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Key Watchpoints – November

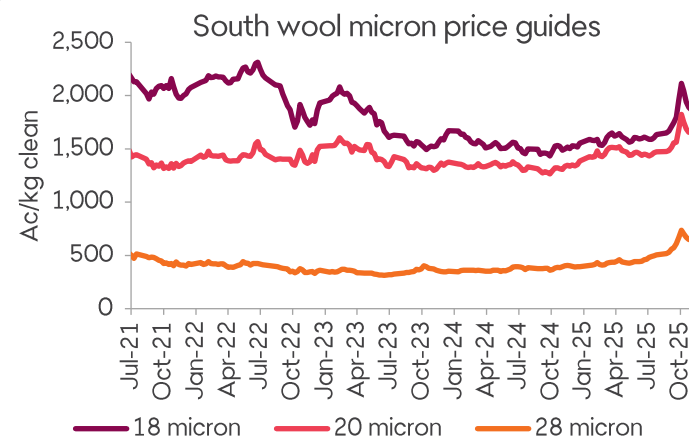
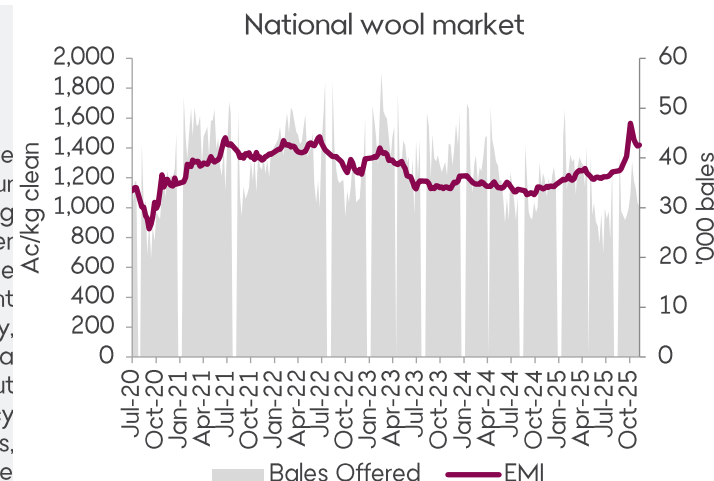
- The AWEX EMI fell across four consecutive weeks before lifting in the most recent selling week, with the AWEX EMI now sitting at 1,419 c/kg.
- While prices have been falling from record highs, most are still sitting at least 20 per cent up year-on-year.
- Fleeces brought out of storage have been propping up auction numbers, however, testing numbers are down nine per cent year-on-year.

Wool prices consolidating as test volumes decrease

The Australian wool market recorded a series of eleven consecutive increases from the start of the season. It then fell for four consecutive weeks before lifting across the most recent selling week, with the AWEX EMI now sitting at 1,419 c/kg. While lower than the recent highs, this is still 25.4 per cent higher than the same time last year. With the Australian dollar having weakened in recent weeks, the EMI in USc terms has been fluctuated more recently, currently sitting at 924 USc/Kg. There had been concerns that a stronger Australian dollar may dampen sentiment and put downwards pressure on price, at this point of the year currency changes are having less impact on the price than in recent seasons, a good indicator the underlying market dynamics are coming to the fore.

As a result of the premium prices on offer through the first 14 weeks of the season several bales have been brought out of stores leaving auction volumes almost on par with last year, only down by 4.2 per cent. However, testing figures show a 9.2 per cent decrease, year-on-year, reflecting a forecast drop in supply for this season, due to decreasing flock numbers, increasing input costs and seasonal challenges. As stored bale numbers decrease it will result in a decrease in week-to-week auction volumes as we moved forward through the remaining selling weeks in the season.

One of the factors in the price declines in recent weeks has been the relative oversupply of fine Merino wool which has reduced the premiums on these MPG. Crossbred wools are starting to find some support in recent weeks and with easing supply the merino MPG are now finding support too.



