The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Gate 4
29 Frederick Rd
Tottenham Vic 3012

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

11th January 2019 — 2019/01

From the desk of Chris Wilcox, Executive Director

- Wool prices start 2019 strongly
- Continued fall in wool tested across Australia but superfine wool up
- Share of Non-Mulesed wool lifts to record 12.3% in first half of the season
- Australian wool exports to China slump in November
- Serious rainfall deficit for mainland Australia in 2018
- Upcoming industry events

It was a great start to 2019 for the **Australian wool market** with prices for almost all micron categories lifting. The exception was 16.5 micron and finer wool which was flat to lower. This wool is in plentiful supply and that is probably holding prices back. The Eastern Market Indicator rose by 48 cents to 1910 c/kg. The Northern Market Indicator was 42 cents higher at 1948 c/kg, the Southern Market Indicator lifted by 53 cents to 1887 c/kg and the Western Market Indicator was 52 cents higher at 2083 c/kg. The rise in the EMI was helped by a fall in the A$ against all the major currencies over the Christmas recess. In early January the A$ fell below 70 UScents, but recovered to 71.85 UScents (still lower than before the recess). It is also lower against the Euro and the Chinese Renminbi. Even so, the EMI was higher in all three currencies - 25 USc higher at 1371 USc/kg, up by 3 €cents to 1186 €cents/kg, and 73 RMB higher at 9321 RMB/kg.

There has been a lot of Australian industry data released over the recess period, including the wool test statistics for December, the mulesing status statistics for December and wool exports for November. I will provide more detail on wool tests this week because supply is currently one of the major drivers of market conditions. I will cover the other two sets of data in more detail in next week's edition.

The AWTA data on **wool tested** in December showed a 7.8% year-on-year drop in the weight of wool tested in December. This follows the 21.2% plunge in November. The concern is that the fall in December 2018 was from a low level of wool tested in December 2017. As a result, the aggregate of the weight of wool tested across Australia in the first six months of the 2018/19 season was 12% below the total for the first six months of the 2017/18 season. The aggregate is well below any year since at least 2000/01 (which is as far as my databases go). In fact, at 161.2 mkg greasy, the total this season for the July to December period is less than half the total of 362 mkg greasy tested in the first six months of the 2000/01 season. There were significant falls in December in the weight of wool tested in New South Wales (-12.6%) and Western Australia (-12.2%). Wool tests also fell in Victoria (-4.3%), South Australia (-3%) and Queensland (-0.9%). The weight of wool tested increased in Tasmania for December. For the first six months of 2018/19, the weight of wool tested fell in all states. The table on the next page shows the weight of wool tested in the first six months of the 2018/19 season compared with same six months for the previous seven seasons.

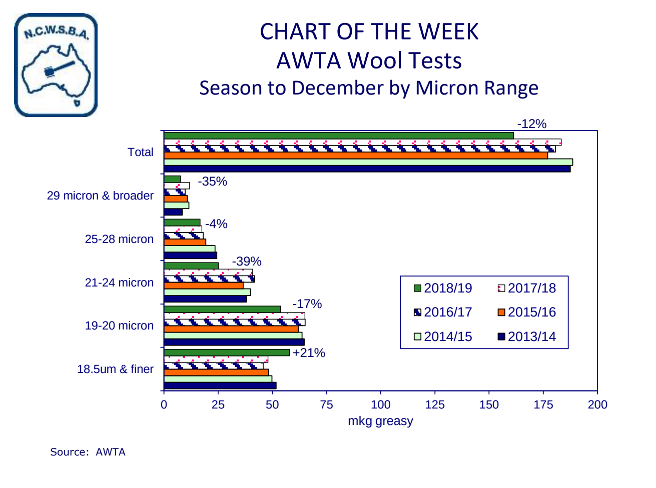
The latest data from AWTA on **wool tests** continues the trend seen earlier in the season of an increased weight of superfine wool (18.5 micron & finer) and a sharp drop in the weight of medium and broad Merino wool (20 to 24 micron). In the first six months of this season, the weight of superfine wool tested was 21% higher than for the same period in 2017/18 season. 57.9 mkg greasy of superfine wool was tested in the first six months, a record amount. Superfine wool accounted for 36% of all wool tested. This far exceeds the previous record of a 26.2% share for the July to December period (which was set last season).

