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 prices on the up
- AWTA wool tests plummet in May
- Australian wool exports fall abruptly in April due to Covid-19
- NM-, PR- and CM-declared wool at 56% share of wool offered
- New regulations for administering pain relief in Victoria
- Good rainfall across eastern Australia over autumn, good outlook
- Upcoming scheduled industry events

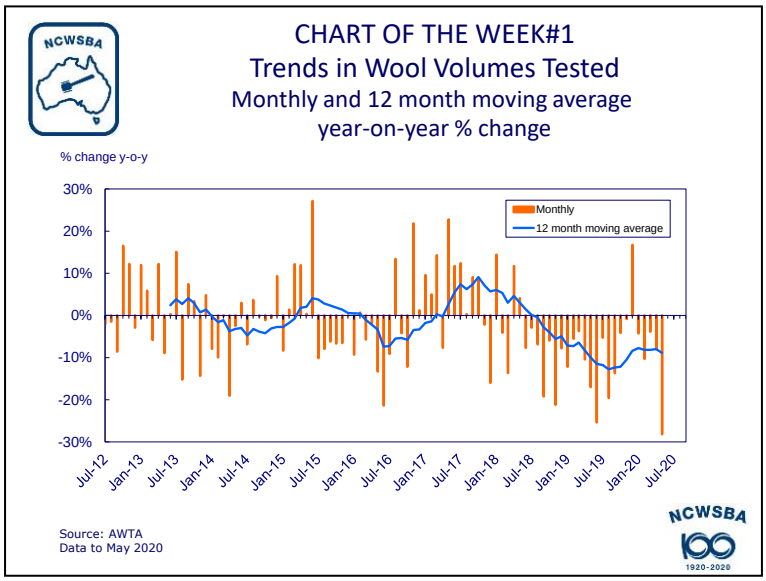
It was a very encouraging week in the **Australian wool market** with prices rising even though the A$ surged against the US$ and other key currencies. It was the second successive week that prices have lifted and comes as the supply of wool to auction remains very low and with news that the weight of wool tested in May dropped sharply. Prices for wool increased for almost all microns (the exception was, according to AWEX, 18 micron wool in Melbourne). The **Eastern Market Indicator** (EMI) lifted by 12 Acents to 1183 Ac/kg. This looks like a modest rise until you consider that the A$ leapt by 3 UScents for the week, pushing the A$ to just under 70UScents, the highest level since July last year. It was also much stronger against the Euro and the Renminbi. The boost to prices was helped by a low 15,375 bales on offer, with Fremantle not selling. The Northern Market Indicator rose most, up by 20 cents to 1232 c/kg while the Southern Market Indicator was 9 cents higher 1152 c/kg. In user currency terms, the EMI jumped by 44UScents to 821 USc/kg and rose by 20 €cents to 728 €cents/kg and by 261 RMB to 5819 RMB/kg.

In response to the low Covid-19 cases in Australia and the easing of restrictions, auctions this week returned to the purpose-built auction rooms in Sydney and Melbourne (although Room 2 in Melbourne was in the larger lunch area to allow for the appropriate social distancing). I am sure everybody would have appreciated being more comfortable (and warmer!), particularly the buyers. There are, of course, strict social distancing and hygiene requirements, including a minimum of 4 square metres per person in each room and only essential personnel attending (no public access or gallery).

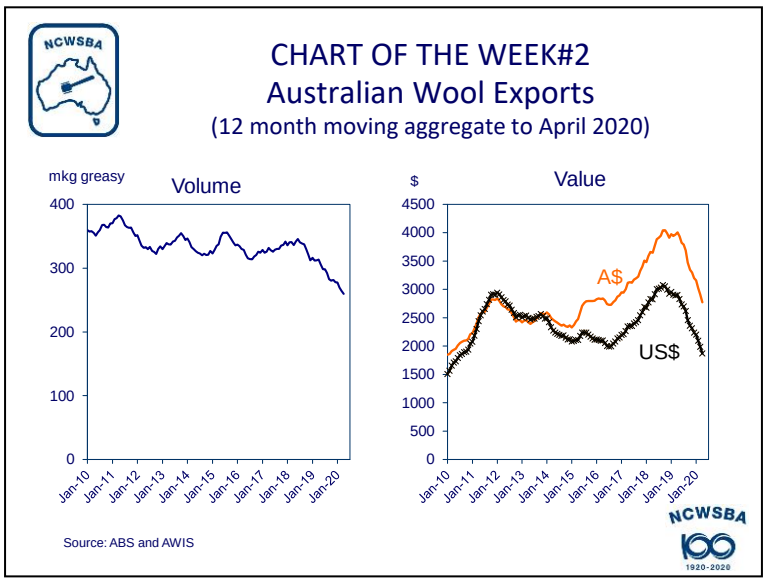
Being the start of the month, there is a lot of new industry data available, as usual. All the data points to lower wool supplies in Australia and lower demand. With the additional information, this week's *Weekly Newsletter* will be longer than usual.

