The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Volatility resumes - Australian wool prices retreat
- US-China trade dispute – the latest
- US wool clothing imports from China slump in September
- NM, CM and PR wool account for more than half wool offered
- Upcoming industry events



Activity in the **Australian wool market** started off well this week, with good energy and competition among buyers in the auction rooms bidding prices up on Wednesday. Disappointingly, this enthusiasm, waned on Thursday and prices eased back, particularly in Fremantle. Overall, the **Eastern Market Indicator (EMI)** lifted by 19 cents and closed at 1574 c/kg. There were very good price rises of 30-50 cents for Merino wool over the week, but a much more subdued result for Crossbred wool with prices steady to a little lower. After recording the largest decline last week, the Northern Market Indicator saw the largest lift this week, up by 27 cents to 1610 c/kg. The Southern Market Indicator finished 17 cents higher at 1551 c/kg while the Western Market Indicator rose 15 cents over the week, despite the decline on Thursday to 1677 c/kg. The A$ fell against all three main user currencies. As a result, the EMI closed only 2 UScents higher at 1079 USc/kg, lifted by just 7 €cents to 973 €cents/kg and by a bare 19 RMB to 7,514 RMB/kg.

There are signs in recent weeks of an easing in the tensions between the **US and China on the trade front**. A week or so ago, there seemed to be progress in negotiations between the two countries with reports in the media that the US will hold off from imposing the new additional tariffs on the remaining Chinese goods planned for December. In return, China would begin to remove the embargo it has placed on imports of US agricultural products which has hurt the Mid-West farmers in the US. The Chinese negotiators are also seeking removal of the tariff hike on a large range of products that the US launched in September. Those products included wool clothing (see edition 32 of the NCWSBA *Weekly Newsletter* on 6th September for details). Progress has been slow in the past week, with President Trump reportedly saying that he was hopeful of a trade deal but threatening to impose more tariffs on Chinese imports into the US if necessary. So, it seems to be two steps forward, one step back for the trade war.

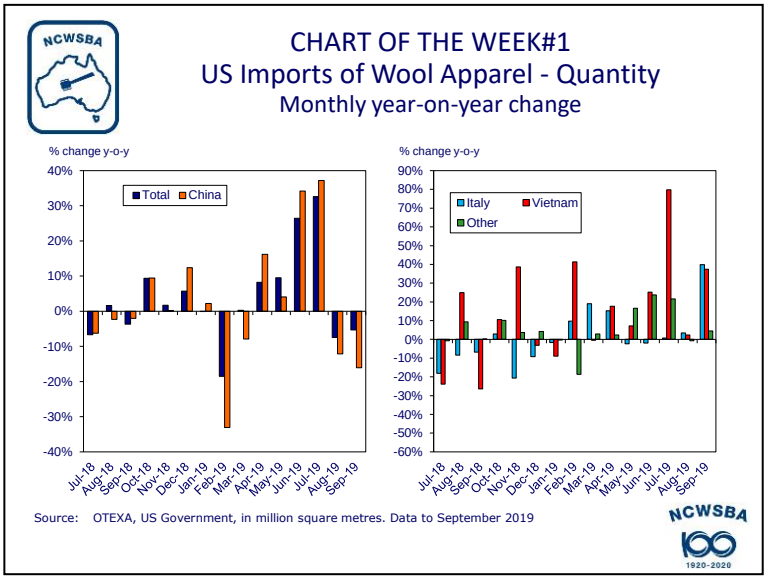
The impact of the additional 15% import tariffs imposed by the **US imports of wool apparel from China** in September can be seen in the latest import data from the US. As I covered in the *Weekly Newsletter* of the 13th September, US imports of wool clothing was up sharply in June and July, both in aggregate and from China. That sharp increase was reversed in August and in particular in September.

US imports of wool clothing from China slumped by 16% year-on-year by quantity and by 13% in value. Given that China accounts for around half of US imports of wool clothing, this meant that total imports of wool clothing by the US fell in September by 5% in quantity but by just 0.3% in value. US imports from other sources leapt in September, with imports from Italy, Vietnam and a number of other countries surging. Imports from Italy in September jumped by 40% (quantity) and by 18% (value), while imports from Vietnam were up by 37% (quantity) and by 52% (value). These increases, plus lifts in imports from a range of other countries, partly offset the decline in imports from China.

