Australian wool production levels continue to recover

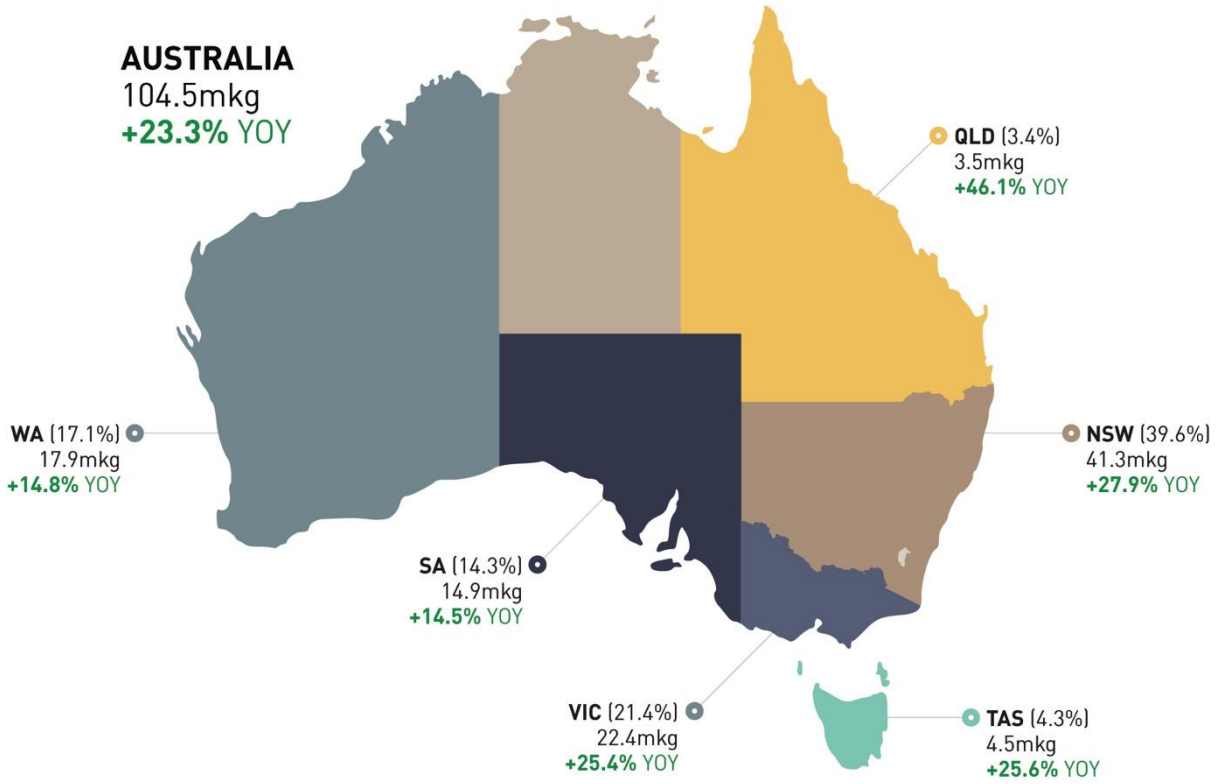

Figure 1: Australian wool production July-October 2021

With half of the season passed (July to December), the trend in testing is showing that the forecast of the Australian Wool Production Forecasting Committee (AWPFC) of 318mkg for the 2021/22 season should be met. The Australian Wool Testing Authority (AWTA) Key Test Data of wool (by weight) for the end of December 2021 revealed:

- The amount of wool tested during July-December 2021 was 15.7% greater than during July-December 2020.
- AWTA has so far tested 160.6 mkg (million kilograms) this season compared to the 138.8 mkg for the equivalent period of last season.

- Queensland show a 35.3% increase in wool tested year-on-year up to the end of December. NSW, Victoria and Tasmania all registered increases in production tested above the national +15.7% average, at +16.8%, +16.1% and +17.2% respectively.
- SA and WA recorded larger weights of wool tested for the period compared to last season, but fell below the national +15.7% average, at +9.7% and +% respectively.

At auction, AWEX reports show that as at the end of week 19 (12th November) there have been 820,223 Australian grown bales sold at auction this season compared to 674,668 bales last season. This is an additional 145,555 bales, an increase of 21.6%.

