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 auctions abandoned as cyber-attack hits
- Wool prices lift in South Africa
- Strong premiums for non-mulesed wool
- Record sheep and lamb prices
- Upcoming industry events



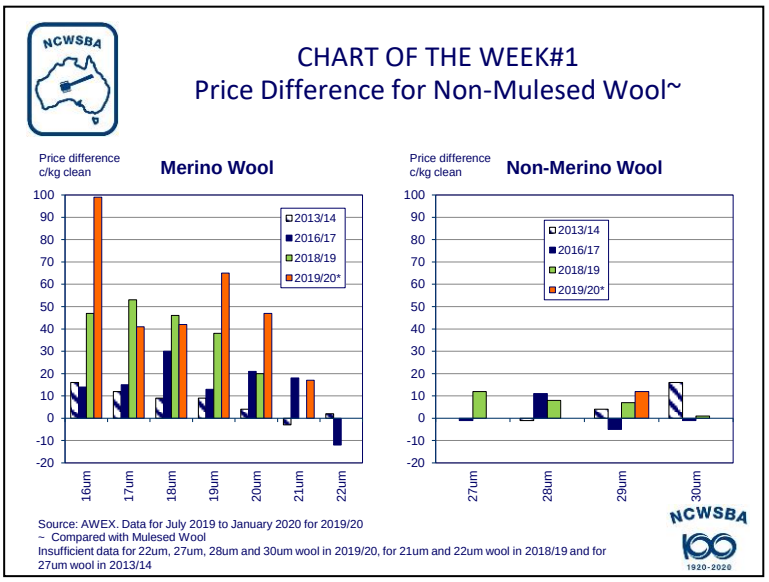
A week that promised so much was stymied by a **cyber-attack on Talman**, the major software supplier to both the **Australian wool industry** and the **New Zealand wool industry**. On Monday, buyers were saying that they had received a lot of interest from overseas for this week's auctions and there was a feeling that wool prices would rise. Then, the cyber-attack came in the early hours of Tuesday morning and shutdown the OZDE EDI network, the NZDE EDI network and Talman's Application Service Provider (ASP) hosting service. The ASP service is used by most buyers and some brokers, while the OZED EDI network is critical to exchange of ownership of wool within the Australian industry, while the NZDE EDI network is vital to the New Zealand industry. As a result of the attack, the National Auction Selling Committee (NASC) on Wednesday afternoon rescheduled the auction for that day. Then, late on Thursday morning, **NASC cancelled the Week 35 auctions in Australia**. Talman, NASC and AWEX expect that the ASP will be restored for clients on Sunday 1st March, as will the OZDE EDI network. Brokers will re-allocate lots that were to be offered this week to next week and to coming weeks. As a result, next week's sale currently has just under 70,000 bales rostered, one of the largest selling weeks in recent years.

For me, one of the most disappointing things from this week's events is that AWEX and NASC has seemingly ignored the offer from AWTA's Managing Director, Michael Jackson, on Tuesday that AWTA can provide an electronic mailbox for industry EDI transmissions (including catalogues, delivery orders, invoices), at least as a stopgap while the OZDE EDI network is down. AWTA has since worked with AWH on the processing of wool delivery orders, enabling the delivery of wool to recommence, at least for some buyers/exporters. I urge NCWSBA members to investigate the AWTA option as an alternative until the OZDE EDI system is back online.

While the Australian wool auctions were cancelled for the week, the **South African wool auction** went ahead in Port Elisabeth. Prices lifted in both Rand by 1.8% on the back of solid demand, helped by a lower Rand against the US$. Prices also lifted a little in US$. Given that the A$ fell to the lowest level against the US$ in 11 years this week and the very positive sentiment among buyers on Monday, it is very likely that wool prices would have risen in Australia this week as well.

