



# The National Council of Wool Selling Brokers of Australia Inc

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## NEWSLETTER

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2020/27

### From the desk of Chris Wilcox, Executive Director

- Wool prices stabilise in Australia
- COVID restrictions for Melbourne open-cry auctions?
- Australian wool production in 2020/21 steadies
- US imports of clothing plummet
- NCWSBA Wall Chart now available
- Upcoming industry events



Some stability returned to the **Australian wool market** this week. Prices lifted for Merino and Crossbred fleece types, in some cases by more than 20 cents/kg, but prices for oddments and skirtings slumped. We were left with the extraordinary result that the **Eastern Market Indicator (EMI)** was slightly lower, by 2 cents, to 1004 c/kg despite the solid increases in prices for fleece wool. The Southern Market Indicator eased back by 4 cents to 977 c/kg while the Northern Market Indicator lifted by 2 cents to 1046 c/kg. The Western Market Indicator was 1 cent higher at 1056 c/kg. The A\$ was weaker against the US\$, the Euro and the Renminbi. As a result, the EMI in US\$ fell by 8 UScents to 715 USc/kg, by 61 RMB to 4966 RMB/kg and by 2 €cents to 610 €cents/kg.

The National Auction Selling Committee (NASC) notified brokers and buyers on Thursday that the Victorian Department of Agriculture had verbally advised the CEO of AWEX, Mark Grave, that **Open Cry auctions in Melbourne** were considered an 'auction house', which is not a permitted activity under the current Stage 4 lockdown. Discussions are continuing with the Department. According to the latest announcement by NASC this afternoon, if advice is received by COB Monday from the Victorian Government that open cry auctions are permitted in Melbourne, then next week's sale (M08) will go ahead as a two-day sale as planned. Otherwise, the sale will be a three-day sale (Tuesday-Thursday) as an Online open cry auction by Zoom. The good news is that wool valuing/appraisal is considered a permitted activity, which means that the showfloors can continue to operate. Given that Melbourne is the largest wool selling centre in the world, this uncertainty is very unhelpful.

The Australian Wool Production Forecasting Committee met on Wednesday to review its forecast for **shorn wool production in Australia for 2020/21**. The new forecasts were released today and show that the Committee now predicts that shorn wool production in 2020/21 will be 280 mkg greasy. This is a decline of just 1.1% on 2019/20 and comes after the 5.5% fall in 2019/20 compared with 2018/19. This updated forecast is an improvement on the Committee's April forecast for 2020/21 of 276 mkg. The Committee expects the small decline in shorn wool production despite the much better seasonal conditions throughout much of New South Wales, Victoria, Tasmania, and the south-east of South Australia. The main driver for the decline in shorn wool production is a lower number of sheep shorn combined with the residual effects of the drought in the first part of the season and continued dry conditions in Western Australia, central Queensland and in the pastoral regions of South Australia.

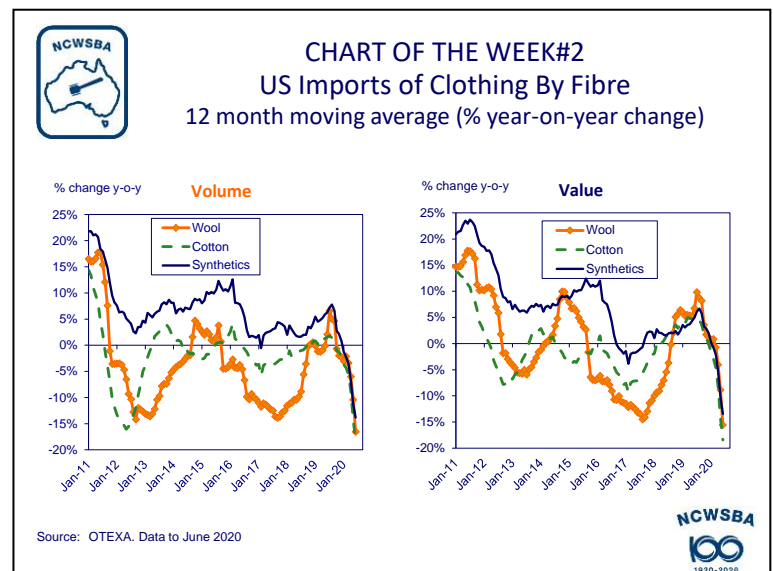
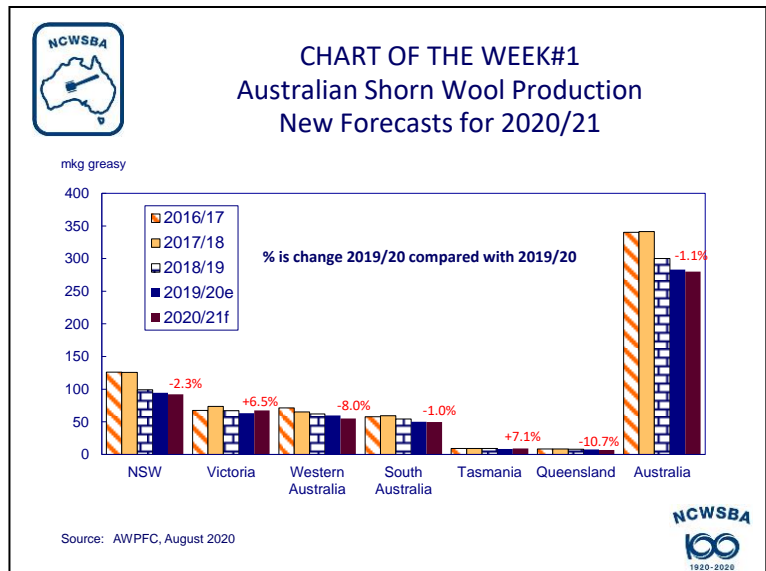
The first **Chart of the Week** shows the new forecasts of shorn wool production for Australia and each state. As can be seen, the Committee expects that shorn wool production in New South Wales (NSW) will drop by 2.3% in 2020/21. This is a more moderate decline after the 21.2% decline in 2018/19 and 4.8% decline in 2019/20. As a result, NSW's share of Australian wool production will fall from 37% in 2017/18 down to just 33% in 2020/21. NSW remains the largest wool producing state in Australia, but its difference over Victoria (24% share) and Western Australia (20% share) has narrowed significantly.

