The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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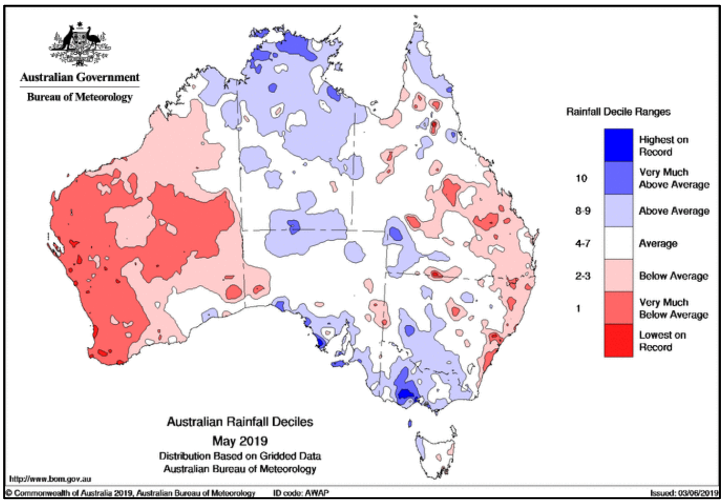
From the desk of Chris Wilcox, Executive Director

- Australian wool prices slide
- Rainfall and drought in Australia
- Impact of the drought on wool supply and quality
- Upcoming industry events

The **Australian wool market** is experiencing a bit of a roller-coaster ride – prices slid this week after last week's rebound. The **Eastern Market Indicator** (EMI) fell by 23 cents, closing at 1864 c/kg. Volumes were low, as is generally the case at this time of year, with 21,787 bales offered in Sydney and Melbourne only. Prices fell on both days, with larger falls seen on Thursday. Prices for Merino wool fell by between 25 and 60 cents, while Crossbred wool prices were slightly lower to firm. The Southern Market Indicator was down 22 cents to 1852 c/kg and the Northern Market Indicator was 26 cents lower, closing at 1883 c/kg. The A$ was higher again this week against the US$ (up by ½ UScent) and was stronger against the Chinese Renminbi. It was a touch weaker against the Euro. Overall, the EMI fell by just 7 UScents to 1299 USc/kg, by 16 €cents to 1157 €cents/kg and by just 48 RMB to 8987 RMB/kg.

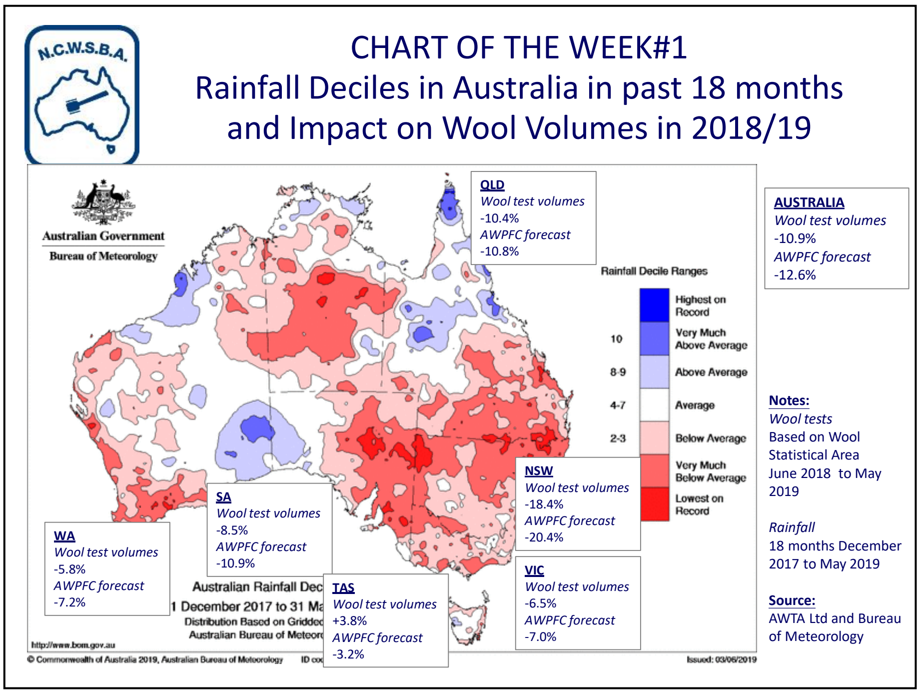
As you will all know, there has been a **serious drought** gripping Australia over the past 18 months or so, particularly in many parts of New South Wales, South Australia, Victoria and Queensland. In May, there was some welcome rainfall in the southern coastal areas of the mainland which extended into parts of southern and central New South Wales (see the map). This has eased conditions somewhat in these areas, although much more rain is needed over winter. Disappointingly, rainfall in Western Australia during May was well below average.



