The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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16th October 2020 2020/35

From the desk of Chris Wilcox, Executive Director

- Australian wool prices lift sharply as demand lifts
- Merino wool prices around 50th percentile, Crossbred prices low
- AWTA reports solid profit in 2019/20
- IWTO 2020 Roundtable goes virtual
- Upcoming industry events

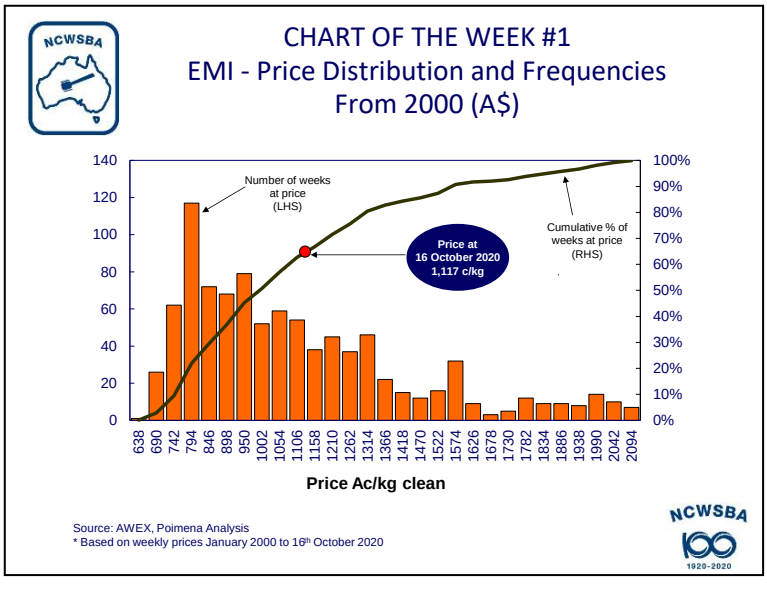


It was an excellent week in the **Australian wool market** as prices lifted sharply in response to solid auction demand. The **Eastern Market Indicator** (EMI) jumped by 95 cents, closing the week at 1117 c/kg. Prices for all wool microns recorded large increases over the week, with Merino wool prices gaining between 105 cents and 145 cents in the east coast selling centres. Rises were even higher in Western Australia. Crossbred prices saw more moderate increases. The Southern Market Indicator rose by 88 cents to 1075 c/kg, the Northern Market Indicator lifted by 108 cents to 1184 c/kg and the Western Market Indicator was 113 cents higher at 1167 c/kg. In user currency terms, the EMI rose by 74 UScents to 801 USc/kg, by 453 RMB to 5398 RMB/kg and by 62 €cents to 682 €cents/kg.

It has been twelve months since I looked at the **Australian wool price distributions.** In that time, Australian wool prices have fallen sharply. When I last looked at the price distributions in September 2019, the EMI was at 1542 Ac/kg (at the 89th percentile since 2000) and 1047 USc/kg (the 76th percentile). While wool prices have all fallen in the past year, the largest declines have been for crossbred wool, particularly at the broad end. The 32 micron price guide is down by 45% in A$. In contrast, prices for superfine Merino wool have fallen by much less, with the 16.6 MPG down by 5% year-on-year (and are actually 1% higher in US$), while the 18 MPG is 17% lower in A$ terms. Prices for Merino wool of 20 to 23 micron are down by around 35%, while the EMI is 26% lower year-on-year. Where does that leave prices in historical terms?

The first and second **Charts of the Week** show the cumulative **price distribution and the frequencies** (in number of weeks) for the EMI in A$ and US$ since 2000.

As the first **Chart of the Week** shows, the EMI in A$ has fallen to the 64th percentile, down from the 89th percentile a year ago That is, current prices are higher than 64 percent of prices since 2000. So, while prices are substantially lower than 12 months ago (and even more compared with 2 years ago when prices were at record levels), there have been 593 sale weeks in the past 20 years when the EMI was lower. That is quite remarkable given the awful economic and retail conditions around the world currently courtesy of the COVID-19 pandemic.

