



Joe Boyle
Agricultural Analyst

Key Watchpoints – February

- The AWEX EMI has gained 61 cents in the weeks following the Christmas recess.
- The potential for a China-US trade war poses a significant threat to the wool market, as this could see the Chinese economy slow.
- Wool supply has been varied to start 2025, how much wool is there to come this season?

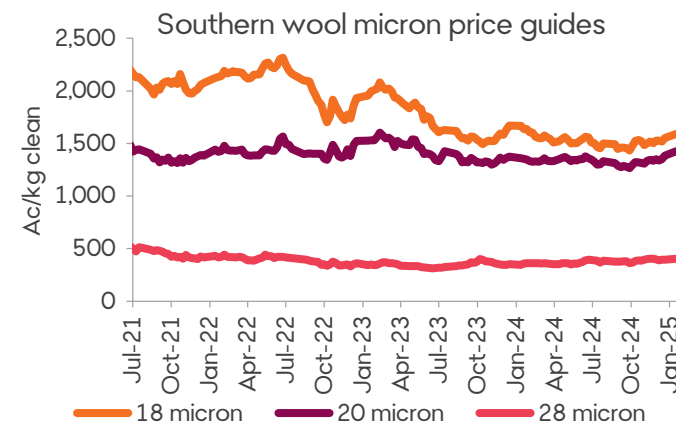
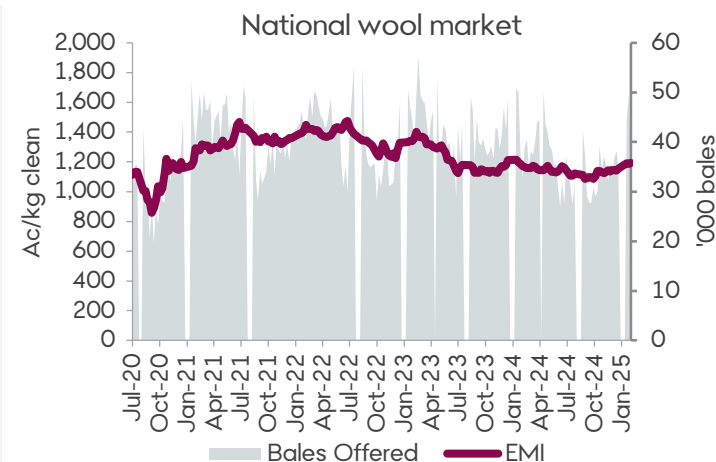
Wool markets have firmed to start 2025, but buyers remain hesitant

Australian wool prices have firmed to start 2025, as the market adjusts to the weaker Australian Dollar. The AWEX EMI is up 61 cents since the Christmas recess and finished week 32 at 1,215 c/kg. Prices are forecast to be relatively steady with participants expected to take a cautious approach in the current trade environment, although the tighter supply on offer may see some support.

The weaker Australian Dollar has been the main supporter of the market, falling 1.36 USc between the last selling week of 2024 and the return from the Christmas recess. This has resulted in the EMI in USc terms gain 30 USc, which is now mostly in line with this time last year. The strength of the Australian Dollar will have a major bearing on prices, as most of Australia's wool is exported.

The fine micron wools have all firmed since the recess, although to a lesser extent than the broader merino fleece types and the crossbred wools. The 18 MPG in Melbourne is up 2.3 per cent since the recess, while the 20 MPG is up 7.1 per cent and the 28 MPG is up 9.4 per cent.

The market is waiting on further tariff announcements between China and the US. A trade war between China and the US has the potential to seriously impact the Chinese economy, which would limit upside in wool prices in 2025.



Source: AWEX

Supply forecast to decline, but the national offering remains even lower

The Australian Wool Production Forecasting Committee (ACPF) reduced their sheep shorn and production estimates for the 2024/25 season in their December update. The sheep shorn forecast has been reduced to 63.2 million head, which marks a 11.7 per cent reduction year-on-year. While production is tipped to fall to 279 million kg, down 12.3 per cent from 2023/24 and its lowest level in at least 100 years.

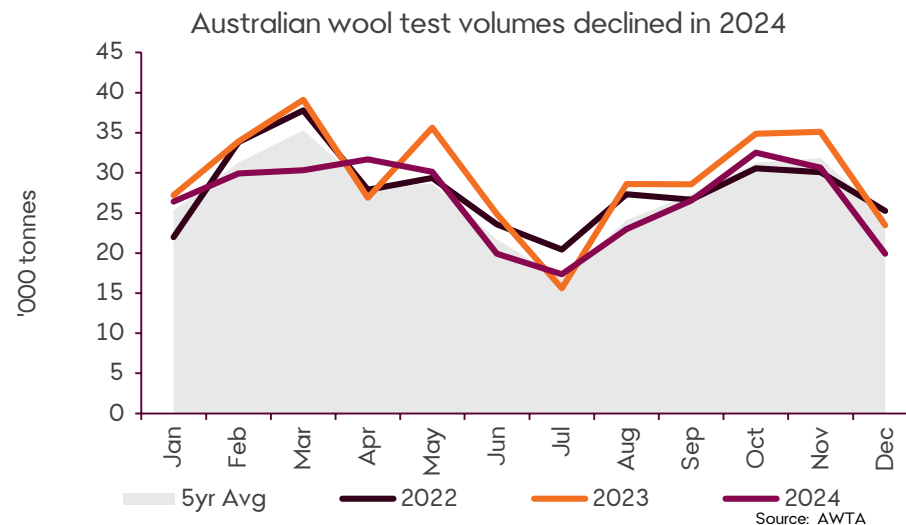
The decline in production estimated by the AWPFC is currently understated compared to the national offering so far this season. The season-to-date offering is currently over 16 per cent lower than 2023/24, meaning that supply should start to increase over the next few months. However, the slow supply and the soft prices on offer indicate that there may be wool stored on farm with growers waiting on a market recovery before offering. This is supported by testing volume data, which is down only 9.9 per cent from this time last year.

How vulnerable is the Australian wool market to the China-US trade conflict?

Australian wool is predominantly exported, with over 90 per cent getting sent abroad. Of this, about 87 per cent of the volume is exported to China, and China accounts for around 85 per cent of the total export value each year. The AWPFC has reduced the production estimate for this season to 279 million kg, which is lower than the volume exported to China in 2023/24.

The Australian wool market has faced pressure from the weakened Chinese economy over the past two years, although there has been signs of improvement over the past couple of months. The tariff plans of US President Trump could see China's economy impacted and reduce demand for Chinese products into their key market of the US.

This volatile trade environment and uncertainty around both demand and the Chinese economy is limiting buyer interest in the auction rooms. It is unlikely that we will see a significant uplift in prices until these conditions ease and the Chinese economy improves.





This report has been created by Bendigo Bank Agribusiness Insights. It is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). The information herein is believed to be reliable and includes information obtained from official or other sources considered reliable. Bendigo and Adelaide Bank makes no representation as to or accepts any responsibility for the accuracy or completeness of information contained in this report. Any opinions, estimates and projections in this report do not necessarily reflect the opinions of Bendigo and Adelaide Bank and are subject to change without notice. Bendigo and Adelaide Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth therein, changes or subsequently becomes inaccurate. Information contained in this report does not take into account your personal circumstances and should not be relied upon without consulting your legal, financial, tax or other appropriate professional. Bendigo Bank Agribusiness Insights is a division of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879.