The drought impact has been felt severely in wool production volumes and wool quality in 2018/19 and will continue to be felt over the next six months even if rainfall continues to be better than average over winter and spring. According to the latest statistics from AWTA Ltd, the weight of wool tested for Australia was 17.3% lower in May compared with May 2018, with declines of almost 30% in NSW and Queensland and significant year-on-year falls in Victoria and South Australia. As a result, the weight of wool tested for the 11 months of the 2018/19 season (July 2018 to May) was 10.9% lower than for the same period in 2017/18. This decline is, however, not as severe as the most recent forecast from the Australian Wool Production Forecasting Committee (AWPFC) which is for a decline of 12.6% in wool production this season.

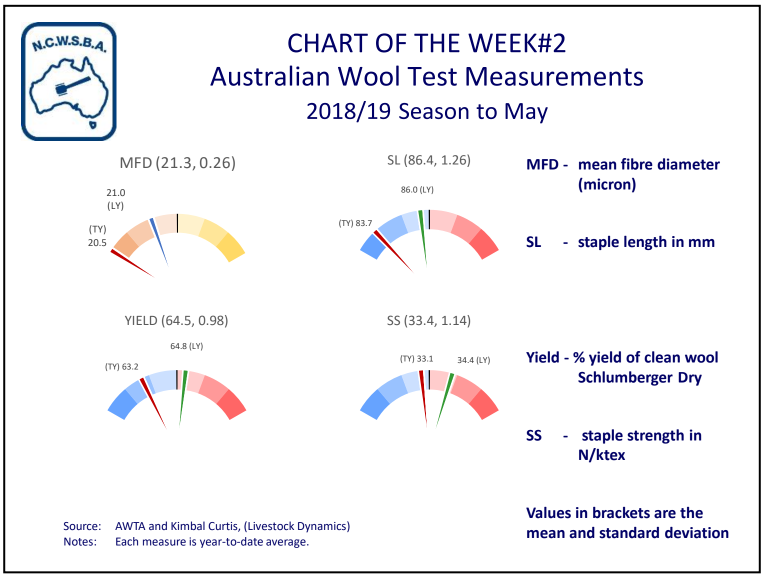
There is quite a difference in the change in wool tested between states, reflecting the impact of the drought. The first **Chart of the Week** shows a map of rainfall deciles for the 18 months between December 2017 and May 2018 overlaid with the change in the weight of wool tested by state and the latest forecast from the AWPFC.

As can be seen from this Chart, all of the major sheep producing areas in mainland Australia have had lower than average rainfall to a great or lesser degree over the past 18 months. The most intense and widespread deficiencies have been seen across NSW (the largest wool producing state), much of South Australia, and significant parts of WA, Victoria and Queensland. Rainfall in Tasmania has been largely average. Unsurprisingly, the largest declines in the weight of wool tested has been in NSW, SA and Queensland. There have also been considerable declines in Victoria and WA. On the other hand, the weight of wool tested for Tasmania has increased this season to date (Note that the weight of wool tested is on a Wool Statistical Area basis, which gives the best indication of production in each state).



It is not just wool production volumes that have been affected by the drought. The quality of wool has been also been affected, as indicated by the average **fibre diameter, staple length, staple strength and yield**. The second **Chart of the Week** shows the range of historical wool test measurements for each of these wool characteristics and where this season's results (the red dial) fit on the historical gauge and compared with last season (the blue dial). These excellent gauges are courtesy of Kimbal Curtis.

As can be seen, the mean fibre diameter is at the lowest ever at 20.5 micron, while both yield (at 63.2%) and average staple length (at 83.7 mm) are well down on both the long-term average and compared with last season. Average staple strength has also declined this season compared with last season to 33.1 N/ktex, but is only a little lower than the long-term average.



INDUSTRY EVENTS

The **NCWSBA AGM** will be held in Melbourne on 23rd August 2019 in Melbourne, as part of Wool Week.

The **Nanjing Wool Market Conference** will be held in Qufu, Shandong on 20th to 23rd September 2019.

The **2019 IWTO Round Table** will be in held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

WOOL SALES WEEK BEGINNING 10th JUNE 2019 – week 50 (roster as at 30/5/2019)

Sydney
Wed, 12th June Thurs, 13th June 8,242 bales

Melbourne
Wed, 12th June Thurs, 13th June 15,136 bales

Fremantle
Wed, 12th June Thurs, 13th June 6,611 bales

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