AWEX has provided updated results on the average **price differences paid** in the 2019/20 season to the end of January for wool with the various **mulesing statuses**. The data shows that the average premiums paid for **non-mulesed Merino wool** at auction in the July 2019 to January 2020 period remained high. This can be seen in the first **Chart of the Week**, which shows the premium paid for non-mulesed wool by micron for 2019/20 to January compared with the average premiums paid for the full season in 2018/19, 2016/17 and 2013/14. The results are statistically sound for the microns shown (AWEX did not report the price difference for 22, 27, 28 and 30 micron wool this season due to lack of data). The highest premium was paid for 16 micron wool at 99 cents/kg, but the premiums for wool from 20 micron and finer were all above 40 c/kg. The premiums for 17 and 18 micron wool were a little lower than for the full 2018/19 season. The average premiums paid for increased for 16 micron, 19 micron, 20 micron and 21 micron wool.

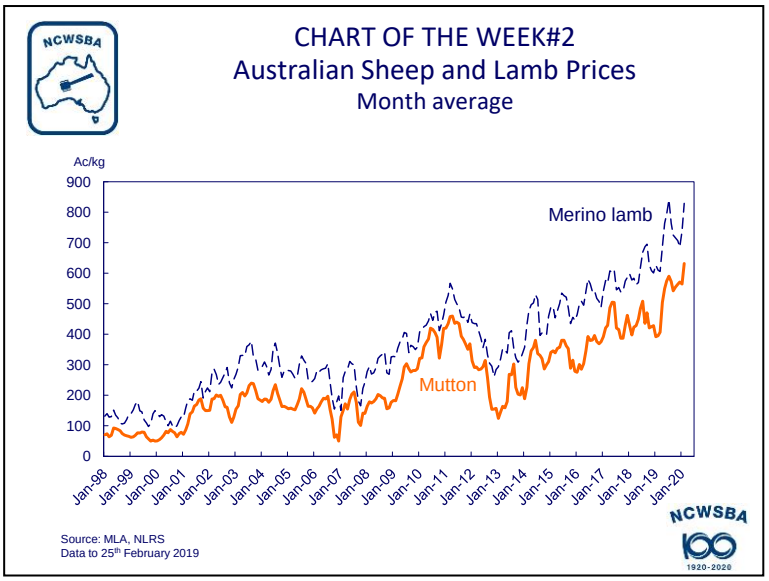
Remember that these are average price differences. As such, it does not show some of the much higher premiums that have been achieved for good quality, fine non-mulesed Merino wool. There is also non-mulesed fine Merino wool that is sold directly from growers under contract with some companies which I understand attract even higher premiums.



The data also shows that there premiums are paid for wool from properties that have **ceased mulesing**, with premiums of up to 35 c/kg for fine Merino wool. As well, the analysis shows that there were statistically-sound premiums paid for wool from sheep that have been **mulesed with pain relief**. The premiums paid for this Pain Relief-declared wool in the seven months July to January of this season was as much as 16 c/kg for 16 micron wool. The premiums disappeared or even became discounts for 19-21 micron wool, possibly because of the higher available volumes of this wool.

As has been the case in recent seasons, there are discounts exacted on wool that is offered without a National Wool Declaration (even wool with an NWD is declared as Mulesed). The discounts inflicted on Merino wool without an NWD compared with wool declared as Mulesed were between 3 c/kg and 12 c/kg in the July-January period. The discounts imposed on Crossbred wool as much as 14 c/kg. The market is clearly signalling that it wants wool producers to offer wool with an NWD.

It has been a while since I looked at the **prices for sheep and lambs**. 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.



As the second **Chart of the Week** shows, prices for sheep at saleyards hit record levels this month, while the price for Merino lambs at saleyards are also at near-record levels. The recent rains in some areas area providing an incentive to retain sheep and lambs. This, combined with the increased export demand for sheep and lambmeat, pushing saleyard prices higher. The increased export demand has been pushed by the massive impact of African Swine Flu on the Chinese pig population and China's increased demand for other meat to replace that.

INDUSTRY EVENTS

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

The **Italian Wool Trade Association** will hold its Centenary celebrations in Biella on 16th April.

WOOL SALES WEEK BEGINNING 2nd MAR 2020 – week 36 (roster as at 27/2/2020)

Sydney	
Wed, 4th Mar; Thurs 5th Mar	18,076 bales
Melbourne	
Tues, 3rd Mar; Wed, 4th Mar; Thurs 5th Mar	35,999 bales
Fremantle	
Wed, 4th Mar; Thurs 5th Mar	15,855 bales

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