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NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Slumping US\$ hits Australian wool prices
- Sharp gains in wool's price competitiveness a small bright spot
- Better seasonal conditions bring change in wool fibre attributes
- Increased share of NM, AA and CM wool in 2020/21 to date
- IWTO 2020 Round Table goes digital
- Other upcoming industry events

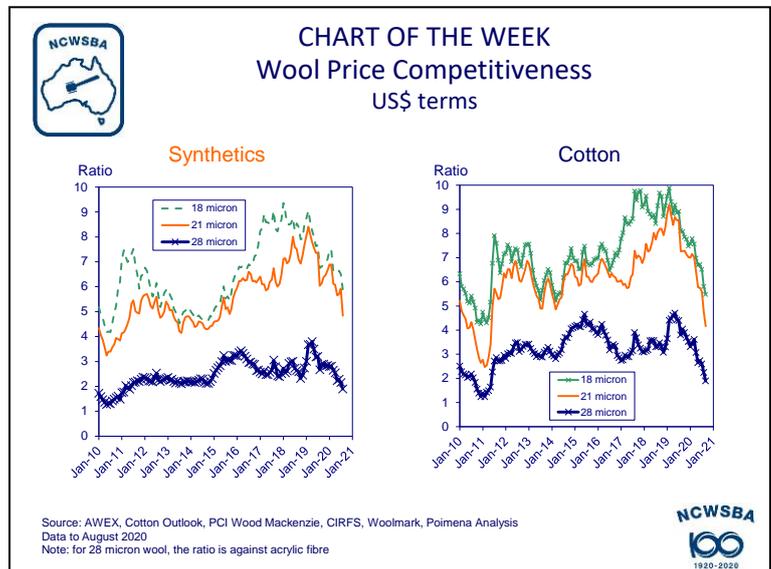


The **Australian wool market** can't take a trick. After some tentatively and slight encouraging signs last week, a slump in the US\$ against the A\$ squashed those and sent wool prices tumbling. Prices of all microns fell sharply, with Merino wool prices in Sydney and Melbourne dropping by 65 to 113 cents, while fine Crossbred prices plunged by as much as 154 cents in Melbourne. The declines for Merino wool prices were larger in Fremantle were larger as it had some catching up to do after a week off from sales last week. The **Eastern Market Indicator (EMI)** sank by 71 cents, to 858 c/kg. For the record, that is the lowest since November 2009 (on the same 2017/18 basis). The Southern Market Indicator dropped by 76 cents to 819 c/kg, the Northern Market Indicator fell by 63 cents to 919 c/kg and the Western Market Indicator fell 94 cents to 895 c/kg. The US\$ slumped this week after the US Federal Reserve announced a softening of its inflation targeting. As a result, the A\$ rose by 1.6 UScents against the A\$. It was also stronger against the Renminbi and the Euro. As a result, the EMI fell by proportionately less, down by 37 UScents to 631 USc/kg, by 302 RMB to 4312 RMB/kg and by 35 €cents to 530 €cents/kg. In all three currencies, the EMI is now back to levels seen in 2009 when the Global Financial Crisis hit.

As I reported in last week's edition, while the prices for all textile fibres have been hit by the COVID-19 pandemic, wool prices have been hit hardest, with the price falls continuing this week. While the massive decline in wool prices has hurt all in the industry, one positive result of this larger decline is that **wool price ratio against cotton and synthetics** has fallen back sharply since March.

The first **Chart of the Week** shows ratio of the price of 18 micron, 21 micron and 28 micron wool against the price of a basket of synthetic fibre prices (acrylic fibre and polyester staple fibre) and against the CotLook A Index (the key global cotton price indicator). The fall in the ratio of the wool prices has been stunning, particularly against cotton. The current price ratios for 21 micron and 28 micron wool against cotton are the lowest since May 2011. The price ratio for 18 micron wool is the lowest since March 2014. These are dramatic falls since the peaks of late 2018/early 2019, particularly in recent months.

