NCWSBA

The National Council of Wool Selling Brokers of Australia Inc

NCWSBA 100 1920-2020

Gate 4
29 Frederick Rd
Tottenham Vic 3012

Phone: +61(0)419344259
E-mail: info@ncwsba.org
Twitter: @woolbrokersaus
Instagram: ncwsba

NEWSLETTER

15th January 2021 2021/01

From the desk of Chris Wilcox, Executive Director

- Solid opening to 2021 for the Australian wool market
- Wrap up of the first half of the 2020/21 season continued:
  - AWTA wool tests to December hits new low
  - National Wool Declaration statistics to December
- China wool quota increase in line with the China-Australia FTA
- Very good seasonal conditions with more rain expected
- Upcoming industry events

Happy New Year! Welcome to the first NCWSBA *Weekly Newsletter* for 2021! It has been a rather eventful three weeks while the **wool auctions** were in Christmas recess, notably in the US (riots, political upheaval and Presidential impeachment) and the UK (with Brexit), not to mention the rampant spread of COVID in both countries as well as throughout Europe, and now in Japan and South Korea. Despite this upheaval, the largest weekly offering since March 2020 and a much stronger A$, the **Australian wool market** began 2021 well, with prices rising for most microns, with some weakness in the eastern states for 20-22 micron wool. The **Eastern Market Indicator** (EMI) lifted by 15 cents to 1172 c/kg. The Western Market Indicator rose the most, rising by 24 cents to 1222 c/kg, while the Southern Market Indicator and the Northern Market Indicator were both 15 cents higher at 1134 c/kg and 1233 c/kg respectively. The A$ was stronger against all the major currencies compared with the close before the recess. As a result, the EMI was 33 UScents higher at 907 USc/kg, 153 RMB higher at 5878 RMB/kg and 28 €cents higher at 748 €cents/kg.

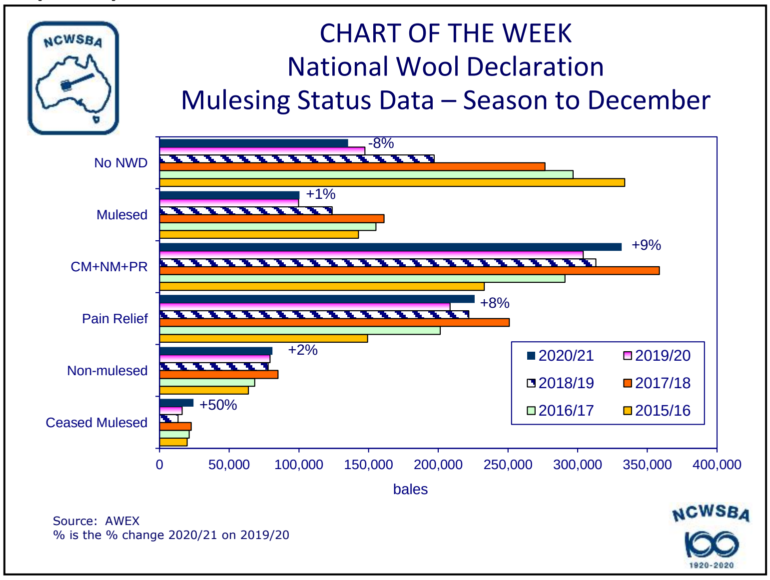
There has been the usual set of data on the Australian industry released over the recess period, including the wool test statistics for December and statistics on mulesing status from the National Wool Declaration.

The AWTA data on **wool tested** in December shows that the volumes of wool tested fell compared with December 2019. The weight of wool tested was 4% lower for the month, while the number of bales tested was 4.2% lower. There were mixed results between states, with the weight of wool tested in New South Wales, Tasmania and Queensland all increasing for the month, but declining in Victoria, Western Australia and South Australia. The weight of wool tested across Australia in the first six months of the 2020/21 season was 9.1% below the total for the first six months of the 2019/20 season. As a result, the six-month aggregate is well below any year since at least 2000/01 (which is as far back as my databases go), as shown in the table below.

