all of the other major destinations recorded significant declines for the month. There were some interesting exceptions to this general decline among the smaller destinations. For example, the volume of exports to Uruguay were 45% higher than in June 2019, while exports to New Zealand were 292% higher. Both were only small volumes, however. While the total volume of wool exports lifted marginally in June, the value of wool exports fell by 34%.

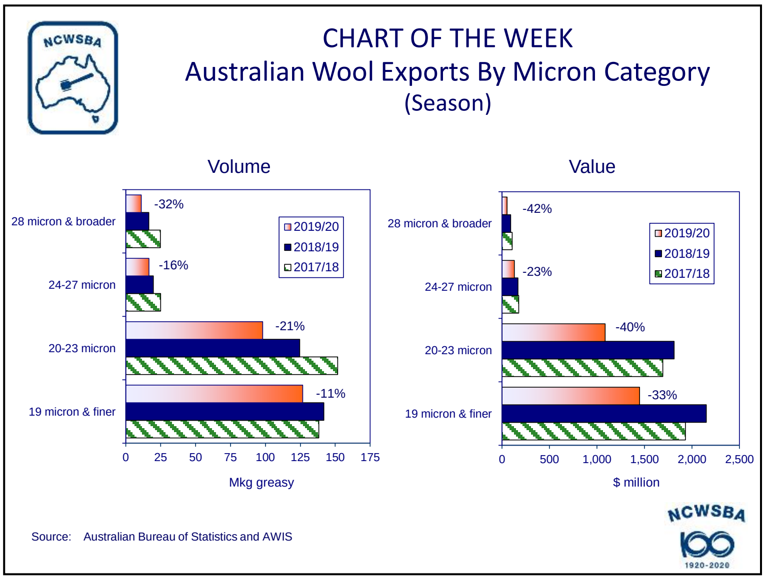
For the full 2019/20 season, export volumes were down by 20%, to 252.5 mkg, the lowest total for a season in my database (which goes back to the start of the 1980s). The value of exports was down by more than a third compared with 2018/19 at $2.525 billion. This is no surprise given the drop in volumes and the 35% drop in wool prices at auction.

The table below shows the changes in the value and volume of wool exports in total and by major destination for June and for the full season. As can be seen, there were significant drops in exports to almost all destinations for the season to date. There was one bright spot, with increased exports to Bulgaria in both volume and value. For the full season, China accounted for 79% of Australia's wool exports by volume and 77% by value.

Table: Australian wool exports by major destination country

% change on year earlier	June 2020		Season to June 2020		Total for season to June 2020	
	Volume	Value	Volume	Value	mkg greasy	$million
Total	**+3%**	**-34%**	**-15%**	**-34%**	**252.5**	**2,525.0**
China	+19%	-23%	-12%	-32%	199.0	1,946.9
India	-59%	-40%	-59%	-40%	12.9	140.9
Italy	-21%	-58%	-26%	-41%	10.5	146.9
Czech Republic	-86%	-94%	-26%	-38%	7.8	73.7
South Korea	-40%	-63%	-34%	-45%	7.1	61.1
Egypt	-70%	-82%	-6%	-26%	2.5	32.9
Thailand	-56%	-70%	-36%	-47%	2.4	26.1
Taiwan	-72%	-83%	-33%	-55%	1.3	12.0
Bulgaria	-100%	-100%	+21%	+18%	1.2	11.8
Others	-36%	-56%	-20%	-35%	7.9	72.6

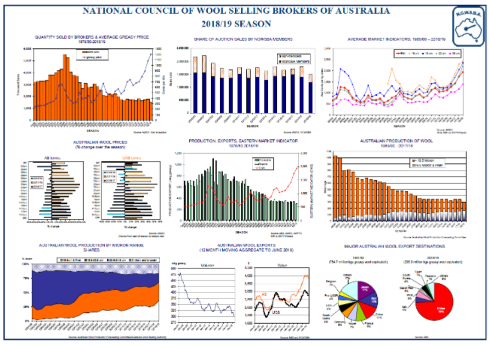
All of the micron categories reported by ABS recorded significant declines in 2019/20 both by value and volume, as shown in the **Chart of the Week**. The declines were largest in value terms, as would be expected. The 19 micro & finer category was the largest of the four categories in both volume and value, even with the substantial declines recorded for the season.



Earlier this week, AWTA released the data on **wool tested** in July. AWTA reported that the weight of wool tested in July was down 14.4% by weight and by 15.1% in bales, compared with July 2019.

July is always a small and highly variable month, so the results from this month need to be treated with caution, even more so given the impact of COVID-19. While brokers, private treaty merchants and wool handlers in general continued to operate, as did AWTA, the current situation would have slowed deliveries into store.

The 2020 Wall Chart from the National Council of Wool Selling Brokers will be available from 21st August. Free to NCWSBA members, it is an A2 printed Wall Chart with graphs showing auction volumes and prices, market indicators, and Australian wool production and exports from 2019/20 and back to the 1979/80 season. ***Send an email at chris.wilcox@ncwsba.org for copies with your delivery address.***



INDUSTRY EVENTS

The **AWPFC** meets on 12th August by videoconference.

Wool Week has been cancelled for this year.

The **NCWSBA Annual General Meeting** will be held on for Thursday, 27th August by Zoom (https://zoom.us/j/93454906061).

WOOL SALES WEEK BEGINNING 10TH AUGUST 2020 – week 7 (roster as at 6/8/2020)

Sydney
Tues, 11th Aug; Wed, 12th Aug — 9,270 bales

Melbourne
Tues, 11th Aug; Wed, 12th Aug — 18,647 bales

Fremantle
Wed, 12th Aug — 5,496 bales

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