While US imports from China fell in September (and in August), US imports from China for the 2019 year to September were up year-on-year. Total US imports of wool clothing were also higher for the first nine months of 2019. This could well be reversed in the remaining three months of the year as a result of the

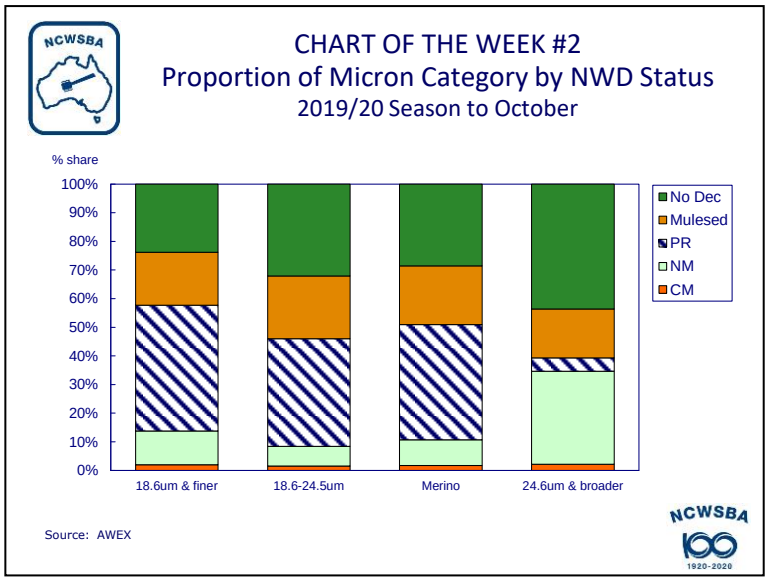
higher import duties on imports from China. Let's hope that the US and China reached agreement very soon and that the agreement includes removal of the higher duties on wool clothing.

The first **Chart of the Week** shows the monthly year-on-year change in US imports of wool clothing in total and by source country.



More than half the first-hand grower wool offered at auction in the first four months of the 2019/20 season was declared as **Non Mulesed (NM), Pain Relief (PR) or Ceased Mulesing (CM).** The latest statistics on **mulesing status** from AWEX (sourced from the National Wool Declaration) show that the combined total of wool accounted for 55% of all first-hand wool offered at auction in the July to October period. This compares with a share of 49% in the July-October 2018 period. NM-declared wool increased to 13.3% (up from 11.5%) while the PR-declared wool was at 39.2% (up from 35.6%). CM-declared wool was at 2.4%, up from 1.9% last season. Overall, wool offered at auction with a National Wool Declaration was 72.8% of the total, up from 69.1% this time last year. While the percentages have increased this season, the actual volumes were down for each category, reflecting the lower volumes due to drought and the weaker market conditions.

It is interesting to look at the mulesing status for each micron category (see the second **Chart of the Week**).



As can be seen, the largest share of NM wool is for the 24.6 micron & broader category, at 36%. In contrast, the Merino category has just 8.6% of the total declared as NM. In contrast, very little of wool in the 24.6 micron & broader range was declared as PR (just 5%) while around 40% of Merino wool was declared as PR. Interestingly, the proportion with a blank declaration and/or mulesed (interpreted as mulesed), was very similar for all micron categories at around 20%, including the 24.6 micron & broader. Finally, almost half of the 24.6 micron & broader wool did not have a declaration. As has been shown from the price analysis data from AWEX, even this broad wool attracts a premium for having an NWD.

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 18th NOV 2019 – week 21 (roster as at 14/11/2019)

Sydney	
Wed, 20th Nov; Thurs, 21st Nov	10,015 bales
Melbourne	
Wed, 20th Nov; Thurs, 21st Nov	21,779 bales
Fremantle	
Wed, 20th Nov; Thurs, 21st Nov	8,932 bales

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