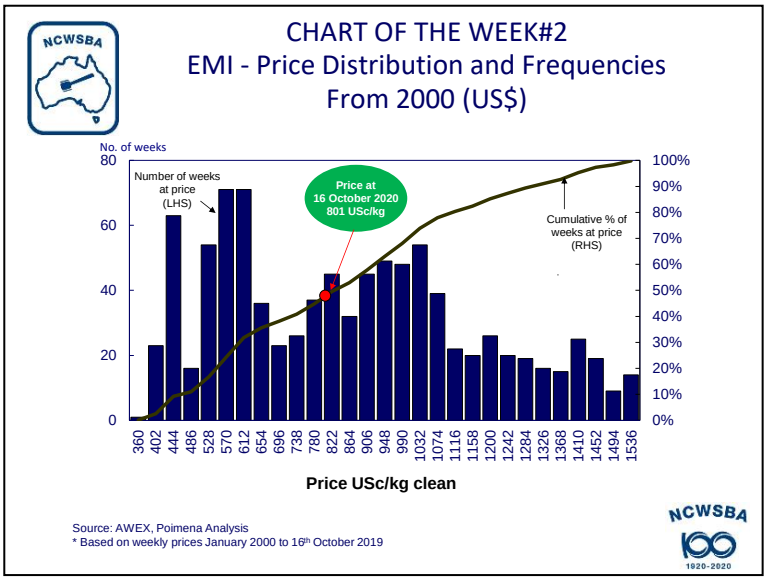


In percentile terms, the EMI in US$ has pulled back by more. This time last year it

had fallen to the 76th percentile after peaking at the 100th percentile in August 2018. It is down to the 47th percentile this week (the second **Chart of the Week**). Even so, there are 440 weeks since 2000 where the EMI was lower than currently.

The changes in the EMI masks some significant differences for each micron category. For example, the price for broad crossbred (32 micron) is down to the 1st percentile. In other words, 32 micron prices have rarely been lower than now.

The Appendix provides charts showing the price distribution and frequency charts for the 18 micron, 21 micron, 23 micron and 28 micron price guides and the Merino Carding Indicator in both A$ and US$.



As can be seen from the charts in the Appendix, the 28 micron price guide (MPG) has fallen back the most in percentile terms. It is now sitting at around the 37th percentile in A$ and the 24th percentile in US$. The prices for fine and superfine Merino wools are better, with the 18 MPG at the 66th percentile in A$ and the 52nd percentile in US$, while the 19 MPG is at the 62nd percentile in A$ and the 45th percentile in US$. Broader Merino wool has fared a little worse than the finer microns, with current A$ prices sitting at around the 57th percentile for both the 21 MPG and the 23 MPG, while the US$ prices are at the 45th percentile. To round it off, Merino Cardings have fallen back to around the 57th percentile in A$ and the 41st percentile in US$.

AWTA Ltd (the Australian Wool Testing Authority) held its **Annual General Meeting** today (16th October) and like all meetings in these days of Covid-19 restrictions it was held virtually. John Colley (NCWSBA's Immediate Past President) attended as the NCWSBA representative and I attended as the NCWSBA-appointed AWTA Board director. The company reported a net profit of $3.167 million for the financial year, lower than the $7.391 million profit recorded in 2019/20 mainly as a result of the sharp decline in wool test volumes in both Australia and New Zealand. Further details at https://awta.com.au/index.php/en/.

The **International Wool Textile Organisation** will be holding its **2020 Roundtable** virtually. It was scheduled to be held in Nuremberg, but travel restrictions and other Covid-19 restrictions have made that impossible. The Roundtable will now be held by Webex on Monday, 30th November to Wednesday, 2nd December 2020. A highlight of the Roundtable will be four chat rooms – one for Australia, one for Europe, one for China and one for the USA held over the three days. At this stage the Australian Chat Room will feature David Michell (Chair of Wool Industries Australia), Michael Jackson (MD of AWTA), Mark Grave (CEO of AWEX) and myself (Rowan Woods, NCWSBA President may also be on the panel). It will be held on 1st December at 7:30pm. There will also be meetings of the Product Wellness, Wool Sheep Welfare and Wool Trade Biosecurity Working Groups. Further details and registration will be available soon.

INDUSTRY EVENTS

The **2020 IWTO Round Table** will be held by Webex on 30th November to 2nd December.

The Australian Wool Production Forecasting Committee will meet on 16th December 2020 to review its current forecast of wool production for the 2020/21 season.

