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
Instagram: ncwsba

NCWSBA 100 1920-2020

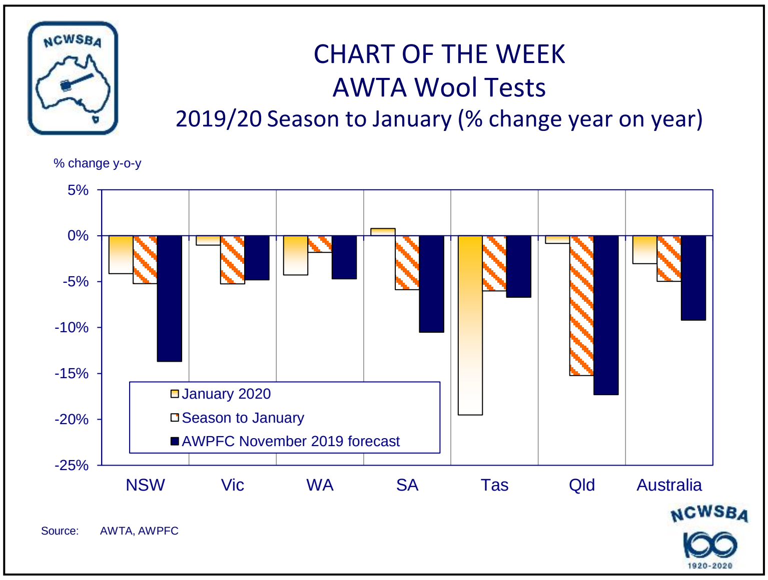
7th February 2020 2020/03

From the desk of Chris Wilcox, Executive Director

- Resilient wool market lifts despite on-going coronavirus concerns
- Wool tested down by 5% for season to January
- Strong rise in wool declared as Ceased Mulesed and Non-Mulesed
- AWEX proposal on Non-Mulesed definition – NCWSBA position
- IWTO 2020 Congress - caution on planning travel
- Upcoming industry events

The **Australian wool market** shrugged off the ongoing worries and uncertainty about the coronavirus outbreak and the travel and other restrictions imposed in China and lifted strongly this week on the back of solid demand and lower than rostered supply. Prices were up firmly on Wednesday and continued to rise on Thursday, with finer microns and better specc'ed wool in demand. The **Eastern Market Indicator** (EMI) lifted by 29 cents for the week, to close at 1577 c/kg. While Merino wool prices recorded strong increases of 30-60 cents across the micron range, prices for Crossbred wool recorded more modest increases of 4 to 17 cents. After a good result last week, the Western Market Indicator lifted by 26 cents to 1709 c/kg. The Southern Market Indicator also rose by 26 cents to 1555 c/kg recovering all of last week's losses and more, while the Northern Market Indicator rose by 34 cents to 1612 c/kg, not quite making up for last week's declines. The A$ recovered a little against all the key currencies this week following the sharp decline of last week, although it remains below 68 UScents. The EMI lifted by 22USc to 1065 USc/kg, by 23€cents to 970 €cents/kg and by 178RMB to 7420 RMB/kg.

AWTA on Monday released the data on **wool tested** in January. It shows that after the unexpected year-on-year 15% jump in December, the weight of wool tested was lower than year earlier levels in January. However, the year-on-year decline of 4.3% for the month was a much smaller decline than seen between July and September 2019. As a result, the weight of wool tested for the seven months July to January was 5% lower than for the same period in 2018/19. This year-on-year decline is quite a bit smaller than the Australian Wool Production Forecasting Committee's November 2019 forecast of a 9.2% drop in 2019/20. In fact, it is the same as the Committee's August forecast of a 5% decline in production for the full 2019/20 season.



The **Chart of the Week** shows the % change year-on-year in wool tested in January 2020 and for the season to date for Australia and by state, compared with the AWPFC's November forecast. As can be seen, the Committee's forecast seems to be particularly pessimistic for New South Wales. The forecasts for both Western Australia and South Australia are also for a greater decline than for the season to January, but this may change in coming months. On the other hand, the Committee's forecasts for Victoria, Tasmania and Queensland are all in line with the year-to-date % change in the weight of wool tested. Note that the state-by-state change in wool tested is based on Wool Statistical Area, so gives the best guide to the actual change in production for each state. The AWPFC is currently scheduled to meet on 29th April 2020 to review its forecast for 2019/20 and also consider its first forecast for 2020/21.

