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

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From the desk of Chris Wilcox, Executive Director



- Australian wool prices fall before steadying
- Large drop in total wool tests in September, but superfine wool up
- Seasonal conditions - soil moisture shortfall across much of Eastern Australia
- Dry outlook for next three months
- Upcoming industry events

Prices continued to slide this week in the **Australian wool market**. The declines were concentrated in the first sale day and came despite a sharp drop in the A$ against the US$ to the lowest level in 2½ years. Prices steadied in the east coast selling centres on Thursday and actually increased in Fremantle. The **Eastern Market Indicator** closed at 1992 c/kg, down by 21 cents for the week. The largest declines were recorded for 18.5 micron and finer wool, with price falls of up to 100 cents for 16.5 micron wool. Prices for medium Merino wool (19.5 to 21 micron) were actually firmer over the week, particularly in Fremantle. Crossbred wool prices were down by 30 to 50 cents. As was the case last week, the Merino Carding Indicator recorded the largest decline, down by 42 cents/kg. Prices fell in all three selling centres for the week, despite the bounce in prices in Fremantle on Thursday. The Northern Market Indicator fell the most, by 24 cents to 2050 c/kg. The Southern Market Indicator was 19 cents lower, closing at 1956 c/kg, while the Western Market Indicator was only 9 cents lower at 2132 c/kg.The more significant falls were seen in US$. The A$ fell sharply by 1.8 UScents over the week to 70.8 UScents, the lowest since January 2016. It also fell steeply against the Renminbi, but was steady against the Euro. As a result, the EMI was down by 51 UScents at 1410 USc/kg, 316 RMB lower at 9,694 RMB/kg and 14 €cents lower to 1230 €cents/kg.

On Monday, AWTA released data on **wool tested** in September. It showed a sharp drop in the weight of wool tested in September compared with September 2017. For Australia, the volume of wool tested were down by 19.2% compared with September last year. While the volumes in September 2017 was up 9% year-on-year, the aggregate for the month this year is well below any year back at least to 2011/12. There were very large drops in wool tested in New South Wales, Western Australia, South Australia and Queensland, with a decline in tests in Tasmania and a very small decline in Victoria.

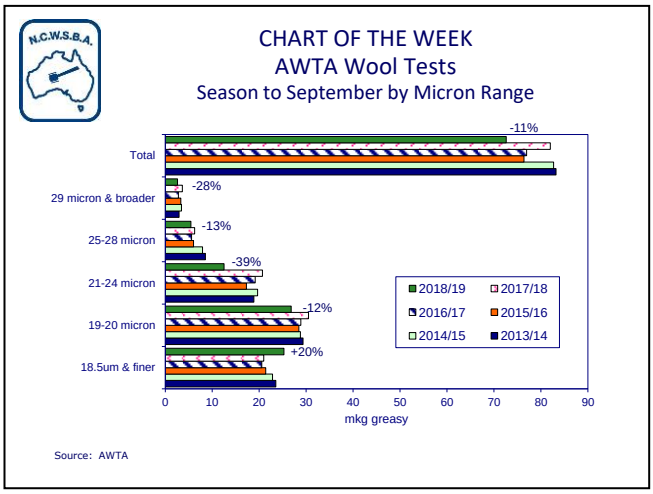
For the first three months this season, the weight of wool tested was down by 11.3% for Australia. This is much more than the current Australian Wool Production Forecasting Committee's forecast of -5.7%. The Committee noted in its release in August that *"How the season progresses over the next couple of months will be very important for overall production levels this season."* Disappointingly, drought conditions have continued throughout much of New South Wales, Queensland and parts of South Australia and Victoria. As well, production in September would have been adversely affected by the poor seasonal conditions in the previous 9-12 months. The table on the next page shows the weight of wool tested in the first three months of the 2018/19 season compared with same three months for the previous nine seasons.

