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NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- US\$ lifts, Australian wool prices rise in mixed week
- Australian wool exports to China lift, exports to Europe collapse
- Exports by most major wool exporting countries drop sharply
- Signs of improved raw wool demand by China
- Upcoming industry events



There was some relief in the **Australian wool market** this week as prices lifted, helped by a combination of a low weekly offering and a sharp rebound in the US\$ against the A\$. It wasn't all smooth sailing, though. Wool prices jumped on Tuesday at auctions in Sydney and Melbourne, catching both brokers and buyers by surprise. Then on Wednesday, prices receded a bit in Melbourne (the only centre to sell on both days), while in Fremantle prices lifted as that centre caught up with Tuesday's gains on the east coast. Over the week, the **Eastern Market Indicator (EMI)** rose by 32 cents, recovering some of last week's losses, and closed at 890 c/kg. There were just 19,654 bales offered this week, of which 5.7% were passed-in. There has been a slight 0.5% increase in the number of bales offered in the 2020/21 season to date compared with the very low levels seen for the same period in 2019/20.

The Northern Market Indicator rose by 36 cents to 955 c/kg, the Southern Market Indicator lifted by 29 cents to 848 c/kg and the Western Market Indicator was 27 cents higher at 922 c/kg. The US\$ rebounded this week and the A\$ fell by 1.35 UScents against the US\$. It was also weaker against the Renminbi and the Euro. Taking the currency moves into account, the EMI rose by 12 UScents to 643 USc/kg, by 93 RMB to 4405 RMB/kg and by 36 €cents to 546 €cents/kg.

Earlier this week, the Australian Bureau of Statistics released data on **Australian wool exports** in July. The volume of exports to all destinations were down by 8%. Reflecting the large year-on-year drop in wool prices, the value of wool exports collapsed, down by 37% for the month compared with July 2019. None of this is a surprise given the low volumes of wool offered and sold at auction in recent months and the very weak demand. There are, however, some interesting trends by destination country.

Exports to China were 8% higher by volume compared with July 2019 (although the value of exports in July were down by 23%), putting China's share at 89% for the month. This continues the increase in exports to China seen in June. Exports to Thailand were 13% higher, while exports to the US and to Spain were up by 62% and 117% respectively (although both are only small volumes). On the other hand, Australia's exports to Europe slumped by 59% in volume and by 79% in value, continuing the large year-on-year declines seen since March. Exports to India dropped by 37%, also continuing the large year-on-year declines seen since March. Australian wool exports to East Asia (Japan, Korea and Taiwan) have also slumped since March, with the volume of exports down by 45% in July. The COVID-19 restrictions have really affected the demand from and shipments to these three significant destinations.