While the number of bales tested for the seven months to January is down by 5.3%, AWEX reports that the number of bales offered at auction to the end of this week (week 32) was down by 9.7%. The number of bales sold for the season to the end of this week was 15.7% lower. This lower number of bales offered has resulted in a lower **number of bales with a National Wool Declaration (NWD)**. There were, however, more bales declared as Non-Mulesed (NM) and Pain Relief (PR). The table below shows the number of bales first-hand offered with each mulesing status to the end of January.

The big change is the surge in the number of bales declared as Ceased Mulesed. It was up 33% year-on-year for the seven months to January. As well, the number of bales declared as Non-Mulesed (NM) was 3% higher than a year ago. These increases go against the overall decline in the number of bales of first-hand wool offered in the July-January period this season. As a result, the proportion of both CM- and NM-declared wool was noticeably higher this season, with the number of NM bales now making up 14.5% of the offering. The number of bales of wool declared as Pain Relief (PR) declined by 5%. However, this decline was smaller than the decline in total number of bales offered, so the proportion of PR-declared wool increased to 37.1%. In total, almost 55% of wool offered at auction in the first seven months of the season were declared as CM, NM or PR. As well, 72.5% of the offering had an NWD.

Table: NWD Statistics – July-January (bales)#

	CM	NM	PR	CM+NM+PR	Mulesed	All NWDs	ND	Total
2018/19	15,966	93,279	260,536	369,781	145,418	515,199	227,963	743,162
2019/20	21,207	96,299	246,443	363,949	117,366	481,315	182,800	664,115
% change	*+33%*	*+3%*	*-5%*	*-2%*	*-19%*	*-7%*	*-20%*	*-11%*
2018/19 share (%)	2.1%	12.6%	35.1%	49.8%	19.6%	69.3%	30.7%	100%
2019/20 share (%)	3.2%	14.5%	37.1%	54.8%	17.7%	72.5%	27.5%	100%

As many of you will know, after the Industry Services Advisory Committee of AWEX conducted an extensive and thorough **review of the NWD** in the second half of 2019, the AWEX Board on 10th January called for industry comment and feedback on a proposal to replace the current NM Mulesing Status with two categories: NM1 (No sheep in this mob has been mulesed, and an alternative method to mulesing has not been used) and NM2 (No sheep in this mob has been mulesed, and an alternative method to mulesing has been used. Alternative methods are those using Liquid Nitrogen, Clips, Intradermal Injections). NCWSBA made a submission to AWEX on this proposal. In summary, NCWSBA is firmly against the AWEX proposal for a number of reasons. We believe that it calls into question the current accepted definition of mulesing from Animal Health Australia (which explicitly states that mulesing excludes nonsurgical approaches, including clips, intra-dermal injections or other future, non-cutting technologies). As well, the proposal will add to the complexity of the NWD, increasing the cost of compliance for growers, brokers and the industry. Furthermore, introducing these two new categories pre-empts the results from animal welfare research into freeze-branding which is currently being conducted.

The **IWTO Congress** this year is scheduled to be held in Tongxiang, China on 18th to 20th May. The outbreak of the coronavirus has cast doubts on this. The IWTO is monitoring the situation and urges caution on making travel arrangements to attend the Congress until the situation becomes clearer.

INDUSTRY EVENTS

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

The **Australia Wool Production Forecasting Committee** meets on 29th April 2020 in Melbourne.

WOOL SALES WEEK BEGINNING 10th FEB 2020 – week 33 (roster as at 6/2/2020)

Sydney
Wed, 12th Feb, Thurs 13th Feb — 8,054 bales

Melbourne
Tues, 11th Feb, Wed, 12th Feb, Thurs 13th Feb — 24,164 bales

Fremantle
Wed, 12th Feb, Thurs 13th Feb — 10,714 bales