The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

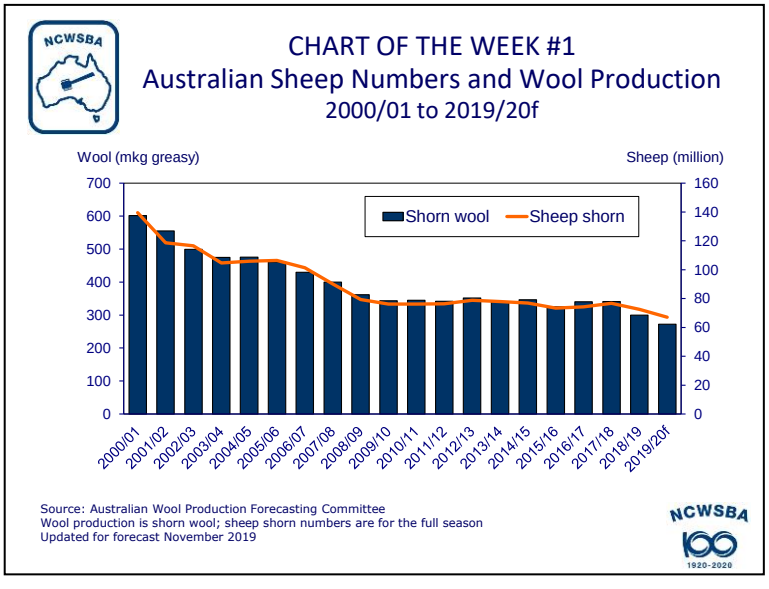
- Australian wool market dips again
- Australia's shorn wool production forecast to fall by 9% in 2019/20
- Sheep and lamb prices at highs but sheep and lamb turnoff falls
- New forecast for NZ sheep and wool industry
- Upcoming industry events



The **Australian wool market** is lacking direction as demand remains soft and hand-to-mouth, while auction supply is starting to lift a little. As a result, wool prices continue to bounce around, this week easing back after last week's modest rise. The softer prices seen last Thursday continued on the first day of sales on Wednesday before prices steadied on Thursday. The **Eastern Market Indicator (EMI)** fell by 19 cents, closing the week at 1555 c/kg. In the end, las week's price gains for Merino wool were given up this week. Prices for Crossbred wool were a little softer. The Western Market Indicator recorded the largest fall of the three selling centres, down by 22 cents to 1655 c/kg, although prices did improve a little on Thursday. The Northern Market Indicator was 19 cents lower at 1591 c/kg and the Southern Market Indicator slid by 5 cents over the week to 1532 c/kg. The A$ was steady against all three main user currencies, and the EMI closed 13 UScents lower at 1057 USc/kg, slid by 18 €cents to 954 €cents/kg and was down by 74 RMB to 7,440 RMB/kg.

The **Australian Wool Production Forecasting Committee**, of which I am a member, met on Wednesday to review its **forecast of shorn wool production** for the 2019/20 season. The Committee decided to move its meeting forward from December given the continued dry and drought conditions across many of the major sheep and wool producing regions. The dry conditions have resulted in a larger decline in wool volumes tested and offered at auction than the Committee had previously expected. **The Committee's new forecast is for shorn wool production to total 272 mkg greasy this season, down by 9.2%** on the 300 mkg that was produced in 2018/19. For those interested in historical precedence, this is the lowest level of shorn wool production in Australia since the 1923/24 season when shorn wool production was 268 mkg greasy.

The lower shorn wool production is being driven significantly by lower sheep shorn numbers. The first **Chart of the Week** shows the trends in sheep shorn numbers and shorn wool production in Australia since the start of the 2000s. As can be seen, after a period of steady production levels and sheep shorn numbers between 2009/10 and 2017/18, production and sheep shorn numbers have dipped in the past two seasons, largely as a result of the intense drought in New South Wales, the largest wool producing state.