The first piece of industry data is from AWTA on the amount of **wool tested in May**. The number of bales tested was 28.5% lower than May 2018 and the weight of wool tested was 28.2% lower. That's the largest year-on-year fall for a month for many years (actually since August 2003). The large drop will, in part, have been caused by the Covid-19 restrictions constraining shearing and a lack of immediacy for growers to get wool to market given the decline in wool prices (in contrast to May last year when the EMI was sitting at around 1900 c/kg). For the season to the end of May, the weight of wool tested was 7.6% lower than for the same period in the 2018/19 season. The first **Chart of the Week** (next page) shows the year-on-year % change in the weight of wool tested by month back to July 2012, as well as the 12-month moving average of the % change.

Each of the micron ranges saw similar declines to the aggregate in May, with 18.5 micron & finer down by 28%, the 19-20 micron range 25% lower, the 21-24 micron category down by 30%, the 25-28 micron range down by 40% and the 29 micron & broader category down by 23%. All states also saw large drops in the weight of wool tested (as measured by Wool Statistical Area), led by South Australia (down by 47%), Victoria (down by 33%), Tasmania (down 27%) and New South Wales (down 25%). Western Australia and Queensland saw more moderate (although still large) declines of 15% and 14% respectively.



The statistics on **wool exports from Australia in April** were released yesterday. It is the first month of data showing the impact of the imposition of extensive lockdowns around the world imposed in response to the global spread of Covid-19. As a result, there was a large drop in exports to a number of the major destination countries in April. Overall, the weight of wool exported fell by 16% year-on-year, while the value of exports was down by 37%. Exports to the largest destination, China, was down by only 7% in weight terms, but was 31% lower in value terms. However, it was exports to countries in some of the other major destinations in Europe and Asia that saw the largest declines. Overall, the weight of exports to Europe fell by 58% and exports to Asia (excluding China) was down by 65%. By country, exports to the Czech Republic fell by 71%, exports to India fell by 85%, exports to Italy were 57% lower and exports to South Korea were 54% lower. With these large declines to other destinations, China's share of Australia's wool exports was a massive 93% in May.



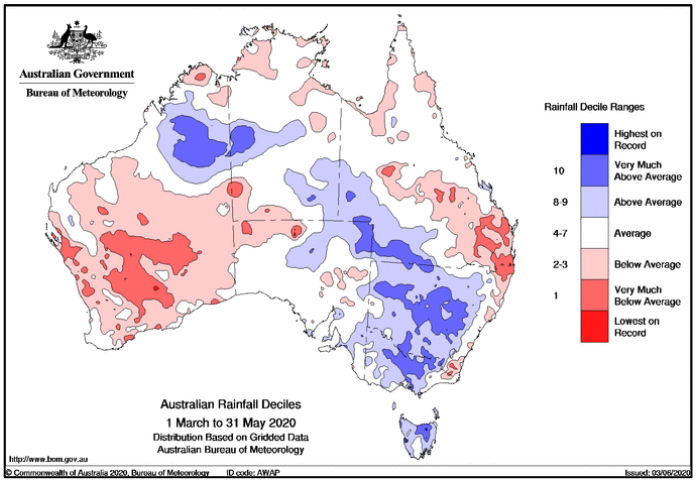
Obviously, there is no sign of a turnaround in the decline in wool exports seen over the past 18 months, particularly in A$ or in US$. The second **Chart of the Week** shows the long-term trends in the weight and value of Australian wool exports (on a 12-month moving aggregate basis). It shows that after peaking in the second half of 2018, the value and volume of exports has been on a steep decline.