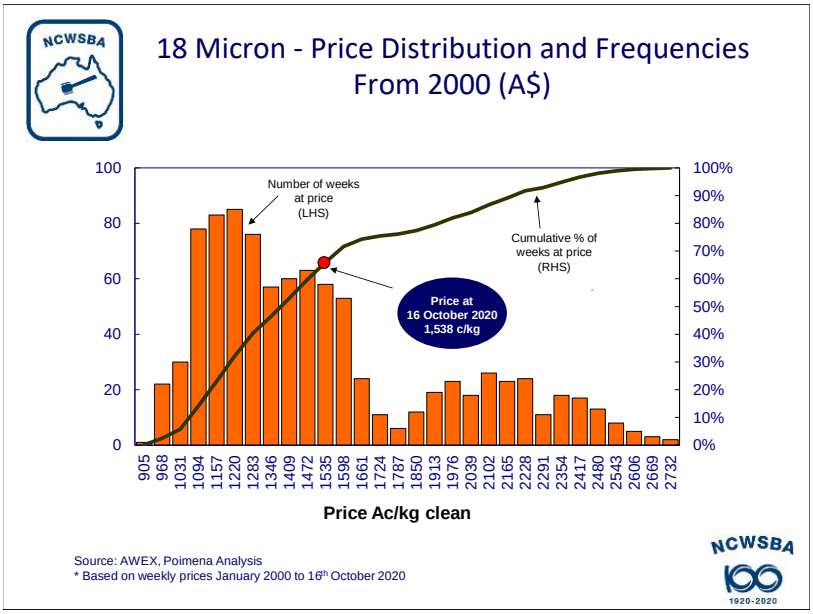
The **2021 IWTO Congress** is scheduled to be held in Kyoto, Japan in May 2021.

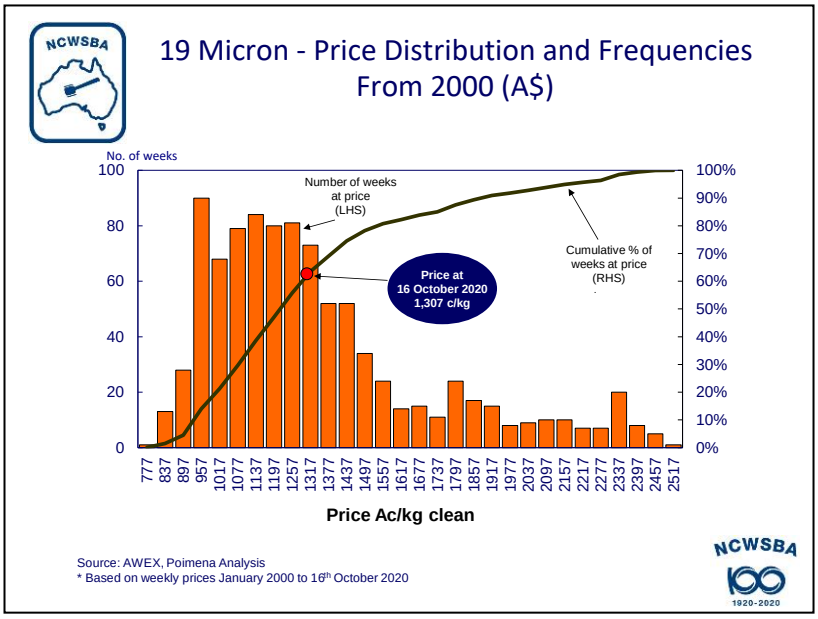
WOOL SALES WEEK BEGINNING 19th OCT 2020 – week 17 (roster as at 14/10/2020)

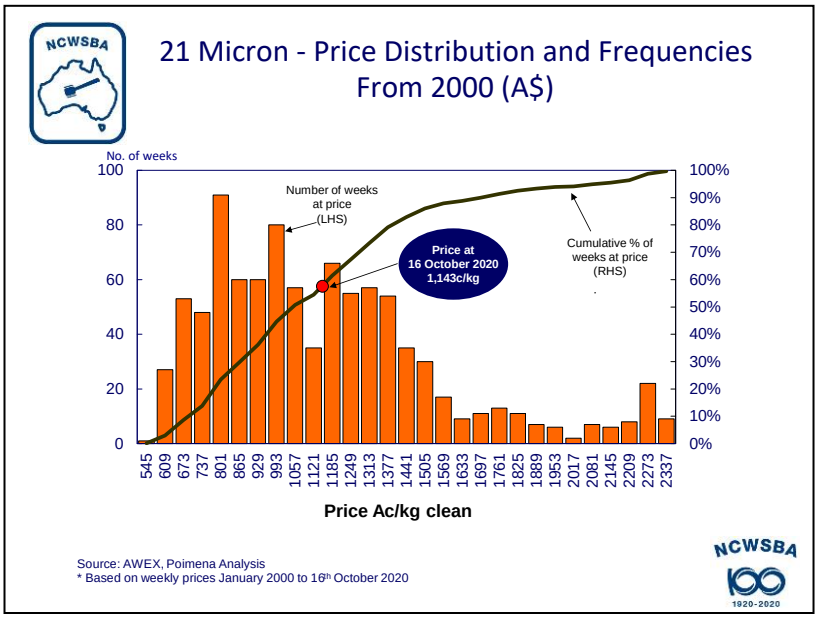
Sydney	
Tues, 20th Oct; Wed 21st Oct	7,660 bales
Melbourne	
Tues, 20th Oct; Wed 21st Oct	17,832 bales
Fremantle	
Tues, 20th Oct; Wed 21st Oct	8,601 bales

