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NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Australian wool prices fall abruptly
- Auctions continue despite IT disruptions
- Excess cotton stocks hold back cotton prices
- Pessimistic outlook for the New Zealand wool industry
- Above average rainfall expected in next three months
- Upcoming industry events



Global cotton stocks lift to 95% of annual use

Cotton prices, as judged by the CotLook A Index (a global benchmark indicator for cotton), have recovered strongly since the COVID-induced slump in March-April this year. After hitting a low of 60.75 USc/lb (133.9 USc/kg) in the first week of April, the CotLook A index has lifted by 28% to 76.7 USc/b (169.06 USc/kg) by the end of October. Even so, this is well below the average of 88.2 USc/lb (194.40 USc/kg) over the past decade.

Cotton prices have recovered in recent months due to better mill demand and lower global cotton production. Mill consumption of cotton dropped sharply in 2019/20, down by 12% compared with 2018/19. The International Cotton Advisory Committee (ICAC) predicts that consumption will recover to some extent in 2020/21, by 6%. Even so, mill consumption will remain below the levels seen in the past decade. Cotton production lifted by 1% in 2019/20, despite the slump in demand, reflecting the lags of production of an annual crop. However, ICAC predict that global cotton production will fall sharply in 2020/21 (down by 5%) due to a combination of lower prices and significant declines in production in West Africa due to "...the COVID-19 demand destruction...[causing]...reduced plantings in almost all West African countries."

The abrupt decline in mill consumption and the higher cotton production, saw global stocks rise in 2019/20. Stocks at the end of 2019/20 equalled 95% of the annual mill consumption. A rule of thumb among commodity analysts is that if stocks are about a third of consumption, then prices are likely to be steady, but if the stocks:use ratio is higher than a third, then there is downward pressure on prices. ICAC predicts that stocks will fall in 2020/21 and the stocks:use ratio will fall to 90%. This is still uncomfortably high. Therefore, a sustainable significant rise in cotton prices seems unlikely.

Further details, including a table showing global mill consumption of cotton, global wool production, global cotton stocks and prices, since 2017/18 and to a forecast for 2020/21, are provided in this week's edition of the NCWSBA *Weekly Newsletter*. Available to NCWSBA members.

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 2nd NOV 2020 – week 19 (roster as at 28/10/2020)

<u>Sydney</u>	Wed 4 th Nov; Thurs, 5 th Nov	8,972 bales
<u>Melbourne</u>	Wed 4 th Nov; Thurs, 5 th Nov	20,013 bales
<u>Fremantle</u>	Wed 4 th Nov; Thurs, 5 th Nov	7,681 bales

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