



The National Council of Wool Selling Brokers of Australia Inc

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NEWSLETTER

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18th December 2020

2020/42

From the desk of Chris Wilcox, Executive Director

- Soft finish to 2020 for the Australian wool market
- Wrap up of the first half of the 2020/21 season
- Larger wool cuts expected to push wool production higher
- Upcoming industry events



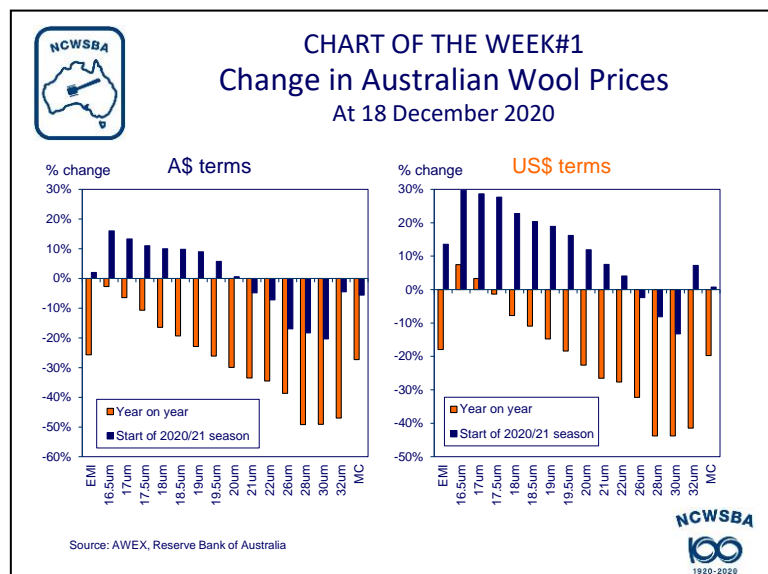
The **Australian wool market** finished 2020 on a downbeat note, with prices falling back after last week's good gains. A relatively large offering of 44,835 bales plus a continued lift in the A\$ against the US\$ combined to push prices lower across all microns and wool types, with the exception of Merino Cardings. The **Eastern Market Indicator (EMI)** fell by 41 cents to close 2020 at 1157 c/kg, giving up most but not all of the gains seen last week. The Western Market Indicator fell the most, down by 46 cents to 1198 c/kg, while the Southern Market Indicator was 42 cents lower at 1199 c/kg. The Northern Market Indicator fell back by 39 cents to finish 2020 at 1218 c/kg. The US\$ continued to struggle against all of the major currencies, including the A\$ which was 1.1UScents higher at 75.52 USc. This falling US\$ is not helping A\$ prices for wool. The A\$ also rose against the Renminbi and the Euro, which have also both risen against the US\$, which should moderate the negative impact. The EMI slid by only 18 UScents to 874 USc/kg, while it was 94 RMB lower at 5725 RMB/kg and 16 €cents lower at 719 €cents/kg.

The **first half of the 2020/21 season** saw a small decline in auction offerings of Australian wool, down by 1.2% to 701,338 bales. Remarkably in light of the COVID-19 restrictions and low prices, the volume of Australian wool sold at auction lifted by 2.0% to 615,086 bales. The pass-in rate for the first six months of the season was 12.8%, compared with a pass-in rate of 15.3% in the first half of the 2019/20 season.

While prices have in general fallen significantly compared with this time last year, fine Merino wool prices have lifted since the start of the 2020/21 season. The first **Chart of the Week** shows the change in the EMI and some of the micron price guides in both A\$ and US\$, both year-on-year and for the first half of the 2020/21 season.

