The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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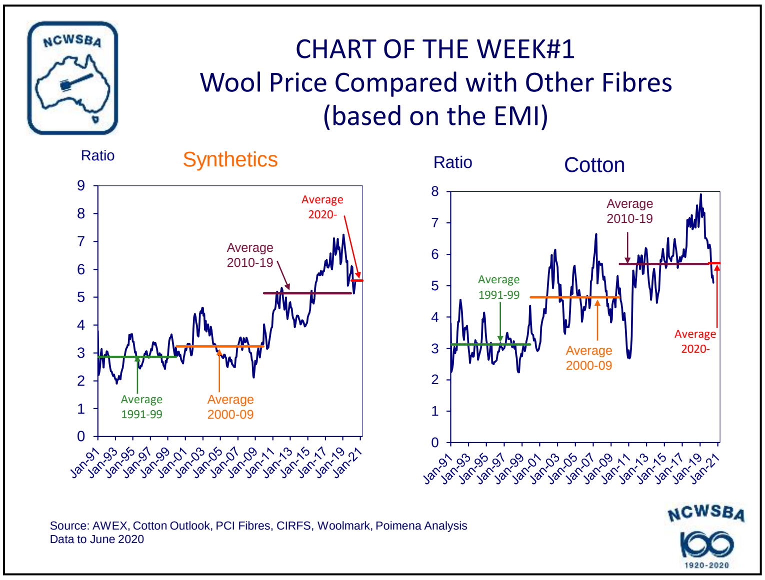
From the desk of Chris Wilcox, Executive Director

- Wool market records moderate lift
- Wool price premiums over other fibre prices fall from heights
- 2019/20 season in review: wool test volumes
- Australian wool exports dive in May
- Wool Week called off, NCWSBA AGM to be Zoomed
- Upcoming scheduled industry events

After the recent falls in wool prices, it was a relief to see wool prices lift in the opening week of the 2020/21 season for the **Australian wool market**, albeit relatively modestly. The **Eastern Market Indicator** (EMI) lifted by 6 Acents, snapping a three-week losing streak. The EMI closed the week at 1116 Ac/kg. Prices for both Merino wool and Crossbred wool lifted for all micron categories, although the Merino Cardings Indicator fell. Just under 31,000 bales were offered for the week, on par with the same week in July 2019 and the pass-in rate fell to 5.1%. The Southern Market Indicator rose by 10 cents to 1088 c/kg, while the Western Market Indicator lifted by 9 cents to 1185 c/kg. The Northern Market Indicator bucked the positive trend in the other centres, and slid 1 cent to 1159 c/kg, due to lower ultrafine prices and the lower Merino Cardings prices. The A$ was a little weaker against the US$ and Renminbi and steady against the Euro. The EMI rose by 2 UScents to 771 USc/kg, by 5 €cents to 686 €cents/kg and by just 11 RMB to 5459 RMB/kg.

As I reported in last week's edition, wool prices fell by more in the past year than have prices for the other major apparel textile fibres. One result of this larger decline is that **wool price ratio against cotton and synthetics** has fallen back sharply in the past 3 months, as the first **Chart of the Week** shows.



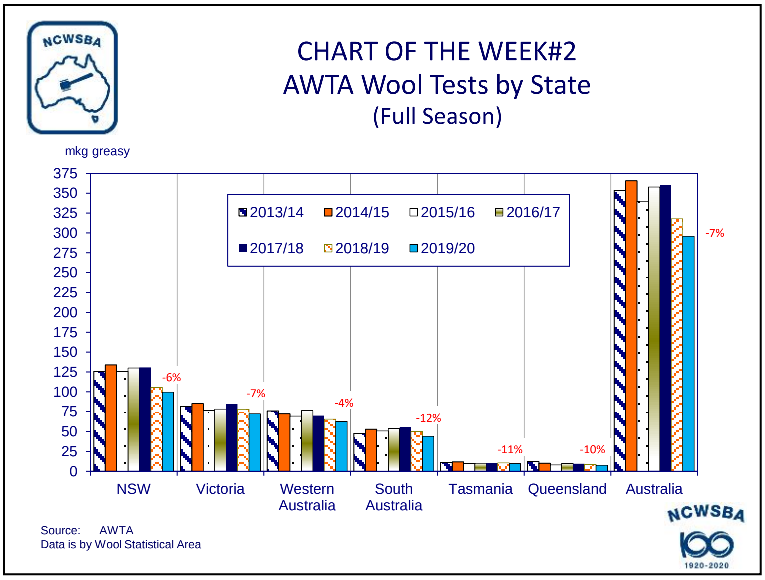
This comparison is based on the EMI. The drop is particularly marked compared with cotton prices, with the current ratio below the average level seen in ten years between 2010 and 2019 and is at the lowest level since June 2014. It is, however, well above the average levels recorded in the two decades before 2010.

