The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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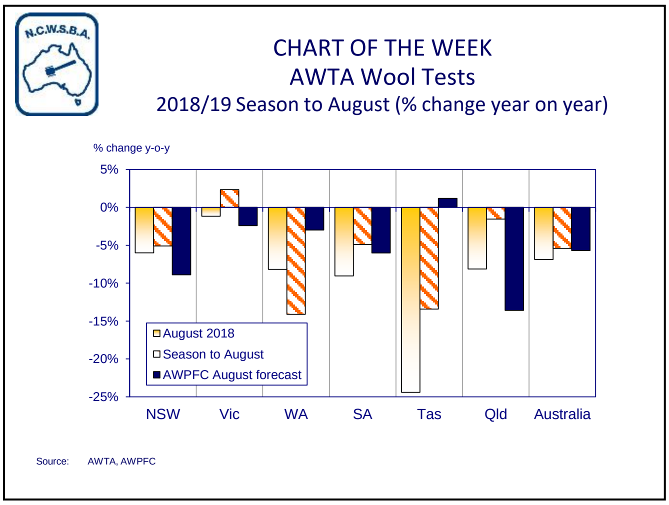
From the desk of Chris Wilcox, Executive Director

- Mixed direction for Australian wool prices
- AWTA tests less wool in August
- Non Mulesed and Pain Relief declared wool up despite drop in wool offerings
- Australian wool exports fall in volume but lifts in value in July
- Dry August throughout New South Wales and Queensland
- IWTO Instagram Project kicks off
- Upcoming industry events

It was an odd, up and down week in the **Australian wool market** with significant differences between the three wool selling centres. The unusual Friday sale in Melbourne last week muddied the weekly price changes. For the week, the **Eastern Market Indicator** fell 2 cents to 2088 c/kg. This was due to an 8 cent fall in the Southern Market Indicator (down to 2047 c/kg) which more than offset the 8 cent rise in the Northern Market Indicator (to 2153 c/kg). The Western Market Indicator was steady at 2255 c/kg. The A$ fell by almost a UScent against the US$. It also fell against the Renminbi and the Euro. The EMI was 19 UScents lower at 1497 USc/kg, 11 €cents lower at 1288 €cents/kg and 121 RMB lower at 10,240 RMB/kg.

As usual for the start of the month, there was a host of industry data released in the past week. The first set of data I'll look at is the **AWTA test data**. This is probably the most important in the current market situation, given the concerns about supply. AWTA tested 7% less wool by weight than August 2017. The total weight tested in August 2018 was 27.6 mkg greasy, lower than the 29.6 mkg tested in August 2017 and the 29.5 mkg tested in August 2016. However, it was higher than the weight tested in 2016 (which was 26.0 mkg). There were some big differences between states. A notable change was for New South Wales which is bearing the brunt of the drought conditions, along with Queensland. The weight of wool tested the originated from New South Wales was 6% lower than in August 2017. However, it was the lowest weight tested for August in NSW in the past 8 seasons or more. There was also a significant 24% drop in the weight of wool tested in Tasmania, which may have been due to shearing delays.

For the first two months of the 2018/19 season, the weight of wool tested by AWTA was down by 5.7% at 44.5 mkg. This decline is in line with the Australian Wool Production Forecasting Committee's forecast of a 5.7% fall for the full season. It is early days and this could change substantially over coming months. The first **Chart of the Week** shows the % change in the weight of wool tested by state and for Australia, for the month of August and for the first two months of the 2018/19 season, and compared with the August forecast from the Wool Production Forecasting Committee.



AWEX has released the statistics on **mulesing status** of first-hand wool offered for the first two months of the season, taken from the National Wool Declaration (NWD). The table provides details on the number of bales with each declaration and the shares for the 2017/18 and 2018/19 seasons to August.