In contrast to this sharp jump in the weight of superfine wool tested this season, there was a massive 39% drop in the weight of wool tested between 21 and 24 micron. Wool between 19 and 20 micron fell by 17% and the weight of wool tested of 29 microns & broader was down by 35%. The volume of finer crossbreds (25 to 28 micron) was down by a smaller amount, down 4%. The average micron this season is 20.4 um, down from the average of 20.9 micron for the same period last season. In 2000/01 the average micron was 22 um, so there has

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

	NSW	Vic	WA	SA	Tas	QLD	Australia
2011/12	64.859	46.595	31.643	27.948	5.982	8.064	185.091
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	42.91	35.133	29.06	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
Change	-16.6%	-6.5%	-11.9%	-11.7%	-5.9%	-3.1%	-12.0%

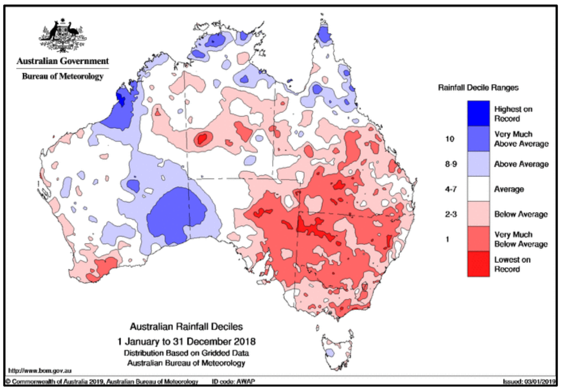
been a massive change over the past 20 years. The increase in superfine wool production this season has been brought about largely by the poorer nutrition of the sheep as a result of the drought across Australia. The **Chart of the Week** shows the weight of wool tested by micron category for the past six seasons.



AWEX released data on **mulesing status** for the first six months of 2018/19. It shows that while a fall in the number of bales declared as Non-Mulesed (NM) and Pain Relief (PR) in December (down 4% and 10% respectively) and in the July to December period (down 8% and 12% respectively), the decline was much lower than the fall in the total number of bales offered at auction (down 18% in December and 20% for July-December). As a result, the share of Non-Mulesed wool increased to 12.3% for the six months to December (a record) and the share of Pain Relief wool was at 35%.

According to data released earlier this week, **Australian wool exports** fell in November in both volume and value, with a sharp drop in exports to China. The volume of wool exports was down 26% while the value of exports fell by 15%. Exports to China slumped by 39% (volume) and 30% (value). For the first five months of the 2018/19 season, the total export volume was down by 17% but the value of exports was 7% higher.

There was some improvement in the **amount of rain** in December for some parts of the country, notably through much of Victoria and into the southern parts of New South Wales. However, rainfall was below average in northern parts of NSW, in Queensland and in the pastoral areas of South Australia. For the 2018 calendar year rainfall was well below average through all the sheep producing regions of mainland Australia (see map). Rainfall was average in Tasmania. The Bureau of Meteorology expects lower than average rainfall over the next three months for most of mainland Australia.



INDUSTRY EVENTS

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019. Accommodation at two the three suggested hotels is already full. Rooms remain available at the third option. Registration opens later this month. For further details, click here.

WOOL SALES WEEK BEGINNING 14th JAN 2019 – week 29 (roster as at 10/1/2019)

Sydney
Wed, 16th Jan. Thurs 17th Jan — 14,349 bales

Melbourne
Tues, 15th Jan, Wed, 16th Jan. Thurs 17th Jan — 28,604 bales

Fremantle
Wed, 16th Jan. Thurs 17th Jan — 10,955 bales

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