

Wool



March Monthly Update



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Key Watchpoints – March

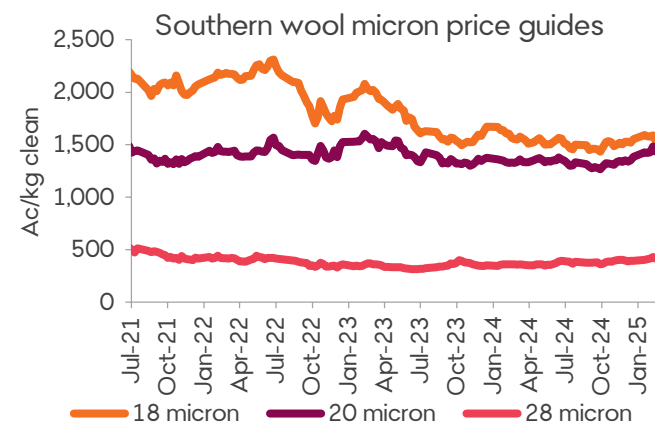
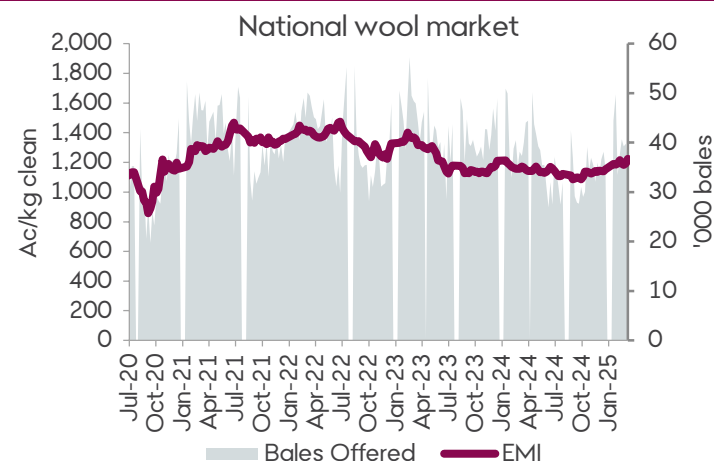
- The AWEX EMI has lifted 10 cents over the past month, responding to currency movements as the Australian Dollar strengthened then fell over the past four weeks.
- Escalations in the US-China trade conflict are a concern for the Australian wool market.
- Australia's wool production continues to track below last year and five-year average levels, but there remains a sizeable gap between test volumes and the national offering.

Wool prices remain relatively steady throughout February but lift to start March.

The Australian wool market remained in a holding pattern throughout February due to a mild strengthening of the Australian Dollar and slightly higher supply. Although weakness in the Australian Dollar to finish the month as well as a tightening of supply was supportive in the first selling week of March. The AWEX EMI is currently at 1,225 c/kg, marking a 10 cents increase since the start of February, and up 53 cents year-on-year.

Wool prices are expected to be relatively steady over the next few weeks, with supply to continue at the relatively lower level, while buyers will be waiting for an uptick in demand downstream before committing further. There will be a continued focus on any developments in the US-China trade situation, as this could see a significant impact on the Chinese economy which is likely to influence wool markets.

Currency movements were detrimental to the market throughout February, as the Australian Dollar firmed from 62.25 USc to 63.64 USc between the end of January and the third selling week of February. The Australian Dollar then fell sharply to finish the month, resulting in a strengthening of prices to start March.



Source: AWEX

Wool test volumes increase in February, but still lag well below five-year average levels

Data from the Australian Wool Testing Authority (AWTA) shows that wool test volumes are continuing to track below the levels seen over the past two years as well the five-year average. The season-to-date test volume is down -10 per cent, with test volumes in South Australia and Western Australia seeing the largest declines, while volumes in Victoria and Tasmania have increased so far this season.

