



The National Council of Wool Selling Brokers of Australia Inc

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NEWSLETTER

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2020/28

From the desk of Chris Wilcox, Executive Director

- NCWSBA Annual General Meeting
- Gloom as Australian wool prices fall again
- Superfine wool price premiums lift
- Seasonal outlook – La Niña to bring higher Spring rainfall?
- Upcoming industry events

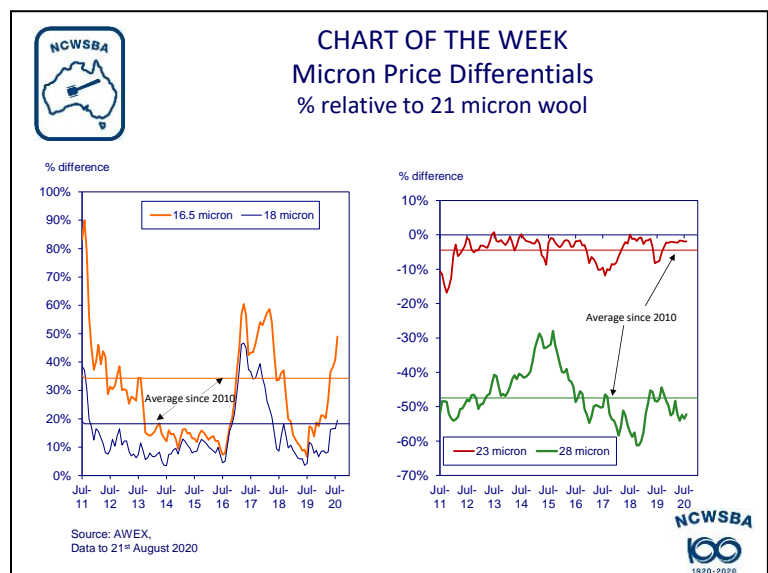


REMINDER: The NCWSBA Annual General Meeting and Forum is on next Thursday, 27th August. It will be held by Zoom starting at 11am. It will be followed by a meeting of the NCWSBA Board. The full details for the AGM, including agenda and papers, will be sent to NCWSBA members by separate email.

The stability of last week disappeared rapidly this week in the **Australian wool market**. There was uncertainty about whether open-cry auctions would go ahead right up until early Tuesday morning when the industry was given approval to host auctions in Melbourne under strict controls. The market then opened in Melbourne and Sydney with lower demand, and prices fell as a result. The price decline continued on Wednesday, with Fremantle also selling. Prices for almost all microns and wool types over the week, with declines of between 25 cents and 89 cents for Merino fleece wool and up to 83 cents for Crossbred fleece types. Prices for oddments and skirtings also fell. The 32 Micron Price Guide (MPG) bucked the trend and lifted by 6 cents. The **Eastern Market Indicator** (EMI) declined by 59 cents, to 945 c/kg (for the record, this is the lowest since September 2012). The Western Market Indicator fell the most, down 67 cents to 989 c/kg, and the Southern Market Indicator fell by 62 cents to 915 c/kg. The Northern Market Indicator finished at 991 c/kg, down 55 cents. The A\$ was considerably stronger against the US\$ and the Renminbi. As a result, the EMI fell by proportionately less in these currencies, down by 30 UScents to 685 USc/kg and by 224 RMB to 4742 RMB/kg. The A\$ was steady against the Euro and the EMI fell by 36 €cents to 574 €cents/kg.

This week's decline has continued the trend since the start of the 2020/21 season. Since the end of June, the EMI has fallen by 165 cents or 15%. Proportionately, the largest decline has been for Merino Cardings, which are down by 26%. Of the fleece wools, wool of between 19 micron and 22 micron have fallen by 15% to 19%, while Crossbred wool has declined by between 7% and 15%, with the 32 MPG down the least. Prices for superfine wool (18.5 micron and finer) are down by 9% to 13%.

As the **Chart of the Week** shows, this has changed the **price differentials** between

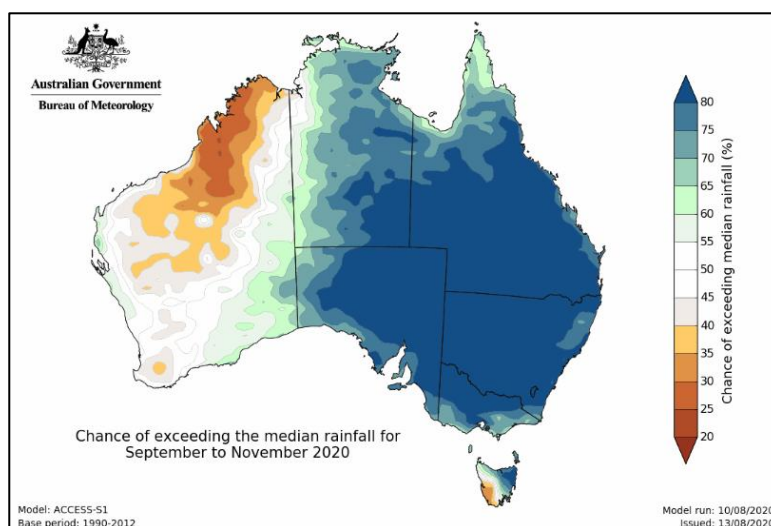


a selection of microns compared with 21 micron wool. The premiums paid for superfine wool over medium Merino wool have lifted since mid-2019, with the premium for 16.5 micron rising particularly sharply. After the large declines in the premiums seen from the start of 2018, this rebound has pushed the current price premium for 16.5 micron wool to 49%, well above the long-term average and a major recovery from the low of 7% hit a year ago. The premium for 18 micron wool over 21 micron wool has risen at a slower pace and is now at 22%, a little above the long-term average. As with 16.5 micron wool, this an impressive recovery from the low of just 4% in June 2019.

For 23 micron wool, the price discount against 21 micron wool is currently a discount of 2%, compared with the long-term discount of 4.4%. In contrast, the price discount paid for 28 micron wool is greater than the long-term average, at 52% compared with a long-term discount of 48%. As can be seen in the second graph, the discount for 28 micron wool over 21 micron wool has increased over the past 12 months.

The Bureau of Meteorology this week released its latest **seasonal outlook**. It also announced that it has raised its El Niño–Southern Oscillation (ENSO) outlook to a **La Niña ALERT**. The Bureau says that the chance of La Niña forming in the coming months has increased to around 70%—roughly three times the normal likelihood. A La Niña ALERT is not a guarantee that La Niña will occur, but an indication that most of the typical precursors of La Niña are in place. A La Niña typically increases the chance of above average rainfall across much of Australia during spring.

As a result, the Bureau expects that significant parts of NSW, Queensland, Victoria, South Australia and Tasmania will see above average rainfall over spring (September to November). The south-west of Tasmania is expected to be drier than normal, while rainfall in the southern half of Western Australia is expected to be around normal. The **map** shows the latest prediction from the BoM, with the darker the blue the greater the chance of above average rainfall. The chance of above average rainfall is 80% or higher for the vast majority of NSW, Queensland, South Australia and Victoria, as well as the north-east of Tasmania.



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 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, 27th August by Zoom (<https://zoom.us/j/93454906061>).

AWTA will hold its Annual General Meeting on Friday, 16th October 2020.

WOOL SALES WEEK BEGINNING 24TH AUGUST 2020 – week 9 (roster as at 19/8/2020)

<u>Sydney</u>	Tues, 25 th Aug; Wed, 26 th Aug	8,147 bales
<u>Melbourne</u>	Tues, 25 th Aug; Wed, 26 th Aug	14,199 bales
<u>Fremantle</u>	No sale	

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