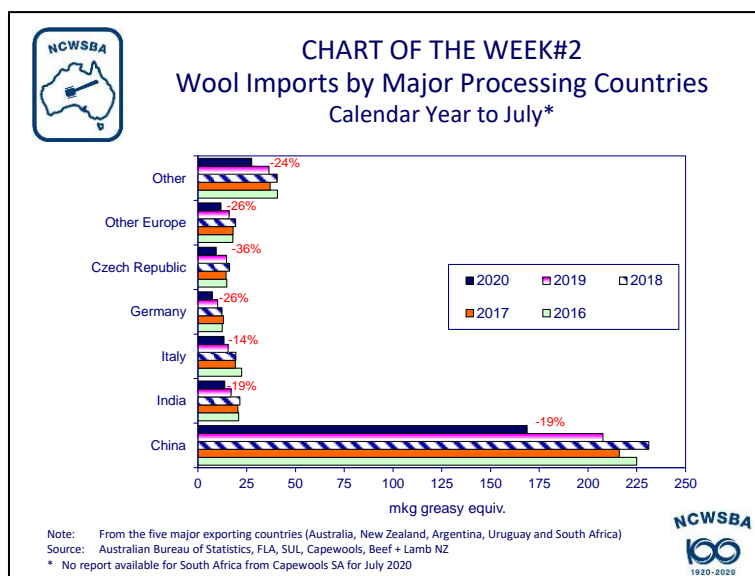
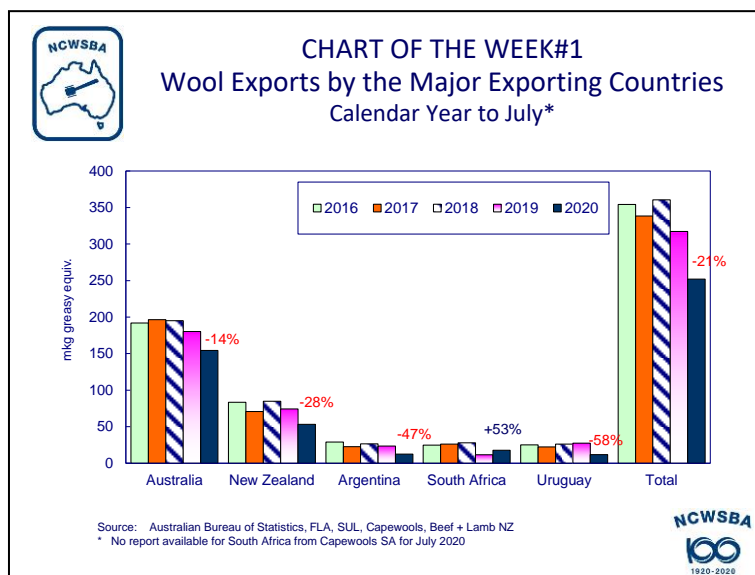
Most of the other **major wool producing and exporting countries** are also seeing continued large declines in exports. The exception is South Africa, which is seeing higher exports compared with this time in 2019 because of last year's ban by China on imports from South Africa due to an outbreak of Foot & Mouth Disease. For the three major wool producing and exporting countries (New Zealand, Uruguay and Argentina), the monthly declines in July were larger than for Australia. In July, the volume of exports from New Zealand, Argentina and Uruguay fell by 11%, 39% and 73% respectively.

This pattern of a larger decline in NZ, Argentina and Uruguay then for Australia but higher exports from South Africa has been seen since the start of 2020. For the year January to July, wool exports from Australia were down by 14%, while exports from New Zealand were 28% lower and exports from Argentina were down by 47%. Exports from Uruguay have been hit particularly hard, with export volumes 58% lower for the first seven months of 2020 for the same period in 2019. In contrast, exports from South Africa were 53% higher as exports recover from last year's ban by China.

The first **Chart of the Week** shows the total volume of exports by each of the five major producing and exporting countries for the January to July period for the past five years. One thing to note is that despite the significant increase in wool exports from South Africa so far in 2020, the total volume of exports this year remains much smaller for all previous years with the exception of 2019.

In terms of the exports to the **major processing countries**, many (but not all) of the major wool export destination countries recorded large year-on-year declines in July. An exception was exports to Germany, which recorded a 27% increase in July, reversing the declining trend seen since October 2019. Exports to China, the largest destination, saw only a small decline, down by 1.9%. This follows an increase in June. These two monthly figures are encouraging for signs of improved demand for raw wool by mills in China. Exports to Italy were down by 14%, exports to the Czech Republic were down by 38% and exports to 'other' European countries (includes Bulgaria and the UK) were down by 32%. Exports to India fell by 12% while exports to 'other' countries (which includes Egypt, Malaysia, Japan, Korea, Taiwan and Thailand) fell by 39%.

The second **Chart of the Week** shows the total volume of exports to the major processing countries from the five major wool producing and exporting for the January to July period for the past five years. All destinations have recorded double-digit declines in the seven months of 2020 to July.



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 14th SEPT 2020 – week 12 (roster as at 9/9/2020)

Sydney

Tues, 15th Sep; Wed 16th Sep 8,675 bales

Melbourne

Tues, 15th Sep; Wed 16th Sep 19,525 bales

Fremantle

Wed, 16th Sep 5,358 bales

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