The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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21st June 2019 2019/23

From the desk of Chris Wilcox, Executive Director

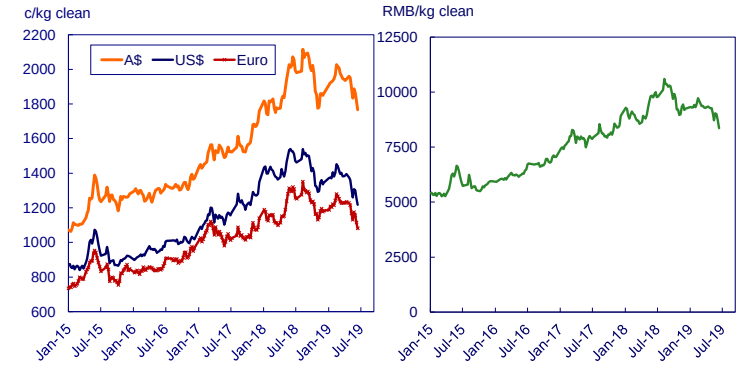


- Australian wool prices continue to fall
- Wool exports from the five major exporters declines
- China leads the drop in raw wool demand
- New Notifiable Disease notification app from the Victorian Government
- Upcoming industry events

Prices in the **Australian wool market** fell for the third consecutive week despite low offering levels, a high pass-in rate and a weaker A$. Auctions were held in Melbourne and Sydney with only 19,072 bales offered. Prices fell for all microns that were reported. The **Eastern Market Indicator** (EMI) dropped by 75 cents, closing at 1766 c/kg, the lowest since April 2018. The Southern Market Indicator closed 59 cents lower at 1751 c/kg and the Northern Market Indicator fell by 53 cents to 1789 c/kg. The A$ was lower against the US$ and the Chinese Renminbi but was steady against the Euro. The EMI fell by 43 UScents to 1217 USc/kg (the lowest since October 2017), by 35 €cents to 1081 €cents/kg and by 359 RMB to 8361 RMB/kg.

As can be seen in the first **Chart of the Week**, there has been a steep decline in the EMI since March in all currencies as demand has weakened despite the low auction offering volumes. The decline in buying country currency terms have been aggravated by the decline in the A$, which is down by 2½ US cents and 1½ €cents since the start of March. Despite the decline in recent months, the EMI remains well above the levels seen throughout the 2015 to early 2018 period shown on the chart.

CHART OF THE WEEK#1
Australian Eastern Market Indicator
(week ending)

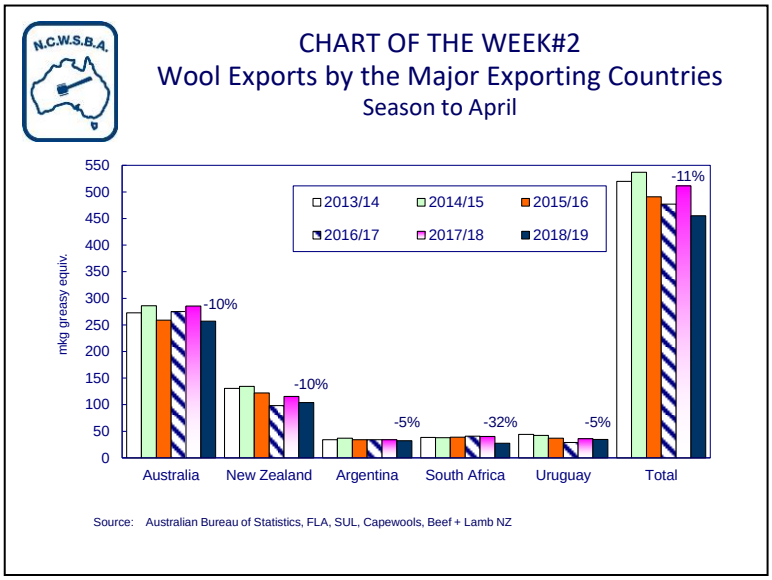


Source: AWEX. EMI on the 2017/18 basis.
Data to 21st June 2019

The fall in demand is illustrated by the decline in the volume of **wool exported by the five major wool exporting countries** (Australia, New Zealand, Argentina, South Africa and Uruguay). For the 2018/19 season to April, total wool exports from these five countries were 11% lower than for the same period in 2017/18. At just 455 mkg greasy, it is the lowest total export volume from these countries at least since 2009/10 (which is when my databases start for all of these countries) and probably for many years.