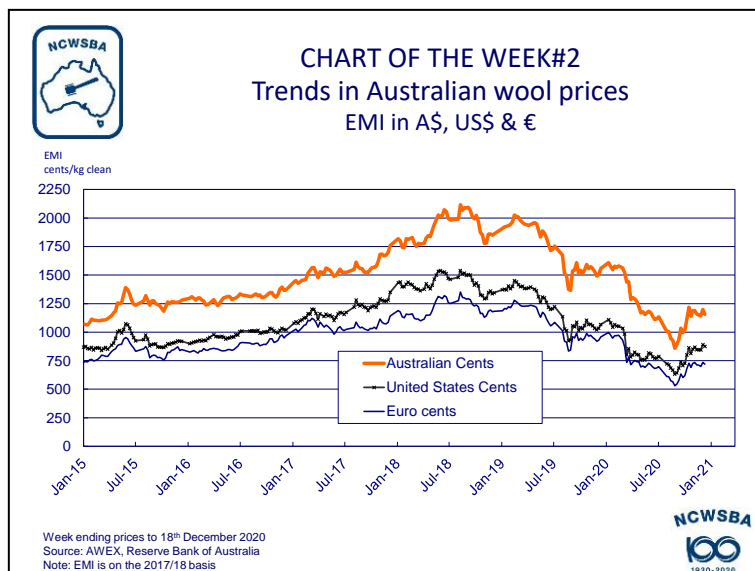
The EMI is 26% lower now at 1157 Ac/kg compared with a year ago when it was 1558 Ac/kg. In US\$ terms, the EMI has dropped by 18%. Compared with the start of the 2020/21 season, the EMI is 2% higher now in A\$, and 14% higher in US\$. The A\$ has risen from 69.2 UScents at the start of July to 75.6 UScents now.

Of the various micron indicators, ultrafine wool has done best, as the chart shows. In A\$ terms, the year-on-year decline is smaller for this wool than for broader Merino wool and for Crossbred wool, while current prices are higher for wool 20 micron and finer than they were at the start of the season.



In US\$ terms, these trends are even more accentuated. However, even in US\$ terms, prices for Crossbred wool (26 micron and broader) are all below what they were at the start of the season.

The second **Chart of the Week** shows the longer-term trends in the EMI in A\$, US\$ and Euro. After falling to the lowest level in at least five years in September in all three currencies, the EMI has recovered. Despite this recovery, the EMI in US\$ and Euro remains at the low levels seen in 2015 before the run-up in prices to the peak in 2018. In A\$ terms, the EMI is currently above the levels seen in 2015.



The **Australian Wool Production Forecasting Committee**, of which I am a member, met on Wednesday to review its **forecast of shorn wool production** for the 2020/21 season. The very good seasonal conditions in large parts of eastern Australia has seen the Committee lift its forecast for this season on the back of better-than-expected fleece weights. The Committee noted that dry conditions have persisted in Queensland and Western Australia, although Western Australia had better rainfall in November. **The Committee's new forecast is for shorn wool production to total 287 mkg greasy this season, up by a slight 1.1%** on the 284 mkg that was produced in 2019/20. This new forecast is above the Committee's August forecast of 279 mkg for 2020/21.

The higher shorn wool production is being driven by higher average wool cuts per head for the season. In August, the Committee predicted that the average wool cuts per head would increase by 2.9% in 2020/21. With the excellent spring rains and pasture growth since then in New South Wales, Victoria, Tasmania and South Australia, the Committee now expects that the average cut per head will lift by 7.3% to 4.43 kg/head. This would take the average cut per head back to the levels seen in 2017/18 before the prolonged drought caused much lower wool cuts. The Committee expects that the number of sheep shorn will fall by 5.5%, offsetting much of this improvement in wool cuts. The Committee predicts that the number of sheep shorn will fall to 64.8 million head, reflecting the lower number of sheep at the start of the season and less premature shearing. It also noted that a record number of sheep have been transported across the Nullarbor from Western Australia to the eastern states as producers in South Australia, Victoria and New South Wales look to restock. You can read more details of the Committee's forecast in the Media Release sent with the *Newsletter*.



THIS IS THE LAST NCWSBA WEEKLY NEWSLETTER FOR 2020. THE NEWSLETTER WILL RESUME ON FRIDAY, 15th JANUARY 2021



THE NCWSBA OFFICE WILL BE CLOSED FROM 22ND DECEMBER 2020 TO 7TH JANUARY 2021 INCLUSIVE

On behalf of the Board of the National Council of Wool Selling Brokers of Australia, I wish you all a well-deserved restful and enjoyable Christmas and a much better and prosperous 2021.

INDUSTRY EVENTS

The **2021 IWTO Congress** is scheduled to be held in Kyoto, Japan in May 2021.

THE AUSTRALIAN WOOL MARKET IS IN RECESSION FOR THREE WEEKS OVER CHRISTMAS-NEW YEAR. SALES RESUME IN THE WEEK BEGINNING 11TH JANUARY 2021.

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