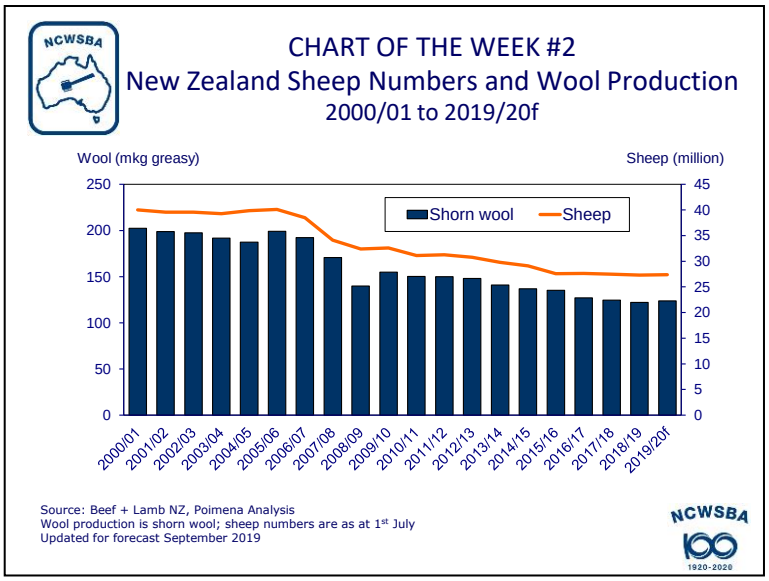
In August, the Committee predicted that shorn wool production would fall by 5% this season based on a return to more

normal Spring rainfall and rain falling in areas that are in drought. This has not eventuated for many regions, with below average rainfall in the three months from August to October in almost all of the major wool growing regions in Australia. This has resulted in lower fleece weights in many states, with the exception of some areas of Victoria. Overall, the Committee expects the national average wool cut per head to fall this season by 1.7% to 4.06 kg/head. This is the lowest average at least since 1981/82 (when the AWPFC's data series begins). However, the biggest contributor to the decline in shorn wool production is from a sharp drop in sheep shorn numbers. This is predicted to decline by 7.5% to 67.1 million head.

One of the challenges to a recovery in wool production in Australia is the attractive alternative for growers to sell their lambs and sheep for meat production. This has intensified this year for two reasons. First, the drought in many regions across Australia has reduced the number of lambs available both for flock rebuilding and for slaughter. Second, strong export demand for lamb and sheepmeat, notably for export to China as meat protein is required to replace the pork which has been hit by the severe outbreak of African Swine Flu, has seen **prices for both lamb and sheep** hit record levels in July. Prices have fallen back a little since then but remain high.

Despite the strong demand for lamb and mutton, **sheep and lamb turn-off** was 1.4 million lower in January to September this year compared with the same period in 2018. A major contributor to this has been a 900,000 head drop in the number of lambs slaughtered, which in significant part is due to lower lamb marking rates arising from the drought. The number of sheep slaughtered and the number exported live have also fallen, which is due to a combination of lower available sheep plus a keen interest among sheep producers to retain breeding ewes despite the drought.

Beef + Lamb NZ has released its new **forecasts for the New Zealand sheep and wool industry** in 2019/20. It estimates that there were 27.4 million sheep at the start of the 2019/20 season, slightly higher than a year earlier. The small increase was helped by excellent lamb and mutton prices, which encouraged retention of ewes. This positive effect on sheep numbers was countered by significant culls of poor-performing ewes brought on by the high mutton prices. Average wool cuts per head are expected to lift from last season's lows as seasonal conditions in some regions have improved. As a result, NZ shorn wool production is expected to lift by a slight 1.3% to 123.8 mkg greasy. The second **Chart of the Week** shows NZ sheep numbers and wool production since 2000/01.



Of interest, Beef + Lamb NZ reports that there was a significant increase in shearing charges in 2018/19, hurting producers of broad crossbred wool who were faced with very low wool prices. As a result, shearing costs accounted for 90% of farm wool receipts in 2018/19, according tor Beef + Lamb NZ!

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 25th NOV 2019 – week 22 (roster as at 21/11/2019)

Sydney	
Wed, 27th Nov; Thurs, 28th Nov	10,597 bales
Melbourne	
Wed, 27th Nov; Thurs, 28th Nov	21,380 bales
Fremantle	
Wed, 27th Nov; Thurs, 28th Nov	7,303 bales

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