



FAWO FORUM

Volatile Market Place and Drought in 2019

Wool Brokers

23rd August 2019
RACV Club, Melbourne



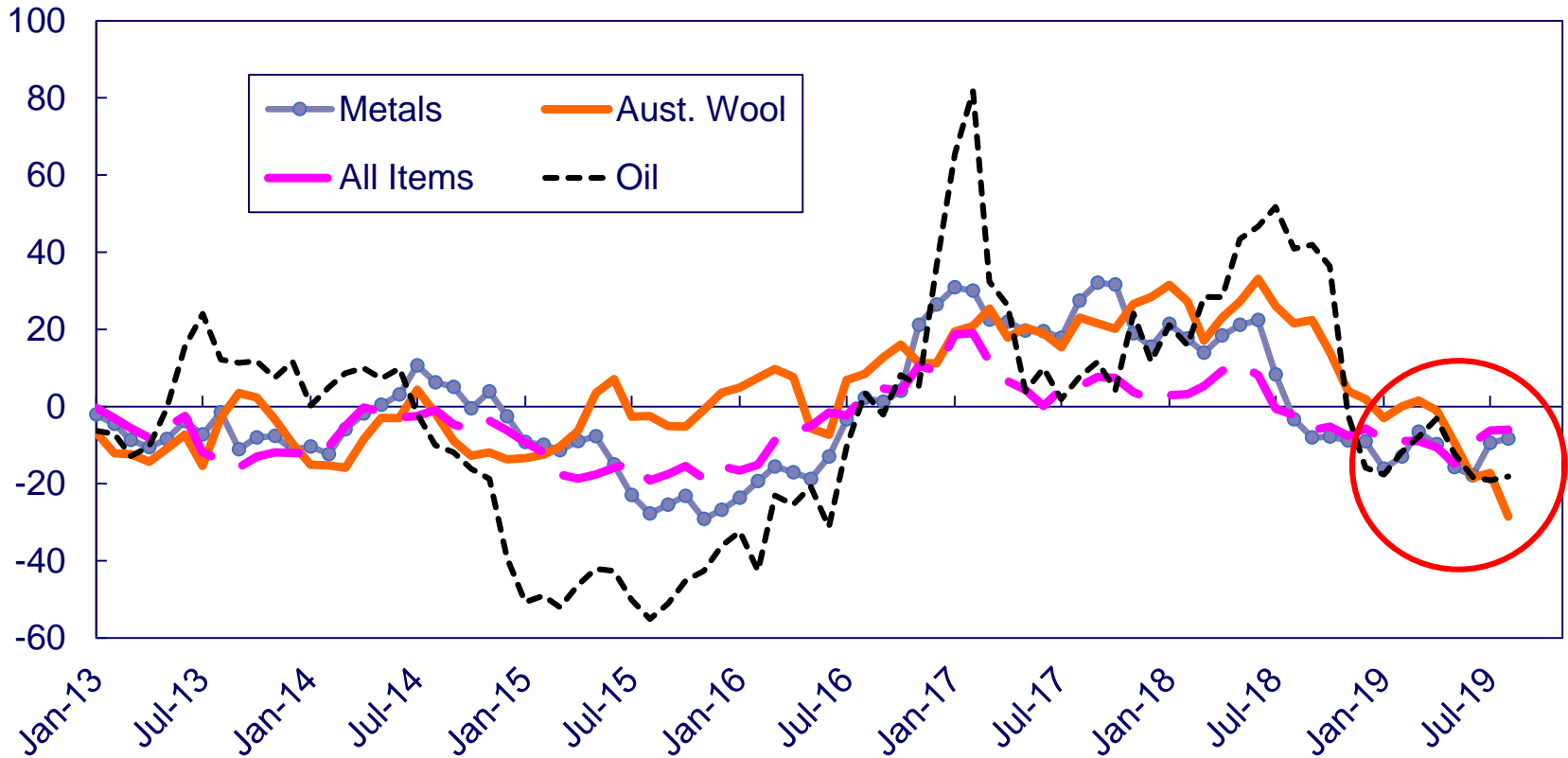
The Ups and Downs of the Wool Price Supercycle Week ending





All Change! Commodity Prices Turn Down (US\$ basis)