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

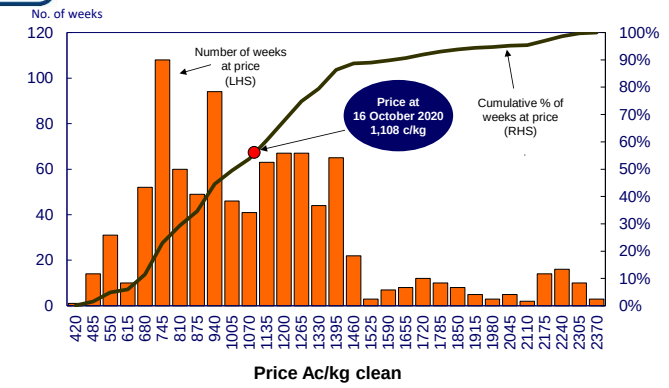
APPENDIX – PRICE DISTRIBUTIONS





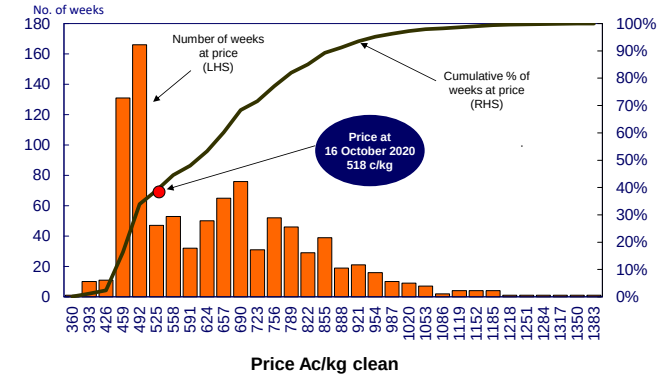


23 Micron - Price Distribution and Frequencies From 2000 (A$)



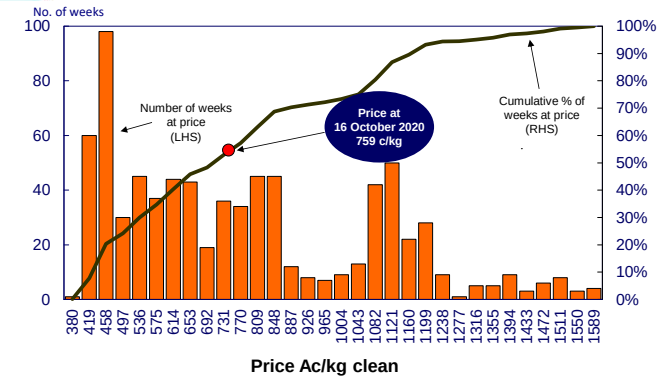
Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020

28 Micron - Price Distribution and Frequencies From 2000 (A$)



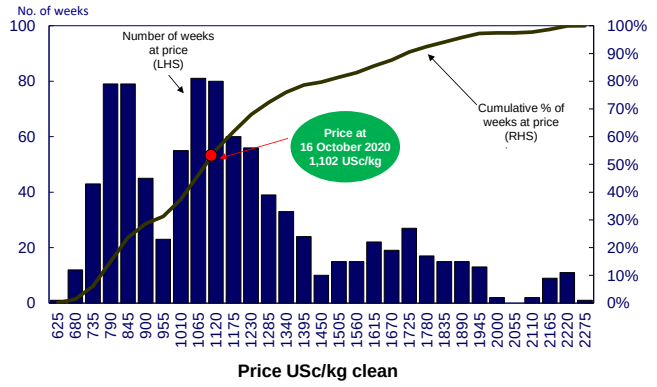
Source: AWEX, Poimena Analysis
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Merino Cardings - Price Distribution and Frequencies From 2000 (A$)



