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Key Watchpoints – May

- The AWEX EMI moved lower following the Easter recess in response to the stronger AUD and ongoing trade uncertainty.
- Prices are expected to edge higher on the back of reduced supply, while all eyes will be on the trade situation between the US and China.
- The AWPFC has released their production forecast for 2025/26, estimating that production will fall for a third consecutive season.

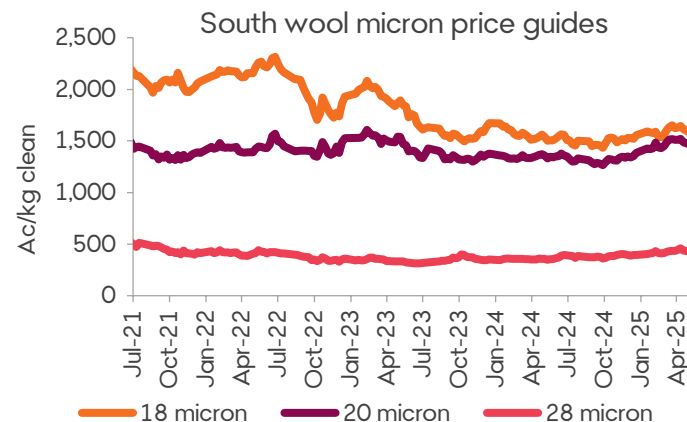
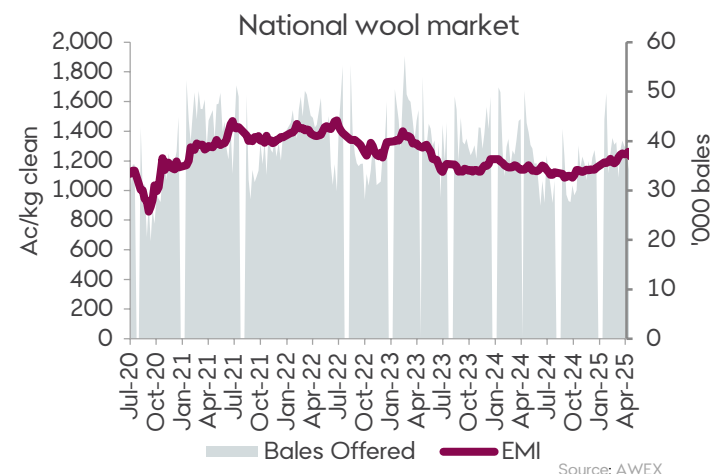
Wool prices ease in their return from the Easter recess

The Australian wool market has edged lower over the past four weeks. The AWEX EMI has fallen 71 cents and finished week 45 at 1,191 c/kg, marking its lowest weekly finish since February.

The strengthening Australian Dollar has applied significant pressure on wool prices. The AUD has climbed 8.7 per cent over the past month and finished week 45 at 64.82 USc, the highest level it has been this year. When looking at the EMI in USc terms, this indicator has held on much better, sitting at 772 USc/kg, only down 23 US cents from the recent peak in week 38.

Buyers continue to be wary of the ongoing trade uncertainty between the US and China, with the softer prices resulting in a sharp increase in pass in rates. After averaging 5.7 per cent between weeks 34 and 41, the national pass in rate has since jumped to average 15.7 per cent over the past three series.

Wool prices are forecast to edge higher in May, as supply is expected to be lower which will encourage more competition in auction rooms. However, the stronger Australian Dollar, as well as the ongoing trade uncertainty, especially between the US and China, is expected to limit upside. A de-escalation in trade tensions and a more favourable economic outlook for China would go a long way to supporting wool markets.