% change yr-on-yr

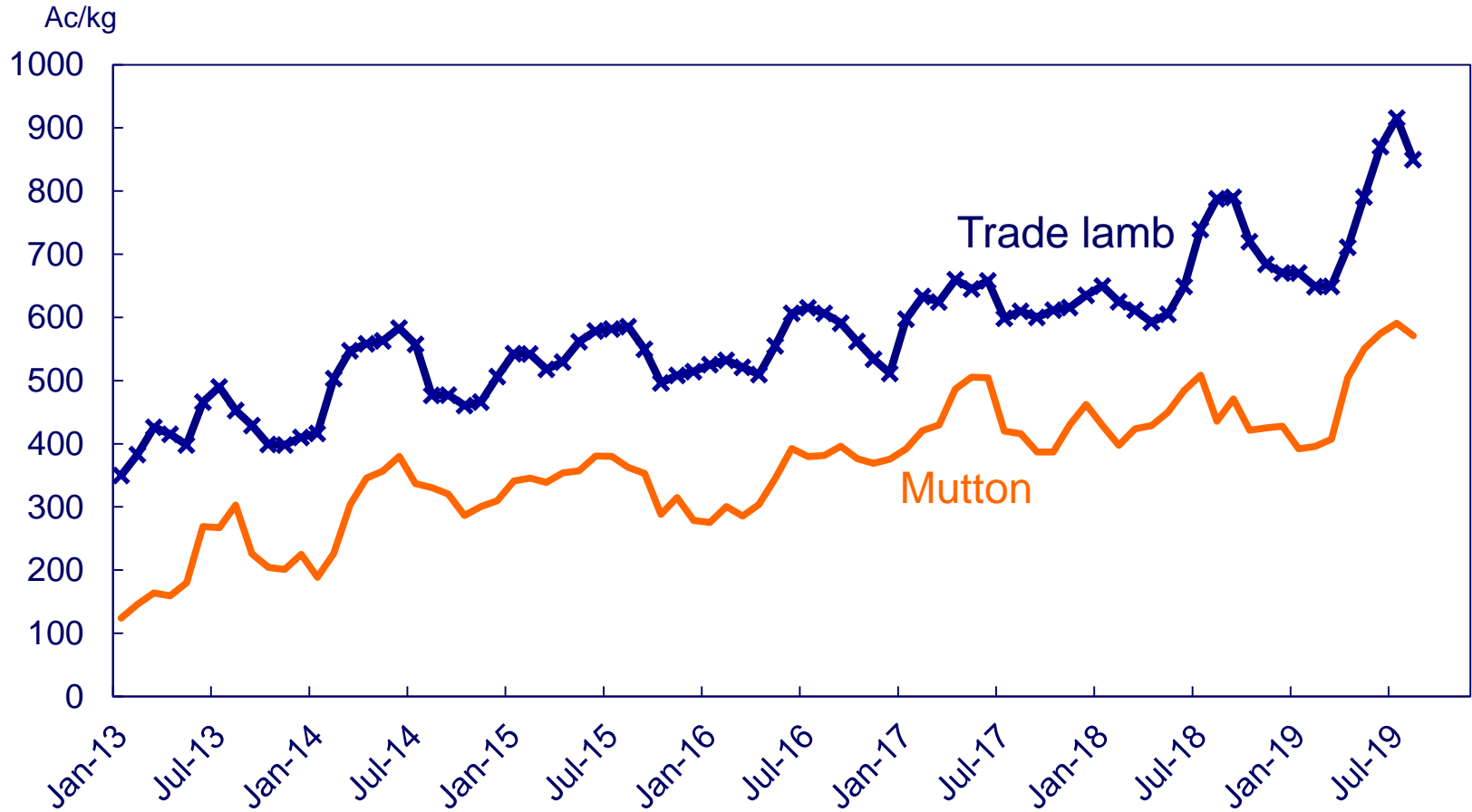


Source: The Economist metals and commodity prices US\$ index, 2000 = 100, Data to 16th August 2019