The decline in NSW over the past three seasons due to the prolonged dry and drought conditions in many regions of the state and a significant reduction in the number of sheep shorn. Now that there has been extensive rainfall in New South Wales, this will, hopefully, bring a recovery in production. Shorn wool production in Victoria is forecast to lift by 6.5%, helped by much better seasonal conditions resulting in a lift in average wool cut per head over the season. In contrast, production in Western Australia is predicted to drop by 8% due to a sharp fall in sheep shorn numbers, after a substantial number of ewes and lambs were shipped from Western Australia to South Australia and the eastern states. Wool production in Tasmania is expected to lift strongly, while production in Queensland is forecast to fall sharply. Production in South Australia is expected to be a little lower, as reasonable seasonal conditions in the south-east mostly offset the decline the pastoral regions of the state. Further details of the AWPFC's estimates for 2019/20 and forecasts for 2020/21 are given in the Media Release which is attached to the email with this *Weekly Newsletter*.

The latest data shows that **US imports of clothing** plummeted in the first six months of 2020 as the large decline in retail sales of clothing (see the *Weekly Newsletter* of 10<sup>th</sup> July) has hit hard. US imports of clothing in the January-June period this year were down by 28% in quantity and down by 30% in value. It is the lowest total volume in the first half a year since 2009 (as the Global Financial Crisis hit) and the lowest total value since 2002.

As can be seen in the **second Chart of the Week**, all fibres have been hit similarly by the decline. Imports of cotton clothing was down by 18%, imports of synthetic fibre clothing were down 14% and imports of wool clothing were 16% lower.

The **2020 Wall Chart from the National Council of Wool Selling Brokers** is **now available**. Free to NCWSBA members, this popular A2 printed Wall Chart has graphs showing auction volumes and prices, market indicators, and Australian wool production and exports from 2019/20 and back to the 1979/80 season. **For copies, send an email to [chris.wilcox@ncwsba.org](mailto:chris.wilcox@ncwsba.org) with your delivery address.**



#### INDUSTRY EVENTS

**Wool Week** has been cancelled for this year.

The **NCWSBA Annual General Meeting** will be held on for Thursday, 27<sup>th</sup> August by Zoom (<https://zoom.us/j/93454906061>).

**AWTA** will hold its Annual General Meeting on Friday, 16<sup>th</sup> October 2020.

#### WOOL SALES WEEK BEGINNING 17<sup>TH</sup> AUGUST 2020 – week 8 (roster as at 12/8/2020)

<u>Sydney</u>	Tues, 18 <sup>th</sup> Aug; Wed, 19 <sup>th</sup> Aug	8,299 bales
<u>Melbourne</u>	Tues, 18 <sup>th</sup> Aug; Wed, 19 <sup>th</sup> Aug	21,097 bales
<u>Fremantle</u>	Wed, 19 <sup>th</sup> Aug	5,856 bales

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