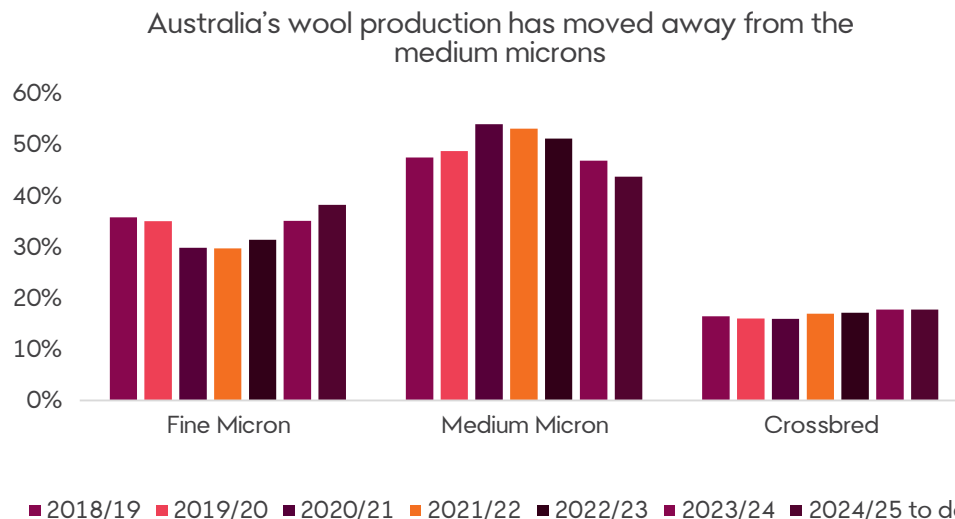
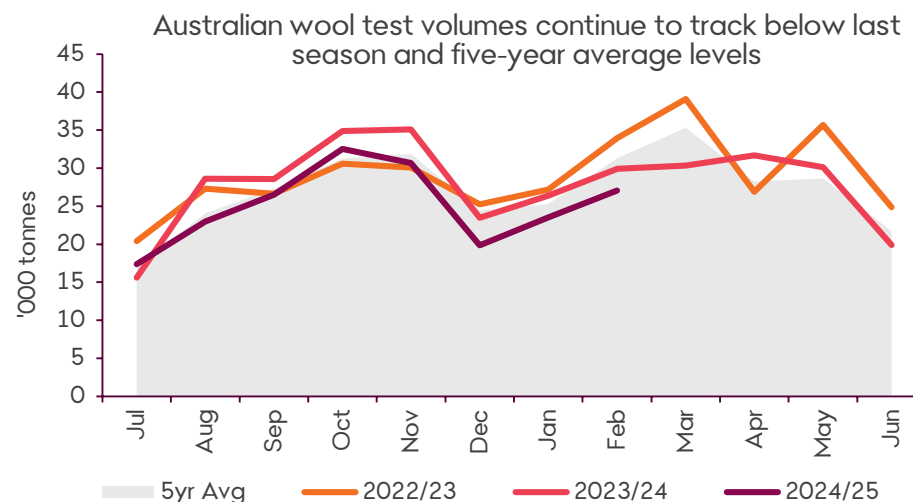
The Australian Wool Production Forecasting Committee (AWPFC) has estimated that production will be down -12 per cent in 2024/25, indicating that supply is expected to further tighten between now and the end of June. The forecast decline comes on the back of a reduction in the national flock and reduced cut per head following dry conditions in key sheep regions, while there has also been a shift towards meat focused breeds away from wool. However, the season-to-date offering lags -14 per cent below 2024/25, which may indicate that more wool is being retained rather than offered at the current price point.

Australia's fleece make up moves away from the medium microns

Data from the AWTA has shown that the percentage of Australia's wool in the medium micron categories has been reducing over the past few years. The percentage of merino wools that are 19 MPG or higher has been falling, while those finer have seen a steady increase in total percentage.

This comes on the back of a shift within merino growers towards finer microns through selection to target higher prices, as well as potentially movement away from medium micron producing sheep towards more meat producing breeds, or out of the industry entirely.

The tightening of supply in the medium micron categories has been supportive for prices, with the medium wools generally performing better against the five-year average compared to the fine and crossbred wools.



Source: AWTA

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