Records for Australian Sheep and Lamb Prices

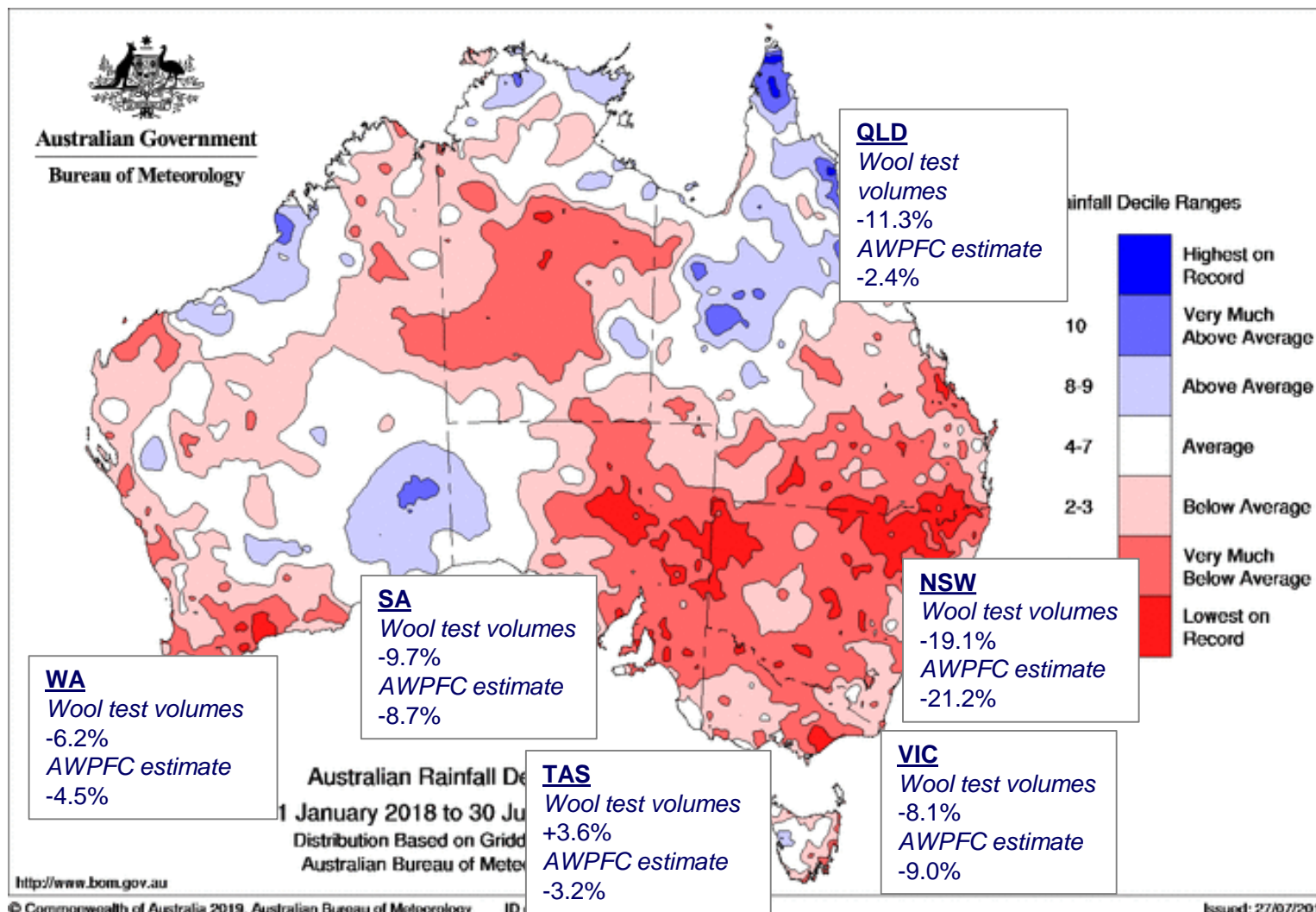
Month average



Source: MLA, NLRS
Data to 13th August 2019



Lack of Rain = Lower Wool Volumes 2018/19