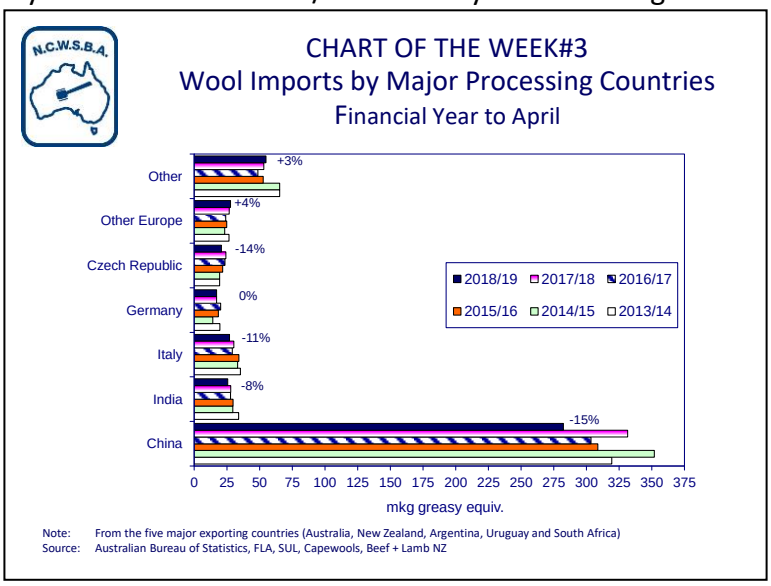
The second **Chart of the Week** shows the total exports by each of the five major wool exporting countries for the past six seasons to April. The large 32% drop for South African wool exports is the result mainly of temporary cessation of imports of South African wool by China due to the Foot-and-Mouth Disease outbreak, as well as the impact of a 2% decline in South African wool production due to drought. Australia's wool production is forecast to fall by 12.6% this season, although export volumes are only down by 10%, presumably because there has been some wool sold from stocks. New

Zealand's wool exports are down by 10% so far this season, even though its production is expected to be virtually static. The difference reflects the absence this season of stocks sold in 2017/18 that had built up in 2016/17, as well as weakening demand. Argentina's wool production is expected to increase by 3% this season, so the 5% drop in exports is due to lower demand. Uruguay's wool production is also expected to be static, so the 5% fall in exports similarly reflects lower demand.



The decline in demand for raw wool demand is being led by a sharp drop in demand by China, as can be seen in the third **Chart of the Week**. Exports of raw wool to China from the five major wool producing countries has dropped by 14% for the 2018/19 season to date. As can be seen in the chart, the volume of wool exported to China is well below the level of any of the previous five seasons. In fact, it was the lowest for any season back to 2009/10 when my database begins.

Most other countries have also recorded declines in wool volumes imported, although 'Other Europe' has seen a 4% lift courtesy of an increase in exports to Bulgaria and the UK. Exports to 'Other' countries has also increased as exports to Thailand and East Asia have risen.



The Federation of Australian Wool Organisations (FAWO) has continued its work to prepare the industry for an outbreak of an **Emergency Animal Disease**, such as Foot-an-Mouth Disease. The impact of the outbreak of Food-and-Mouth Disease in South Africa this season highlights the damage that would be done in the event of an outbreak. The quicker the detection and reporting of an outbreak can be made, the lower the impact and duration of any trade bans. It is therefore vital that suspected outbreaks are detected and reported early. The Victorian Government has launched a new mobile phone app called ***Notify Now*** for veterinarians, farmers, livestock agents, wool brokers and others to report notifiable diseases. You can download the app by searching for ***Notify Now*** in the Apple iTunes or Google Play stores.

INDUSTRY EVENTS

The **NCWSBA AGM** will be held in Melbourne on 22nd August 2019 in Melbourne, as part of Wool Week.

The **Nanjing Wool Market Conference** will be held in Qufu, Shandong on 20th to 23rd September 2019.

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

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

WOOL SALES WEEK BEGINNING 24th JUNE 2019 – week 52 (roster as at 20/6/2019)

Sydney	
Wed, 26th June Thurs, 27th June	8,073 bales
Melbourne	
Wed, 26th June Thurs, 27th June	15,573 bales
Fremantle	
Wed, 26th June Thurs, 27th June	7,226 bales

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