Earlier in the week, AWEX released the May statistics from the **National Wool Declaration.** The total number of bales of first-hand grower clip wool fell by 47% in May compared with May 2019, continuing the significant decline seen in April. [The data does not include re-offered or bulk-classed wool]. The number of bales declared as Pain Relief (PR) was down by 36% as was the number of bales declared as Ceased Mulesed (CM), while the number of bales declared as Non-Mulesed (NM) was down 51% compared with May 2019. For the season to date, the total number of bales was 17% lower, while the number of bales declared as Non Mulesed (NM) was 11% lower for the July 2019 to May 2020 period and the number of bales declared as PR was 10% lower. The number of bales declared as CM was up

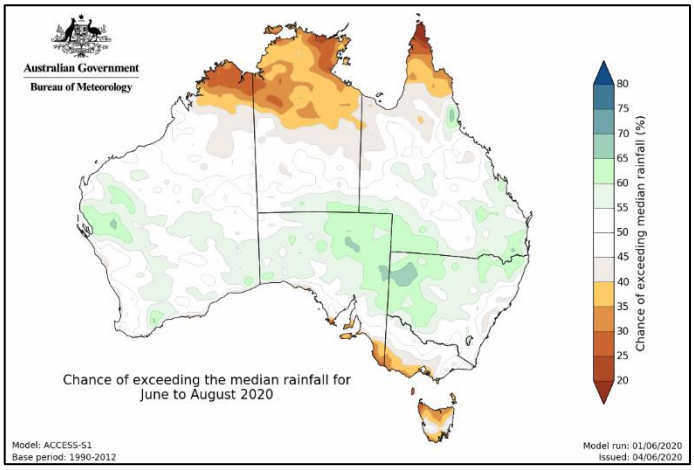
by 24%. The proportion of CM-, NM- and PR-declared wool combined was almost 56% of all first-hand grower wool offered at auction, with NM wool accounting for 14%.

One the topic of declaration of mulesing status, the Victorian Government's new **Prevention of Cruelty to Animals (POCTA) Regulations 2019** requires that **pain-relief must be used when mulesing sheep** as from 1 July 2020. The pain-relieving product must be registered for use on sheep by the Australian Pesticides and Veterinary Medicines Authority. Details of the pain relief requirements can be found at https://bit.ly/2XyG23i. In addition to Victoria, I am aware that the Governments of both New South Wales and Queensland are considering introducing mandatory pain-relief. NCWSBA supports the mandating of pain-relief when mulesing sheep.

After a wet April, **rainfall in May across Australia** was quite patchy. Some regions experiencing average or above average rainfall, notably in Victoria, Tasmania, eastern New South Wales and parts of South Australia, Queensland and Western Australia. Elsewhere, rainfall was below average in May. For the three months of autumn, there was excellent, above average rainfall across most of the eastern half of Australia, as the first map shows. This is a very welcome relief after the prolonged and intense drought seen in 2018 and 2019, particularly in New South Wales. As the map shows, it was drier than average in Western Australia over autumn.



The Bureau of Meteorology's **latest seasonal outlook for the next three months** is for average rainfall across most of the country, with the exception of the area around the southern border of South Australia and Victoria and in Tasmania (see the second map - the green/blue is above average rainfall while the yellow/brown is below average rainfall).



REMINDER: Nominations are open for NCWSBA Wool Broker Award for 2020. The Award recognises excellence in wool broking by a younger member of our industry – be it client servicing, auctioneering, innovation or other aspects of wool broking. This year's Award winner will be granted an **all-expenses paid trip to Kyoto, Japan to attend the 2021 IWTO Congress in May 2021.** Closing date for nominations is Friday, 26th June. Please contact me for an application form – chris.wilcox@ncwsba.org.

INDUSTRY EVENTS

Wool Week is scheduled for 27th and 28th August 2020, although this is to be confirmed.

The **NCWSBA Annual General Meeting** is scheduled for Thursday, 27th August (to be confirmed)

The **Nanjing Wool Market Conference** is scheduled to be held in Haining, Zhejiang on 18th to 20th September 2020 (to be confirmed).

WOOL SALES WEEK BEGINNING 8 JUNE 2020 – week 50 (roster as at 3/6/2020)

Sydney	
Thurs, 11th June	5,579 bales
Melbourne	
Wed, 10th June; Thurs, 11th June	13,726 bales
Fremantle	
Wed, 10th May	4,835 bales

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