AUSTRALIA
Wool test volumes
-11.7%
AWPFC estimate
-12.1%

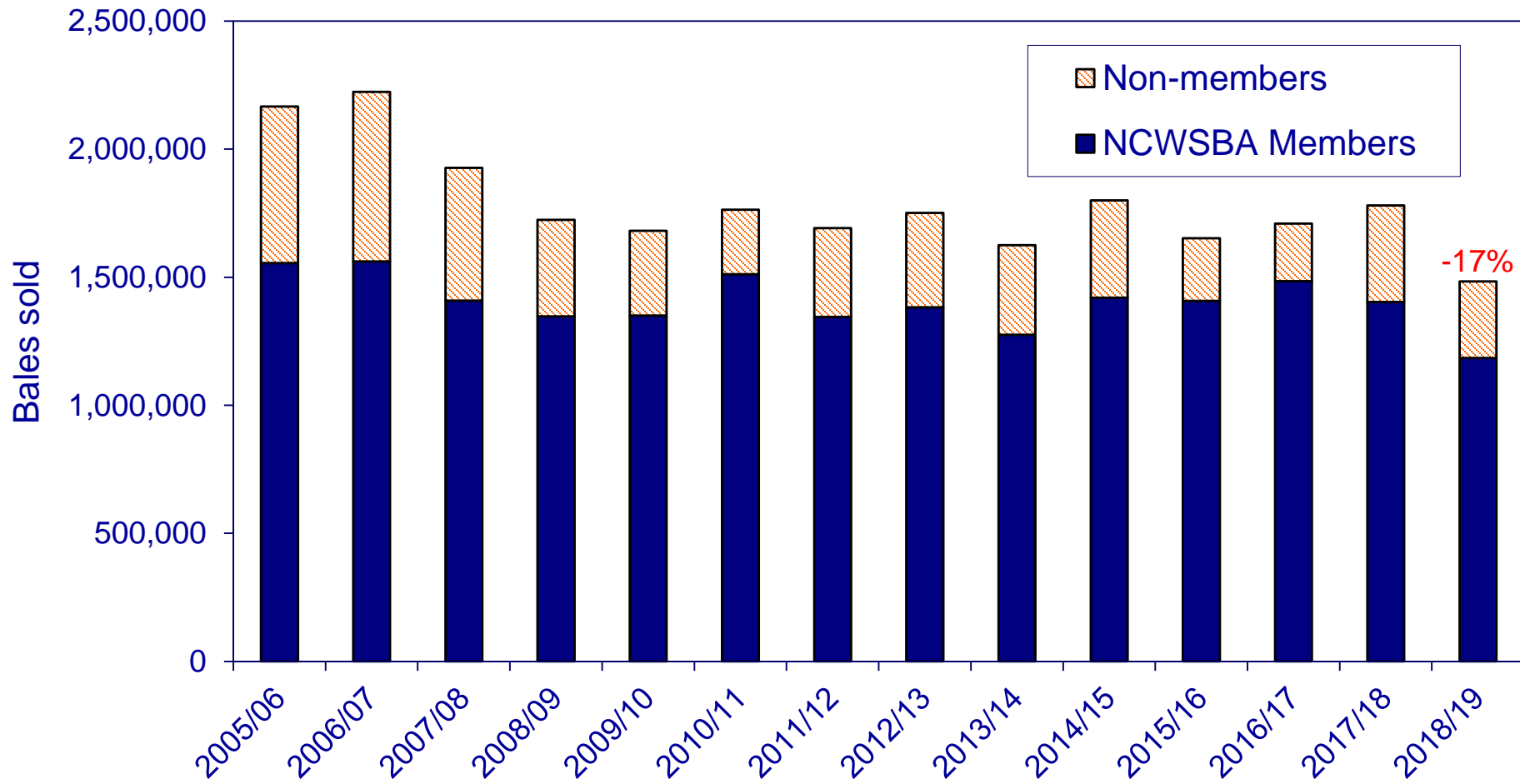
Notes:
Wool tests
Based on Wool Statistical Area
July 2018 to June 2019