Table: NWD Statistics – Season to end August (bales)#

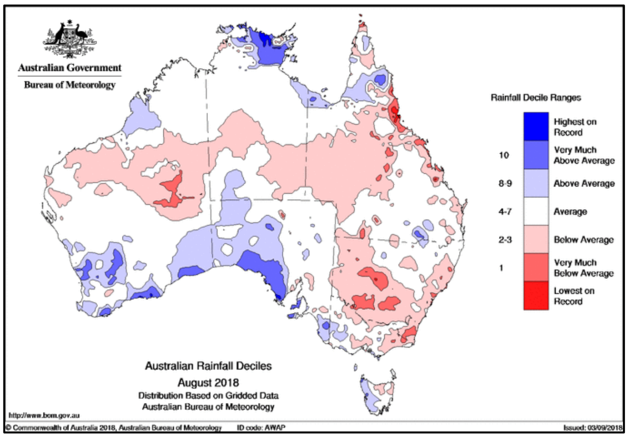
	CM	NM	PR	CM+NM+PR	Mulesed	All NWDs	ND	Total
2017/18	3,669	23,331	67,895	97,450	50,430	147,880	82,379	230,259
2018/19	6,224	24,121	68,508	96,298	40,414	136,712	60,817	197,529
% change	*-41%*	*+3%*	*+1%*	*-1%*	*-20%*	*-8%*	*-26%*	*-14%*
2017/18 share (%)	2.7%	10.1%	29.5%	42.3%	21.9%	64.2%	35.8%	100%
2018/19 share (%)	1.9%	12.2%	34.7%	48.8%	20.5%	69.2%	30.8%	100%

First-hand offered, clip lots only. Excludes Rehandle, Interlots and Bulk Class.

The fall in supply of wool at auction in the first two months is highlighted by the 14% fall in the total number of bales offered (note that this is first hand farm lots offered). Despite this large decline in the total offerings, the number of bales declared as either Non-Mulesed (NM) or Pain Relief (PR) increased in the first two months of this season. This took the share of NM wool to 12.2% and the share of PR wool to 34.7%. The number of bales with a Blank NWD (recorded as Mulesed) fell by 20% and there was a 41% drop in wool declared as Ceased Mulesed (CM). As a result, the volume of first hand offered wool with an NWD was down a slight 1%. The volume of wool without an NWD fell by 26%. The share of wool with an NWD lifted to 69.2% for the 2018/19 season to date.

The Australian Bureau of Statistics yesterday released the **latest wool export data**, for July 2018. It shows that Australian wool exports fell by 22% in volume terms in July, with all of the top eight export destinations recording declines. Exports to China were down by 19%, exports to India were down 31%, exports to Italy were 17% lower and exports to the Czech Republic were down 52%. However, while the volume of exports was down, the value of exports in July lifted by 6%, helped by a 14% increase in the value of exports to China. Many of the other top 8 exports destinations recorded a fall in exports even by value.

The dry conditions seen across much of eastern mainland Australia since the start of 2018 or even longer continued in August. Much of New South Wales and Queensland experienced **rainfall which was below or very much below normal levels**, as did the eastern half of Victoria (see the map from the Bureau of Meteorology). Some major sheep regions in eastern Australia (such as the Western District of Victoria and the south-east of South Australia) saw above average rainfall, as did Tasmania and Western Australia. These poor rainfall levels in New South Wales continue to put pressure on growers who have been hand-feeding their sheep, particularly as feed costs have skyrocketed.



The **IWTO Member Instagram Project** is about to kick off. IWTO is looking for people around the world to take photos of wool, in all its glorious forms and share it with IWTO and the experts they have recruited to put the photos up on Instagram and get key messages across. I have attached an instruction pamphlet to the email with the *Weekly Newsletter*. You can sign up by sending an email to Dalena White at white@iwto.org (cc Jeannette at cook@iwto.org). They will send you a starter pack.

INDUSTRY EVENTS

The **Nanjing Wool Market Conference** will be held on 11th to 13th September 2018 in Nanjing.

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 19th October 2018.

IWTO Roundtable will be held in Buenos Aires on 3rd to 4th December 2018.

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019.

WOOL SALES WEEK BEGINNING 10th SEPT 2018 – week 11 (roster as at 6/9/2018)

Sydney
Wed, 12th Sep; Thurs, 13th Sep 10,370 bales

Melbourne
Wed, 12th Sep; Thurs, 13th Sep 18,546 bales

Fremantle
Wed, 12th Sep; Thurs, 13th Sep 5,666 bales

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