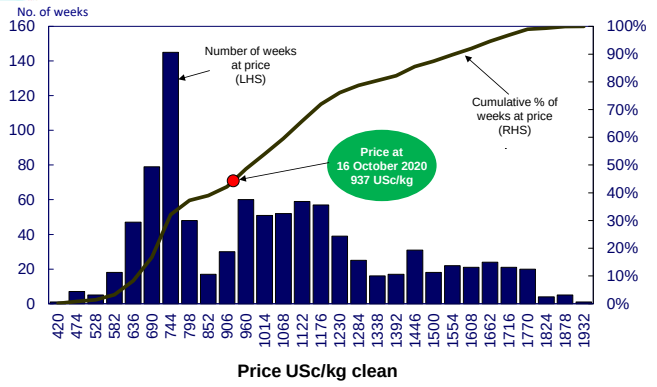
Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020

18 Micron - Price Distribution and Frequencies From 2000 (US$)



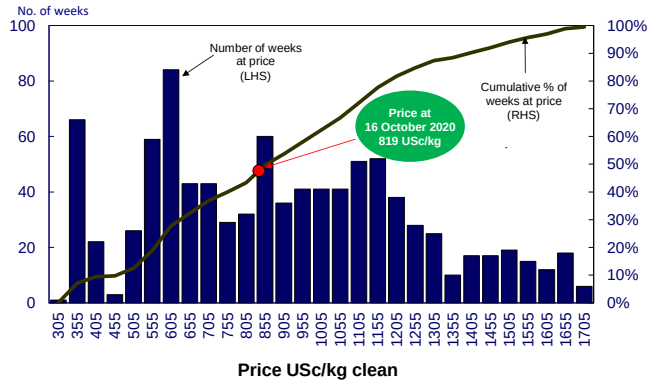
Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020

19 Micron - Price Distribution and Frequencies From 2000 (US$)



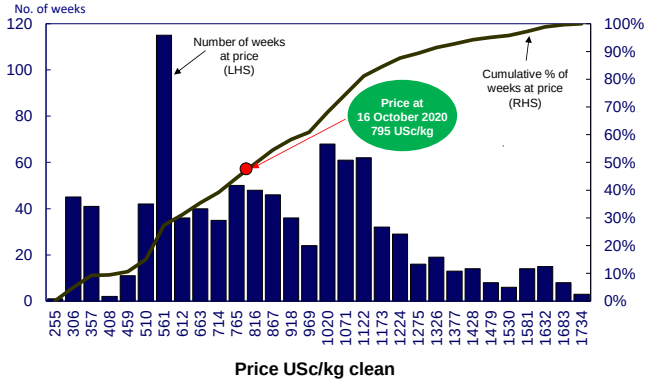
Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020

21 Micron - Price Distribution and Frequencies From 2000 (US$)



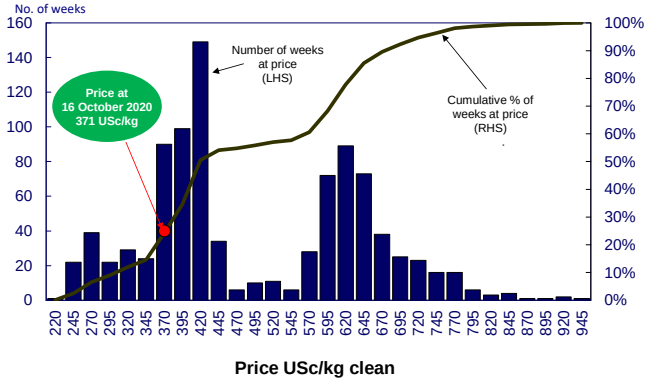
Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020

23 Micron - Price Distribution and Frequencies From 2000 (US$)



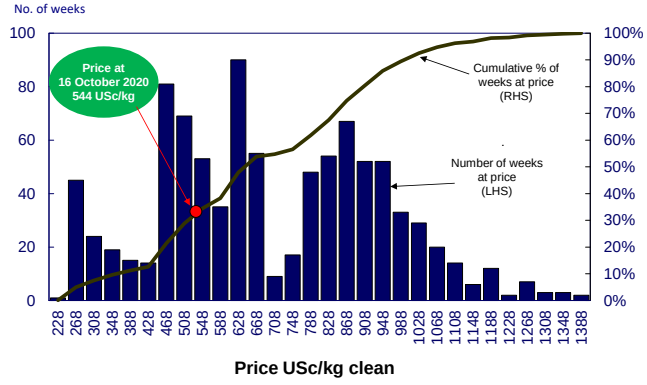
Source: AWEX, Poimena Analysis
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28 Micron - Price Distribution and Frequencies From 2000 (US$)



Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020

Merino Cardings- Price Distribution and Frequencies From 2000 (US$)



Source: AWEX, Poimena Analysis
* Based on weekly prices January 2000 to 16th October 2020