Rainfall
18 months Jan 2018 to July 2019

Source:
AWTA Ltd and Bureau of Meteorology



Auction Sales Fall in 2018/19

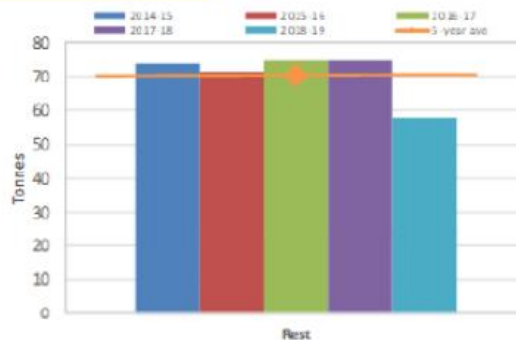
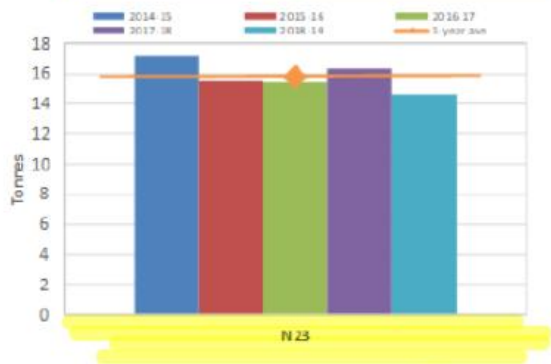
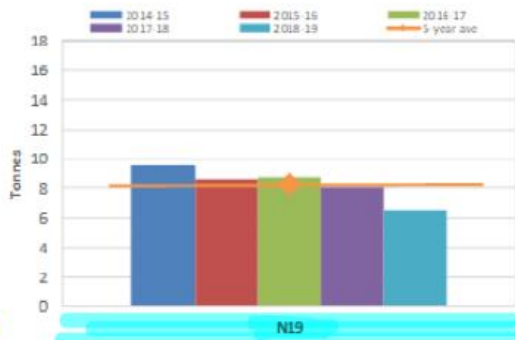
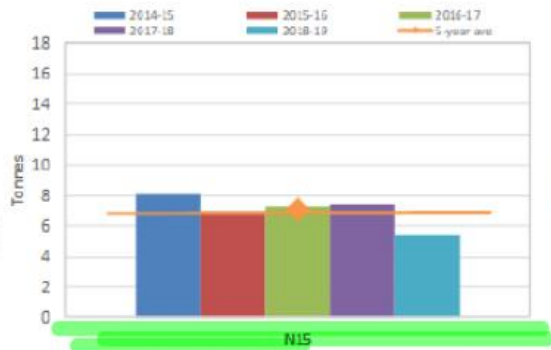