Another feature of the AWTA wool tests is the contrast in the change in wool tested in **different micron categories**. There has been a massive 39% drop in the weight of wool tested between 21 and 24 micron as a result of the drought, which has hit many of the large producing regions of this wool, including the pastoral areas of South Australia and New South Wales and the central west region of New South Wales. 29 micron and broader wool also recorded a 28% drop in the weight of wool tested (although from a much smaller volume) and 25 to 28 micron wool saw a 13% decline in the weight of wool tested.

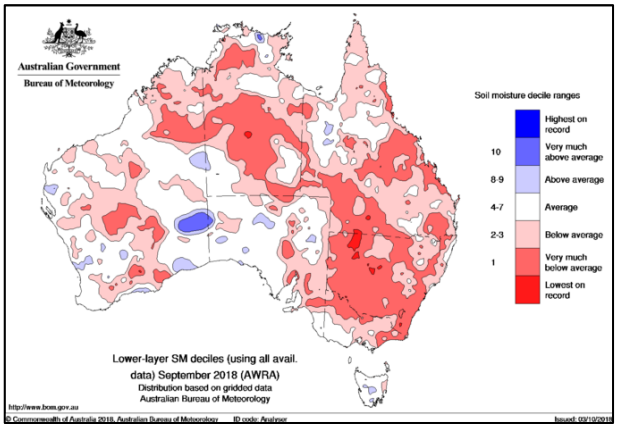
Table: AWTA weight of wool tested for July to September (mkg)

	NSW	Vic	WA	SA	Tas	QLD	Australia
2009/10	32.355	18.18	15.969	11.034	2.881	6.016	86.435
2010/11	28.971	16.923	15.407	9.695	3.088	4.533	78.617
2011/12	33.229	19.318	14.007	11.903	3.437	5.063	86.957
2012/13	33.204	17.261	13.4	10.747	3.302	5.042	82.956
2013/14	33.906	16.798	14.605	10.135	3.19	4.568	83.202
2014/15	34.379	17.002	13.582	11.188	3.462	3.099	82.712
2015/16	31.16	15.151	13.595	11.034	2.938	2.468	76.346
2016/17	30.052	13.699	15.416	12.517	2.976	2.238	76.898
2017/18	33.573	14.964	14.4	12.581	3.324	2.993	81.835
2018/19	28.252	15.116	12.232	11.097	2.977	2.908	72.582
Year-on-year change	-15.8%	1.0%	-15.1%	-11.8%	-10.4%	-2.8%	-11.3%

The 19 to 20 micron category was down by 12% drop. In contrast to these falls, the weight of superfine wool tested (18.5 micron & finer) jumped by 20% in the first three months of this season. Again, this is a direct result of the drought, with wool from sheep that would naturally be broader than 18.5 micron now being finer due to poorer nutrition. The **Chart of the Week** shows the weight of wool tested by micron category for the past six seasons.



As I mentioned earlier, **seasonal conditions** remain poor and dry in many parts of Australia. The Bureau of Meteorology reported Australia had the driest September on record. Furthermore, it said that "Compared to other January to September periods since 1900, year-to-date rainfall has been the second lowest on record for the Murray-Darling Basin, third lowest for NSW and eighth lowest for Victoria." This is having a major adverse effect on soil moisture levels in swathes of the eastern half of mainland Australia. The first map shows the lower-layer soil moisture deciles in September. There is a large area where soil moisture levels are "very much below average".



The Bureau expects that parts of eastern and southern Australia are likely to be drier than average **over the three months between October to December**, although significant parts of New South Wales may see average rainfall. The very good news is that there were good rainfalls in the past 24 hours in some of the drought affected areas of New South Wales. Much more is needed, of course.

INDUSTRY EVENTS

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 19th October 2018.

The **IWTO 2018 Roundtable** will be held in Buenos Aires on 3rd to 4th December 2018.

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

WOOL SALES WEEK BEGINNING 8th OCT 2018 – week 15 (roster as at 4/10/2018)

Sydney	
Wed, 10th Oct; Thurs, 11th Oct	8,905 bales
Melbourne	
Wed, 10th Oct; Thurs, 11th Oct	17,235 bales
Fremantle	
Wed, 10th Oct; Thurs, 11th Oct	8,327 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.