Table: AWTA weight of wool tested for July to December (mkg)

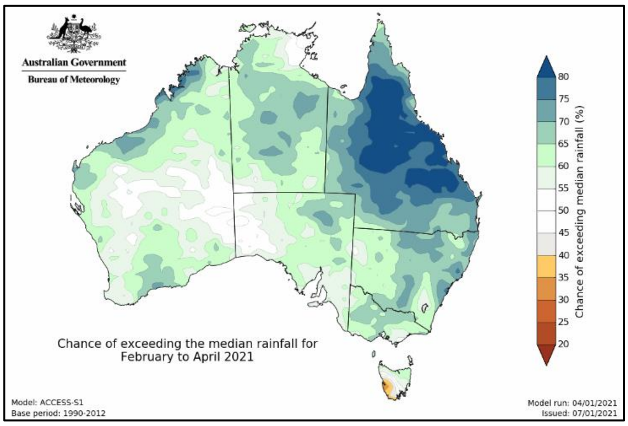
	NSW	Vic	WA	SA	Tas	QLD	Australia
2012/13	69.059	44.687	34.888	27.766	6.044	8.305	190.749
2013/14	69.175	42.203	36.437	26.781	5.948	6.817	187.361
2014/15	70.565	42.910	35.133	29.060	6.148	4.745	188.561
2015/16	66.938	38.493	34.562	27.764	5.438	3.807	177.002
2016/17	67.101	37.325	37.236	29.406	5.059	4.534	180.661
2017/18	67.687	39.814	34.872	30.359	5.448	4.954	183.134
2018/19	56.472	37.242	30.732	26.81	5.127	4.801	161.184
2019/20	53.447	34.976	30.334	24.979	4.936	4.001	152.673
2020/21	51.441	31.342	25.497	22.010	5.132	3.331	138.813
Change	-3.8%	-10.4%	-15.9%	-11.6%	+4.0%	-16.7%	-9.1%

The latest data from AWEX shows that there was a 7% lift in the number of first-hand farm bales offered at auction with **a National Wool Declaration (NWD)** in the first half of the 2020/21 season. The most significant % increase was in bales of wool declared as Ceased Mulesed (CM), which was up by 50%, with a more moderate 2% increase in the number of bales declared as Non-Mulesed (NM) and an 8% increase in wool from sheep that have been mulesed with an analgesic or anaesthetic product (AA). As a result of these changes, the proportion of wool offered at auction declared as NM was 14.3%, while the proportion of wool declared as AA was at 39.9%. In total, the amount of wool declared as NM, AA or CM was 58.4% of the total volume of first-hand wool offered. Wool with an NWD was at 76.1% of the total offering.



You may have seen the media reports about **China's wool import quota**. that China has increased its quota for the import of Australian wool from 36,465 tonnes to 38,288 tonnes for 2021. This is positive, but as Peter Morgan (Executive Director of the Australian Council of Wool Exporters and Processors) advises, this doesn't fully explain the situation. The quota referred to is a Country Specific Quota for wool imported under the China-Australia Free Trade Agreement which was finalised in December 2015. It was initially set at 30,000 tonnes with an annual 5% increase for the next ten years. The recently announced increase in quota is in line with that FTA. Other countries, including New Zealand, have country quotas under their own Free Trade Agreements with China. These country quotas are in addition to China's Tariff Rate Quota of 287,000 tonnes. All greasy wool imported up to that amount attracts a preferential import duty of 1%.

Rainfall across Australia over the past three months (October to December) has been average or above average, with more rain falling in the first two weeks of January. The Bureau of Meteorology expects average or above average rain between February and April, continuing the very good seasonal conditions. This higher-than-average rainfall is due to a La Niña event which is nearing its peak strength. However, the Bureau says that this does not necessarily mean its influence on rainfall has also peaked. It also notes that La Niña typically increases the likelihood of above average rainfall across eastern and northern Australia during summer. The map shows the Bureau's prediction of rainfall between February and April – green shows a higher chance of above average rainfall and the darker the green the greater the chance.



INDUSTRY EVENTS

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

WOOL SALES WEEK BEGINNING 18th JAN 2021 – week 30 (roster as at 14/1/2021)

Sydney	
Tues 19th Jan, Wed 20th Jan	12,927 bales
Melbourne	
Tues 19th, Wed 20th Jan, Thurs 21st Jan	27,027 bales
Fremantle	
Tues 19th Jan, Wed 20th Jan	9,286 bales

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