Source: AWEX, NCWSBA



Drop in Wool Volumes Concentrated in NSW

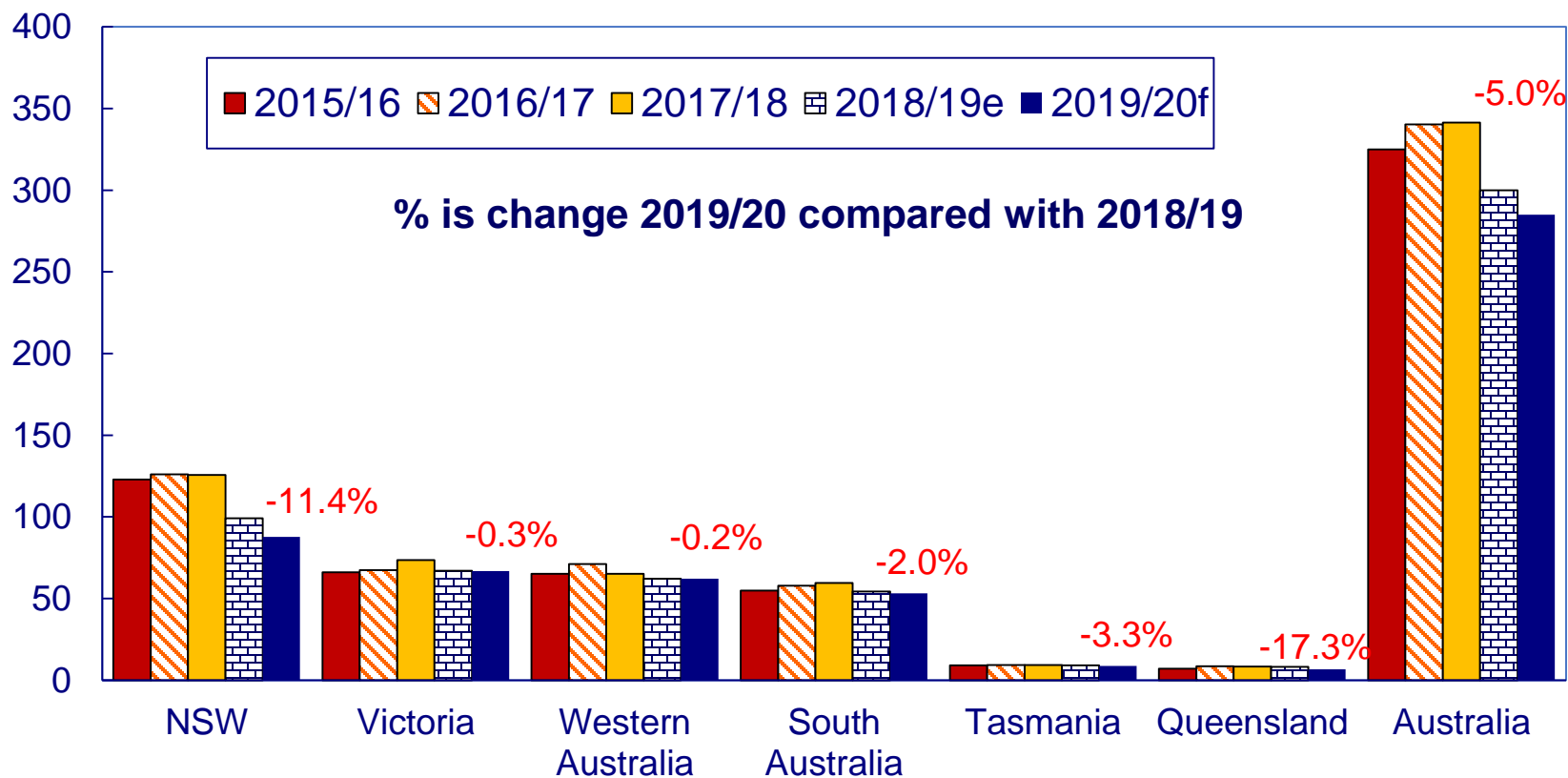
Statistical Division	Wool Statistical Area Code
SYDNEY	N21
HARTER	N22
ILLAWARRA	N22
PICCONNY/TWEEB	N41
MID-NORTH COAST	N21-N42
NORTH-EVEN	N02, N03, N04, N06, N06, N07, N08
NORTH WESTERN	N06, N12, N13, N14, N16, N17, N33, N04, N06, N46
CENTRAL WEST	N15, N16, N19, N25, N36
SOUTH EASTERN	N23, N24, N43
MURRUMBIDJEE	N26, N27, N28, N27, N36
MURRAY	N11, N28, N31, N38
FAR WEST	N10
A.C.T.	N32
UNIDENTIFIED	N69





Australian Shorn Wool Production to Fall Again in 2019/20

mkg greasy



Source: AWPFCA, August 2019



Feedback from NCWSBA Members

Feedback mainly from brokers with businesses centred on New South Wales

Drought

- Impact of drought was the main issue - NSW, QLD and pastoral regions of SA
- Less wool handled, lower commissions and lower rehandled wool volumes
- Brokers increasingly relied on for finance (feed, shearing, and so on)
- Growers very worried and depressed. For some growers, there is no end in sight – Broker staff under great stress
- Affected all parts of broking businesses (wool, livestock, merchandise)
- We may not have seen the worst of it
- Loss of expertise from the industry a concern.

“If the drought broke tomorrow, it will take a minimum two years for the earliest casualties to recover, and many simply won’t”



Feedback from NCWSBA Members

High wool, sheep and lamb prices

- High wool prices for 2 years brought optimism and talk of moving back to sheep
- Has allowed growers to keep core breeding stock despite high feed prices
- High prices has encouraged interest from new graduates
- The recent decline in wool prices will dent that optimism for growers
- High lamb and sheep prices have been a mixed blessing. Good for income but tempting to sell off sheep or shift to meat production
- Some growers have totally destocked in response to drought and high livestock prices



Feedback from NCWSBA Members

Global economic concerns

- The trade war between China and the US acts like a catalyst
- Worry among brokers about the impact on China
- Could remove any confidence in wool for some growers
- But others will know that all agricultural commodities will be affected by the global economic risks and that sheep enterprises offer the greatest prospective returns

Other issues

- “Animal welfare is becoming such a huge issue in our business”
 - Cannot hope that it will go away
- “Is the current 3 selling centre model sustainable if volumes keep falling?”

