The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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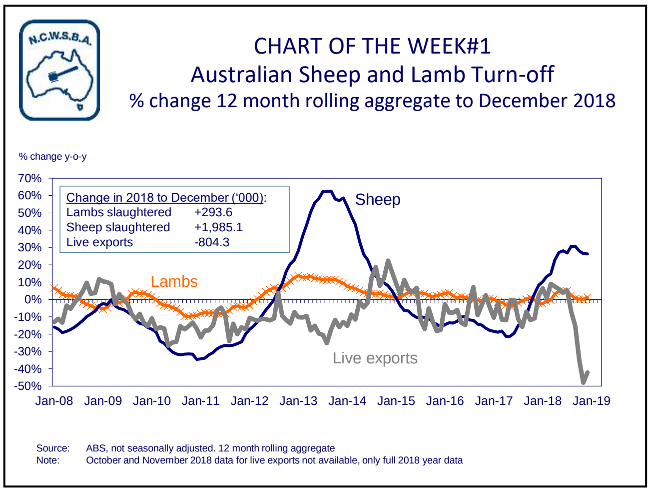
From the desk of Chris Wilcox, Executive Director

- Australian wool prices continue their march higher
- Sheep and lamb turnoff in Australia rises despite drop in live sheep exports
- MLA predicts nearly 4% drop in Australian sheep numbers by June 2019
- Plaque in honour of Elizabeth Macarthur unveiled
- IWTO 2019 Congress in Venice – registration open
- Upcoming industry events

Prices in the **Australian wool market** continued to march steadily higher, with no sign of a break in step since the start of the New Year. The **Eastern Market Indicator** (EMI) lifted by another 24 cents to 1968 c/kg prices, taking the gain in the EMI since the resumption from the Christmas recess to 106 cents. Prices increased across the full micron range, from 16.5 micron (up an average of 25 cents in Melbourne and Sydney) to 32 micron (up 8 cents). The largest gains were seen in Melbourne and Fremantle, with the Southern Market Indictor rising by 28 cents to 1940 c/kg and the Western Market Indicator lifting by 29 cents to 2130 c/kg. The price rises in Melbourne were helped by being a Tasmanian origin feature sale. The Northern Market Indicator, which had risen the most in the previous fortnight, rose by 16 cents to 2011 c/kg. The increases this week came even though the A$ strengthened against other currencies compared with last week. The EMI increased by 21 UScents to 1401 USc/kg, was 27 €cents higher at 1242 €cents/kg and was 170 RMB higher at 9475 RMB/kg.

One of the key drivers of the rise in prices in the past month and more has been the low level of supply in the Australian wool market, particularly of 20-24 micron wool. Total auction offerings this season to date are 14.9% lower than for the same period in 2017/18, led by an 18.5% drop in the Northern region. This is a greater decline than the Australian Wool Production Forecasting Committee predicted in December. The Committee meets on 1st April to review its forecast for 2018/19 and consider its first forecast for 2019/20. One factor that the Committee will consider will, of course, be **sheep numbers**.

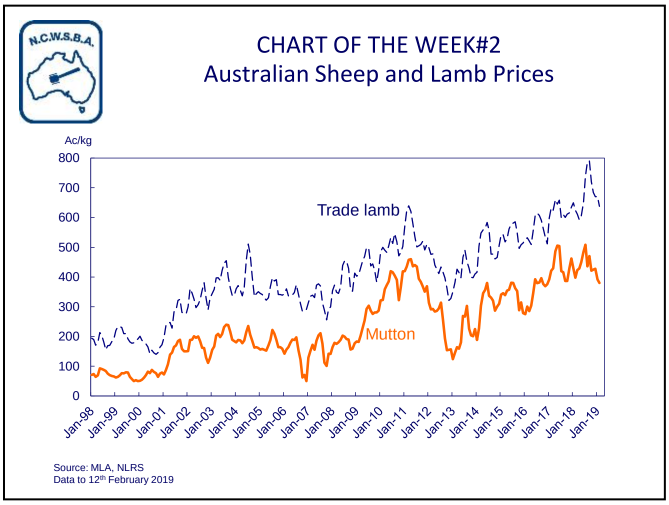
Sheep numbers at the start of the 2019/20 season will be determined by the number of sheep and lambs slaughtered over the season, the number of live sheep exported, and the number of lambs marked. At this stage, data is only available to December 2018 on slaughterings and live exports. The first **Chart of the Week** shows the trends in the year-on-year change in slaughterings and live exports, as well as the change in the number of sheep and lambs slaughtered and exported live for calendar year 2018. As it shows, the number of sheep slaughtered rose significantly in 2018 but the number of sheep exported live fell very sharply due to the moratorium on exports during the year. Overall, the number of sheep turned-off (i.e. slaughtered or exported live) increased by 1.18 million head. The number of lambs slaughtered also increased. Given the anecdotal reports that I have heard about low lambing



percentages and low ewe scanning rates due to the drought, it is almost certain that sheep and lamb numbers in Australia will be lower at the start of the 2019/20 season.

Earlier this week, Meat and Livestock Australia (MLA) released their latest forecast for sheep numbers to 2022 as part of their **2019 Australian sheep industry projections report**. MLA says that "*The poor conditions that marred 2018 will have a significant impact on sheepmeat supply in 2019, with lamb slaughter forecast to be its lowest since 2012. Dry conditions, which have led to substantial drops in marking rates and the extensive culling of ewes and ewe lambs…*". Given this, MLA predicts that the national sheep and lamb flock will drop by 2.5 million head or 3.7% between July 2018 to June 2019. In my view, with such a decline in sheep numbers, wool production in 2019/20 will remain very low even if there are drought-breaking rains which help boost the average wool cut per head in 2019/20. MLA believes that sheep numbers will recover once seasonal conditions allow. The high prices for both sheepmeat and wool *"…provide a strong incentive for producers to rebuild their heavily depleted breeding flocks"*.

The second **Chart of the Week** illustrates the point about high sheepmeat prices. It shows the trends in prices for lamb and for sheep in Australia over the past twenty years. As can be seen from this chart, prices in the past few months have pulled back from the peaks for both lamb and sheep, but still remain at the upper end of price levels in the past two decades. MLA does not think this will change, given that it anticipates that *"…robust international demand and a low Australian dollar will continue to support Australian exports…"*, particularly as supply and exports will decline in both Australia and New Zealand. These two countries account for around ¾ of world trade in sheep meat. Download the full report from MLA on its projections by clicking here.



A **plaque to honour Elizabeth Macarthur** (pioneer of the Australian Merino wool industry) was unveiled last Friday (8th February 2019) at Robertson Park, Watsons Bay in Sydney. This is close to the footings of "Clovelly", the house where Elizabeth lived. Robert Ryan (MD of Schute-Bell and past President of NCWSBA) attended the ceremony representing NCWSBA. Here is a photo Robert took of the plaque which was initiated by the Shire of Woollahra Council.

Registrations for the International Wool Textile Organisation's 2018 Congress in Venice are open. Click here to register. The Early Bird fee for IWTO Members is €1300 (valid until 6th March). Note, there is an additional 22% Italian VAT.

INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on Monday, 1st April 2019 at AWTA in Melbourne.

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019.

WOOL SALES WEEK BEGINNING 18th FEB 2019 – week 34 (roster as at 14/2/2019)

Sydney	
Wed, 20th Feb, Thurs 21st Feb	9,516 bales
Melbourne	
Wed, 20th Feb, Thurs 21st Feb	24,453 bales
Fremantle	
Wed, 20th Feb, Thurs 21st Feb	8,500 bales