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 break the volatile pattern and lift again
- Wool prices remain depressed in NZ and the UK
- Decline in AWTA wool test data moderates in October
- Very dry Southern Wet Season and no relief in sight
- Upcoming industry events

There was some relief this week in the **Australian wool market** from the volatile pattern seen over the previous four weeks as prices rose for the second week on the back of solid demand. The **Eastern Market Indicator (EMI)** rose by 49 cents to 1594 c/kg, with significant price gains for both Merino and Crossbred wool. After only hosting a one-day sale last week, Sydney had some catching up to do. As a result, the Northern Market Indicator recorded the largest lift for the week, up by 66 cents to 1626 c/kg. The Southern Market Indicator rose by 40 cents to 1567 c/kg. The Western Market Indicator saw the smallest gain for the week of 15 cents to finish at 1687 c/kg. There were signs of the immediate demand being sated, with prices easing in both Melbourne and Fremantle on Thursday. The A$ was stronger against the US$, the Euro and the Renminbi. The EMI closed 46 UScents higher at 1104 USc/kg, was up by 39 €cents to 989 €cents/kg and rose by 299 RMB to 7,771 RMB/kg.

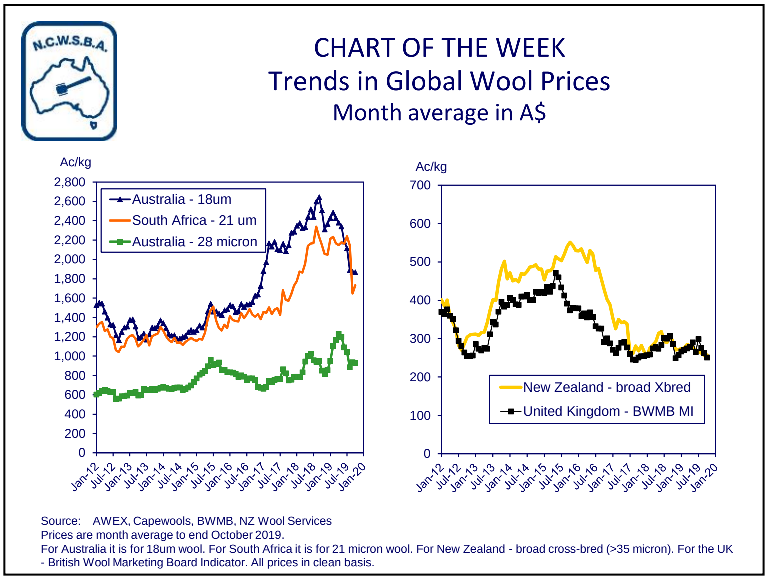
As I (and others) have commented on recently, Australian wool prices have been extremely volatile week by week over the past month or so, after having fallen sharply in August. Despite this volatility, wool prices in Australia have recovered well from the recent low point of 1365 c/kg in the first week of September. It is now 230 cents higher than that low point but is still 121 c/kg (7%) below the level at the start of the season. Have we seen the same decline and volatility in wool prices in other countries?

The situation in **South Africa** is somewhat confounded by the difficulties that country has had with its exports to China since the start of 2019 arising from the outbreak of Foot and Mouth Disease. After an extended break in auctions from the start of June, auctions in South Africa resumed on 5th September with a 28% slump in the Cape Wools Market Indicator (in Rand terms). Prices have since recovered some of the losses and are now 12% below the level at the end of the 2018/19 season. Interestingly, prices in South Africa have not seen the extreme volatility seen in Australia.

Prices for broad Crossbred wool (32 microns and broader) in **New Zealand** and the **United Kingdom** remain depressed. After starting the 2019/20 season on a strong note in July, prices in the UK have fallen back again. The British Wool Marketing Board Market Indicator jumped by 18% in the first sale of the season in July, but have now dropped away and are 10% below the level at the last sale of the 2018/19 season. In fact, this week's sale saw the BWMB Market Indicator fall to the lowest level in a decade. In New Zealand, the strong wool indicator has moved in a narrow band of between 271 and 282 NZcents/kg this season, much the same as at the close of the 2018/19 season. This level is low, but not historically low as seen in the UK.

The **Chart of the Week** on the next page shows the trends in wool prices for Australian 18 micron and 28 micron, South African 21 micron, broad wool from the United Kingdom and broad wool prices from

New Zealand. The chart shows prices in A$ terms and are month average. The month average basis hides the extreme volatility seen for Australian wool in the past month or so.

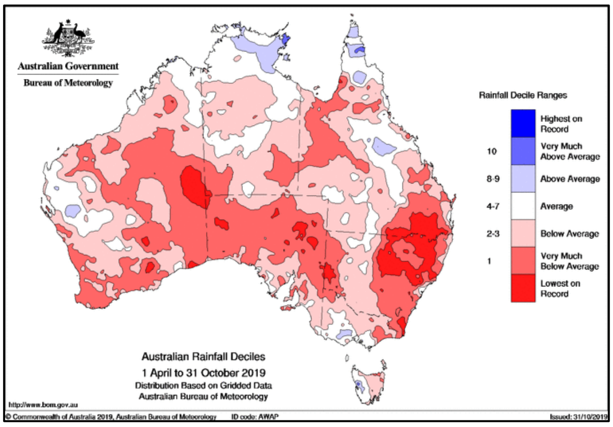


One of the factors that will contribute to price levels in Australia is, of course, supply. This has been very constrained this season, with AWEX reporting a 16.1% year-on-year drop in auction offerings for the 2019/20 to this week. Rostered offerings over the next three weeks are in line with last year, although last season's offerings were well below the year earlier.

AWTA earlier today released the **wool test data** for October. The monthly data shows some moderation in the significant drop in wool test volumes seen in previous months. The total weight tested by AWTA in October was down by 4% compared with October 2018. At 33.2 mkg, it was only slightly lower than the weight tested in October 2016. By state, wool tested in Western Australia was slightly higher than a year earlier and the weight of wool tested was down for New South Wales and Victoria by 2% to 3%. But there were large declines of more than 10% in the other three states.

Despite the smaller year-on-year decline in October, the weight of wool tested for the four months July to October this year was 11% lower than for the same period in 2018/19. This Australia-wide decline and the state-by-state falls will be reviewed by the Australian Wool Production Forecasting Committee when it meets on 20th November (this is a month earlier than originally planned, with the meeting brought forward due to the significant declines in wool volumes so far this season). The state committee meetings will be held in the next couple of weeks.

What the Bureau of Meteorology calls the Southern Wet Season has not delivered. As the map shows, **rainfall was very much below average** across most parts of Australia, regardless of state or region. Some regions, such as the New England region in northern New South Wales, have had the lowest rainfall on record. The southern and western part of Victoria fared better. Unfortunately, the outlook from the Bureau of Meteorology for the November 2019-January 2020 period (released yesterday) does not auger well for a breaking of the drought, with the Bureau expecting below average rainfall across the country.



INDUSTRY EVENTS

The **2019 IWTO Round Table** will be in held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **NCWBA Centenary Auction and Cocktail Reception** will be held in Melbourne on Thursday, 20th February 2020.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

WOOL SALES WEEK BEGINNING 4th NOV 2019 – week 19 (roster as at 31/10/2019)

Sydney
Wed, 6th Nov; Thurs, 7th Nov — 9,515 bales

Melbourne
Wed, 6th Nov; Thurs, 7th Nov — 18,396 bales

Fremantle
Wed, 6th Nov; Thurs, 7th Nov — 8,596 bales

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