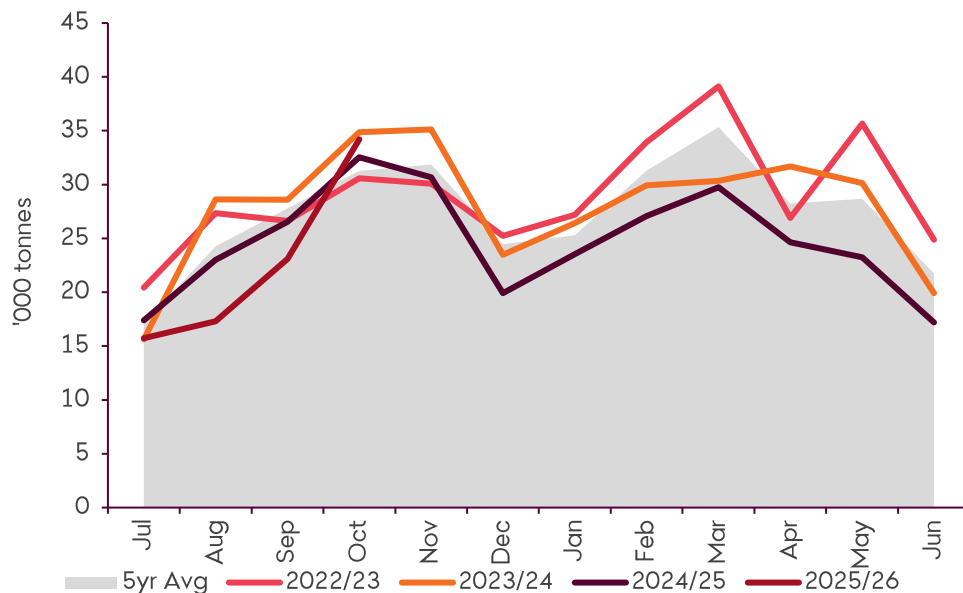
Micron mixes: Testing, demand and value

The price increases seen from the start of the season were prolific across all microns, as an example, 17 MPG at the Melbourne selling centre increased 38.6 per cent from the start of the season to its peak in week 14. At the same time for 20 MPG and 28 MPG in Melbourne lifted 27.4 and 53.2 per cent respectively. Since these peaks these microns have all fell from their highs by -11.6 per cent, -9.0 per cent and -11.2 per cent for 17 MPG, 20 MPG and 28 MPG respectively. The initial increases being higher in the crossbred wools are also noticeable in the year-on-year price changes, with 28 MPG 62.9 per cent higher than the same time last year, while 17 MPG and 20 MPG are 19.7 per cent and 24.5 per cent firmer respectively.

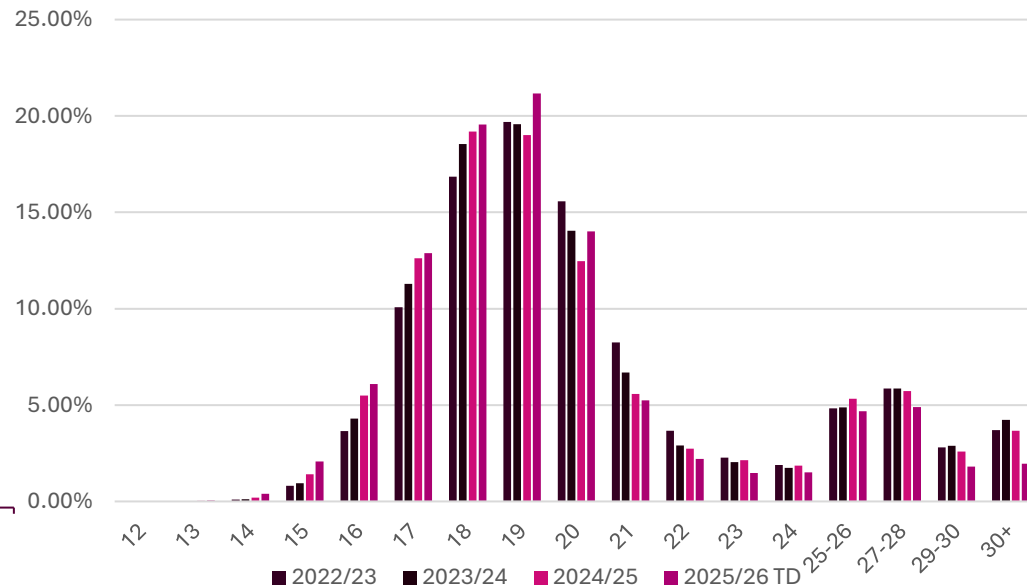
One factor driving the larger differences in the coarser microns is the decrease in supply, as seen in testing volumes. While testing volumes have returned above the five-year average for the month of October, the first three months of the season saw a -16.1 per cent drop in test volumes compared to the 2024/25 season, which was also -8.1 per cent behind the 2023/24 season. At the micron level we're seeing increases in superfine microns while the merino fleece types are generally steady or higher. The medium and crossbred microns have had lower volumes and proportional share of wool tested so far this season.

China remains the biggest driver of demand for Australian wool, and the recent price increases did result in a reduction in demand. However, as the busy season approaches, Chinese buyers will engage competitively in the auctions to ensure they have sufficient supplies. While the prices are higher in the finer microns it is likely there'll be stronger demand for the good quality, slightly coarser microns to use for blending and keeping buyers' price points lower. This should continue to support the price levels of the coarser microns, while the finer microns find their new price floor.

Australian wool test volumes



Percentage of wool microns



Source: AWTA, AWEX

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