The decline in wool's price ratio compared with the major synthetic fibres used in apparel (acrylic and polyester staple fibre) hasn't been as marked. As well, with synthetic fibre prices dropping by more in June than did wool prices, the ratio lifted a little in June and is above the average for the decade 2010-2019, as well as being above the average levels seen in the previous two decades. This decline in the price ratio means that wool's competitiveness has improved, which may help support wool prices through increased demand from mills.

After the huge year-on-year fall in May, the weight of **wool tested** by AWTA in June lifted by 4.4% year-on-year. However, this moderate increase was compared with June 2019 when the weight of wool tested slumped by 26% year on year. The total weight tested in June was 16.5 mkg greasy, higher than last year's 15.8 mkg but lower for the month than any other year at least since June 2012.

On a Wool Statistical Area basis, there was a strong rise in NSW for the month, up by 14.6% year on year, with more moderate increases in Victoria (+1.7%), Western Australia (+2.3%) and Queensland (+3.6%). Offsetting these increases were significant declines for South Australia (-15.2%) and Tasmania (-13.5%).

The total weight of wool tested for the full 2019/20 season fell by 7.0%. This is a little higher than the 6.3% decline forecast for shorn wool production by the Australian Wool Production Forecasting Committee in April. Given the anecdotal reports of stocks being held back on farm, the Committee's forecast for Australia looks reasonable. The Committee will review its estimate for 2019/20 and its forecast for 2020/21 when it meets on 12th August.



The second **Chart of the Week** shows the aggregate weight of wool tested by AWTA for each state and for Australia in 2019/20 compared with the previous six seasons. All states recorded a decline in the weight of wool tested in 2019/20. This reflects the ongoing impact of the drought in the eastern half of Australia, in particular. South Australia, Tasmania and Queensland all recorded double-digit % declines in the weight tested. For all states, the weight tested in 2019/20 was the lowest at least since 2011/12, and probably since Australia-wide wool testing first began.

The **Australian wool export** statistics for May were released yesterday and they show that Australia's the weight of wool exports dropped by 27% in May compared with May 2019, while the value of wool exports fell off a cliff, down by 53%. Exports to all destinations fell sharply, with the smallest % declines in weights being seen in exports to Japan (down by 8%) and China (down 19%). China accounted for 92% of Australia's wool exports in May, maintaining the extremely high +90% share seen in April. For the eleven months of the 2019/20 season to May, the weight of Australia's wool exports were 18% lower and the value of exports were down by 35%. I will provide more detail in next week's edition of the *Weekly Newsletter*.

Given the on-going COVID-19 restrictions in place both for the number of people who can attend an event and for interstate travel restrictions, the Australian Wool Industries Secretariat has reluctantly decided to **cancel Wool Week this year**.

For the same reasons, the NCWSBA Board has chosen to hold the **NCWSBA Annual General Meeting** by Zoom and postpone the other events, notably the presentations by the Finalists for this year's NCWSBA Wool Broker Award, to later in the year when we can meet face-to-face once restrictions are, hopefully, eased. The NCWSBA Annual General Meeting will be held on Thursday, 27th August. I will send out full details later this month.

INDUSTRY EVENTS

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

Wool Week has been cancelled for this year.

The **NCWSBA Annual General Meeting** is scheduled for Thursday, 27th August and will be held by Zoom.

The **Nanjing Wool Market Conference** has been cancelled for this year. The Conference will be held in September 2021.

WOOL SALES WEEK BEGINNING 6 JULY 2020 – week 2 (roster as at 2/7/2020)

Sydney
Wed, 1st July; Thurs, 2nd July — 9,677bales

Melbourne
Wed, 1st July; Thurs, 2nd July — 14,291 bales

Fremantle
Wed, 1st July; Thurs, 2nd July — 7,104 bales

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