



10<sup>th</sup> July 2020

2020/24

### From the desk of Chris Wilcox, Executive Director

- Wool market lifts prior to the July recess
- Retail sales of clothing plummets in key markets
- Australian wool exports fall sharply
- Non-Mulesed and Pain Relief wool increase share in 2019/20
- Upcoming industry events



The last week of auctions in the **Australian wool market** saw solid demand among buyers competing to meet August shipment, which helped boost prices for most microns in all three selling centres. The **Eastern Market Indicator (EMI)** lifted by 18 Acents, the second consecutive weekly increase, and closed at 1134 c/kg. In general, prices rose by as much as 90 cents for ultrafine wool in Melbourne, but plentiful supplies of 18.5 micron and 19 micron wool saw these prices ease, notably in Melbourne. The Southern Market Indicator rose by 20 cents to 1108 c/kg, the Western Market Indicator was 17 cents higher at 1202 c/kg and the Northern Market Indicator rose by 16 cents to 1175 c/kg. The A\$ was a little stronger against the US\$ and the Euro and was a little weaker against the Renminbi. The EMI rose by 14 UScents to 787 USc/kg, by 12 €cents to 698 €cents/kg and by 65 RMB to 5524 RMB/kg.

The Covid-19 pandemic has been devastating around the world socially and economically, and it has hit the global wool industry hard (as made clear in the IWTO's Covid-19 Market Intelligence bulletin released overnight). A significant contributor to this negative impact on the wool textile industry is the collapse of consumer confidence. This combined with lockdowns and other measures around the world has resulted in huge declines in **retail sales** in general and of clothing in particular. The first **Chart of the Week** shows just how large the decline has been in retail sales in most of the eight major wool clothing consuming countries around the world. For the year to May, retail sales have plummeted in most countries, the exception being Germany and, to a lesser extent, South Korea. Elsewhere, the declines are as much as 37%. Hopefully we will start to see a recovery in some of these countries as they slowly ease restrictions.



I reported on the high-level results for **Australia's wool exports** in May in last week's *Newsletter*, with exports down sharply in both value and volume in May and for the 2019/18 season to May. As the second **Chart of the Week** on the next page shows, export volumes to many countries were much lower than in 2018/19. The percentage change is a sea of red, particularly for the value of exports.

By country, there was some very large falls in the value of wool exports, led by a 60% decline in exports to Malaysia, a 48% drop in exports to East Asia (Japan, Korea and Taiwan) and 41% fall in the value of exports

to Italy. Exports to Egypt, other countries in Europe and to 'Other' countries did better, falling by 'only' 22%-23%.

The volume of exports saw smaller falls, as the left-hand graph shows. Even so, exports to some of the larger destinations fell by as much as 37% (East Asia) and exports to China were down by 14%. For the 2019/20 season to May, China accounted for 79% of the weight of Australia's exports and 76% of the value of Australia's exports.

By micron range, the value of 19 micron & finer wool fell the most, down by 42%, with the volume of exports of this wool down by 24%. The export value of 28 micron & broader wool dropped by 41% while the volume of exports of this wool fell by 34%. The 20-23 micron range saw the volume of exports fall by 22% and the value dropped by 39%. Rounding out the micron ranges, the 24-27 micron range fell by the smallest amount, down by 23% in value and down by 17% in volume. The 19 micron & finer category remains the largest of the four categories, accounting for 53% of the value of Australia's wool exports and 50% of the volume. The 20-23 micron range makes up 40% by value and 39% by volume, while the other two ranges are much smaller – the 24-27 micron range accounting for 7% (volume) and 5% (value), while the 28 micron & broader category only makes up 4% by volume and 2% by value.

The decline in the volume of wool offered at auction in 2019/20 meant that **the number of bales with a National Wool Declaration (NWD)** and the amount of wool declared as Non-Mulesed (NM) and Pain Relief (PR) fell. According to data that AWEX released earlier this week, the total number of bales of first-hand offered grower clips fell by 17% in 2019/20. However, as the table below shows, the amount of wool declared as NM or PR fell by less than this, down 10% and 9% respectively. This was a much smaller decline than the amount of wool without a declaration (called ND in the table) or wool declared as Mulesed, which were down by 27% and 25%. As a result, the proportion of wool offered at auction declared as NM rose to 14.1% in 2019/20 while the proportion of wool declared as PR reached 38.7%. Interestingly, the number of bales declared as Ceased Mulesed rose by 22% and its share lifted to 3.6%. In total, the amount of wool declared as NM, PR or Ceased Mulesed (CM) was 56.4% of the total volume of first-hand wool offered at auction in 2019/20. Furthermore, 73.8% of wool had an NWD. All of these are a seasonal record.

**Table: NWD Statistics – Full Season (bales)#**

	CM	NM	PR	CM+NM+PR	Mulesed	All NWDs	ND	Total
<b>2018/19</b>	33,034	175,905	480,381	689,320	258,305	947,625	401,985	1,349,610
<b>2019/20</b>	40,265	158,530	435,567	634,362	194,921	829,283	295,159	1,124,442
<b>% change</b>	+22%	-10%	-9%	-8%	-25%	-12%	-27%	-17%
<b>2018/19 share (%)</b>	2.4%	13.0%	35.6%	51.1%	19.1%	70.2%	29.8%	100%
<b>2019/20 share (%)</b>	3.6%	14.1%	38.7%	56.4%	17.3%	73.8%	26.2%	100%

# First-hand offered, clip lots only. Excludes Rehandle, Interlots and Bulk Class.

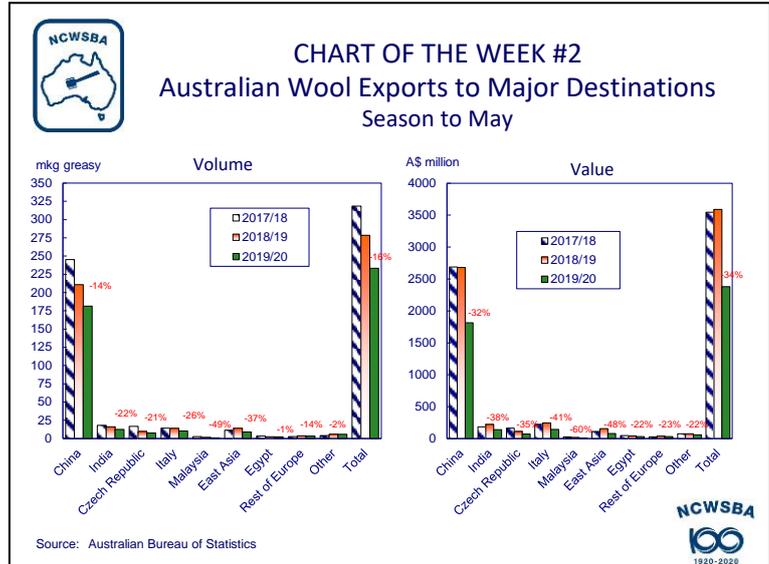
#### INDUSTRY EVENTS

The **AWPFC** meets on 12<sup>th</sup> August by videoconference.

**Wool Week** has been cancelled for this year.

The **NCWSBA Annual General Meeting** is scheduled for Thursday, 27<sup>th</sup> August and will be held by Zoom.

The **Nanjing Wool Market Conference** has been cancelled for this year.



**THE AUSTRALIAN WOOL MARKET IS IN RECESS.**

**SALES RESUME WEEK BEGINNING 3<sup>RD</sup> AUGUST 2020**

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