The decline in wool's price ratio compared with the major synthetic fibres used in apparel hasn't been as marked but is still significant, as the left-hand graph shows. The current price ratios for 18 micron wool



and 21 micron wool are back to the levels last seen in the 2014/15 season. For the 28 micron wool price ratio, which is a ratio against the price for acrylic fibre only, the current level is the lowest since May 2011. These low-price ratios are a positive as it may encourage garment makers, knitters and weavers to use more wool and less competing fibre, particularly once clothing retail sales recover.

Earlier this week, **AWTA released data on wool tests** in August. The data shows that the weight of wool tested in August fell by 20% year-on-year. This significant decline overstates the actual change in production. A combination of the very weak demand conditions, much lower prices and auction volume restrictions due to COVID-19 has helped push the wool test volumes down. The total weight tested in June was 17.7 mkg greasy, lower for the month of August than in any other year at least since August 2011.

On a Wool Statistical Area basis, all states recorded double-digit % declines in the weight of wool tested in August. The largest fall for the month was for Western Australia, which was down 32% in August. New South Wales (NSW) recorded a 20% drop in the weight of wool tested, while Victoria saw a 19% drop. South Australia (-11%), Tasmania (-11%) and Queensland (-17%) saw significant declines for the month. The total weight of wool tested in Australia for the first two months of the 2020/21 season fell by 17.7%.

While the year-on-year % change in wool tested may be misleading as a guide to the likely change in shorn wool production in Australia, some of the key test data results highlight the positive impact of the better seasonal conditions, particularly in NSW. The test data shows that mean fibre diameter, mean staple length and mean clean yield have all increased in the first two months of this season. Mean fibre diameter has increased by 0.2 micron, while mean staple length has lifted by 2.3mm, and clean yield has increased by 0.3%. By state, the most significant change can be seen in NSW and Victoria, where mean fibre diameter has increased by 0.4 micron and mean staple length has lifted by 2.5 mm in both states. In NSW, clean yield has increased by just 0.1% while it has jumped by 1.1% in Victoria.

This week, AWEX also released the latest data on mulesing status derived from the **National Wool Declaration (NWD)**. Interestingly, even though the weight of wool tested has dropped sharply in the first two months of the season, the total number of bales of first-hand offered grower clips was a slight 1% higher in the July-August period this year compared with the same two months in 2019/20. Furthermore, the amount of wool declared as Non-Mulesed (NM) lifted by 10% and the number of bales declared with Anaesthetic/Analgesic (AA) was 3% higher. The biggest increase was for wool declared as Ceased Mulesed, which was up by 90% in the first two months. In total, the number of bales with an NWD was 10% higher.

As a result of these changes, the proportion of wool offered at auction declared as NM rose to 14.1% while the proportion of wool declared as AA reached 40.1% and the proportion declared as CM was 3.7%. In total, the amount of wool declared as NM, PR or Ceased Mulesed (CM) was 57.9% of the total volume of first-hand wool offered at auction in the first two months of 2020/21. Furthermore, 78.2% of wool had an NWD.

The International Wool Textile Organisation has decided to move the **2020 Wool Round Table** meetings to a digital platform. The Round Table was planned to be held in Nuremberg, but COVID-19 restrictions make it impossible to hold a face-to-face meeting. The digital meetings will be held on 30th November to 2nd December 2020 and hosted on the Cisco Webex platform. I will send details for the program and access arrangements when they become available.

INDUSTRY EVENTS

AWTA will hold its Annual General Meeting on Friday, 16th October 2020.

The **2020 IWTO Round Table** will be held by Webex on 30th November to 2nd December.

The **2021 IWTO Congress** is scheduled to be held in Kyoto, Japan in May 2021.

WOOL SALES WEEK BEGINNING 7th SEPT 2020 – week 11 (roster as at 2/9/2020)

<u>Sydney</u>	
Tues, 8 th Sep	5,458 bales
<u>Melbourne</u>	
Tues, 8 th Sep; Wed, 9 th Sep	12,351 bales
<u>Fremantle</u>	
Wed, 9 th Sep	5,311 bales

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