Australian wool production tipped to trend lower in 2025/26

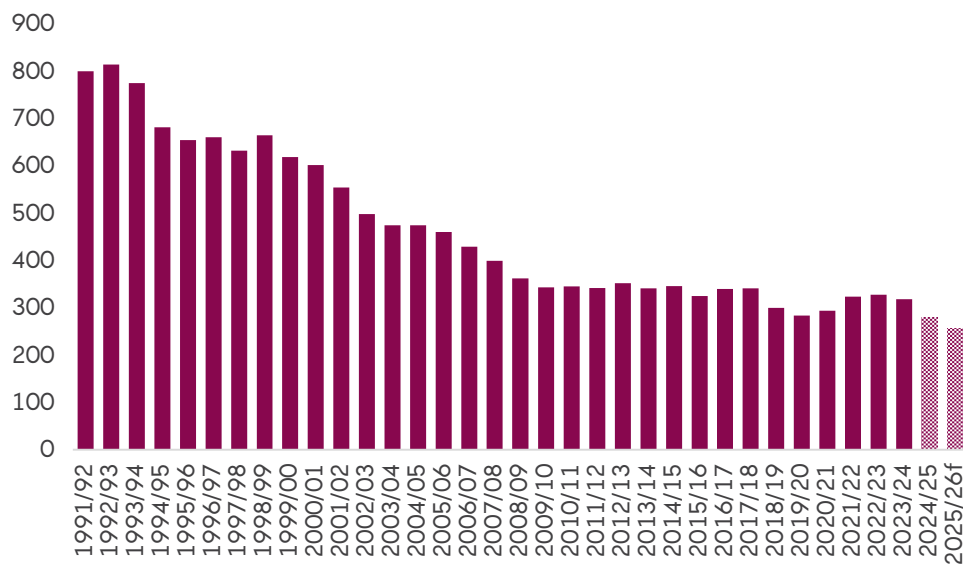
The Australian Wool Production Forecasting Committee (AWPFC) has released their first production estimate for the coming season, with production tipped to continue lower in 2025/26 for the third consecutive season. The initial forecast has wool production totalling 257 million kg greasy, which if achieved, will be down 8.2 per cent year-on-year and 16.8 per cent below the five-year average.

The report also cut the number of sheep shorn by 8.7 per cent to 57.5 million head, marking a 14.1 million head decline (-19.7 per cent) since the recent peak in 2023/24. However, average cut per head is projected to increase for a second year in a row to 4.46 kg. Although at this level average cut remains well down on the 4.59 kg estimate for 2022/23 when seasonal conditions were generally more favourable.

If the forecast decline in production comes to fruition, this will be Australia's lowest wool production in over 100 years. This record low highlights how the change in the flock make up that has taken place since the end of the Australian Wool Reserve Price Scheme in the early 1990s has impacted the industry.

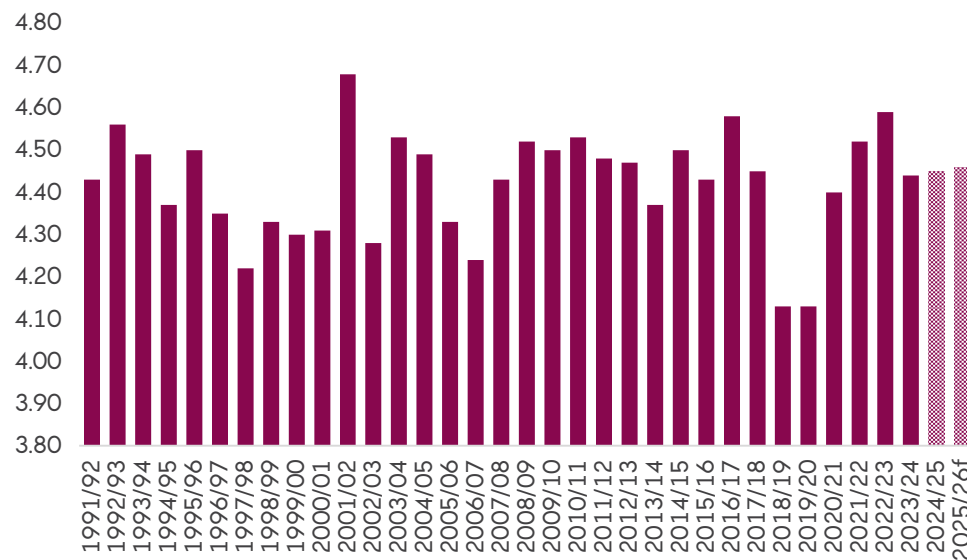
The decline in production will provide some upwards support on prices going forward as buyers will have to compete harder to secure stock. However, the recent strengthening in the Australian Dollar, as well as ongoing uncertainty in global trade is likely to limit upside.

Australian wool production (million kg greasy)



Source: AWPFC

Average wool cut (kg greasy/head)



Source: AWPFC

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