Increase in fine Merino wool sector

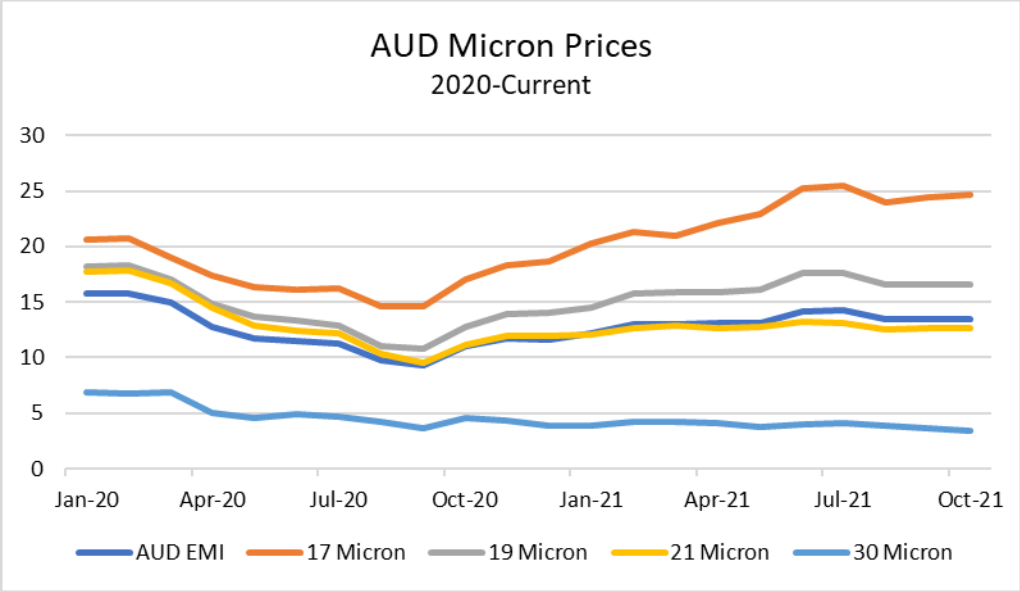

Figure 2: Trends in the Micron Profile of Tested Data

Analysis of the micron profile data of wools tested so far this season shows the greatest increases within the fine wool Merino sector (18.6 to 20.5 micron) which is now 37.9% of the clip, and wools broader than 23.5 micron which are predominantly of the crossbred wool type. Somewhat surprisingly, the broad wool of mainly Merino types (20.6 to 23.5 micron) has shrunk to being 14.7% of the clip, despite the good seasonal conditions and breeding stock aiming at wool production traits.

Prices relatively stable

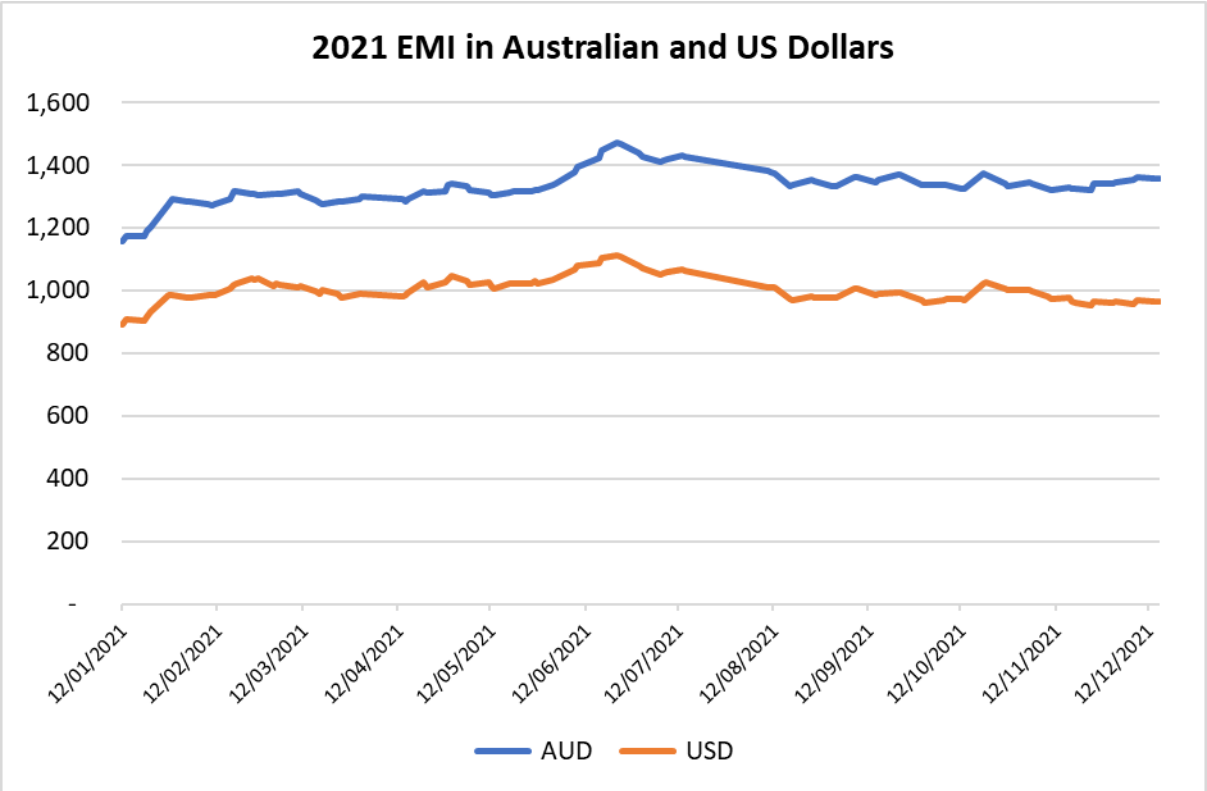

Figure 3: EMI During 2021/22 Season

Wool prices throughout 2021 held remarkably stable despite the volatile macroeconomic factors at hand over the year. Since the start of 2021, the AUD EMI increased 17.2% (199ac) and increased 8.2% in USD (73usc). The average EMI for the year was at 1,328ac/clean kg and 1,002 usc/clean kg.

Prior to the negative COVID pandemic influences being felt across all global markets from March 2020 onwards, the AUD EMI was at 1,521ac and the USD EMI at 982usc. Compared to that level, current AUD wool values have depreciated by 10.7%.

Conversely, the US dollar value of wool currently is almost at pre-pandemic prices. With USD values considered by the trade in general a better barometer of the health of wool price, it can be considered that wool prices on average have recovered when using US dollar prices as a guide. As at the end of 2021, in USD terms, wool values have depreciated 1.7%.