



Photo credit: Charlie McGeechan, Crookwell NSW

# APRIL MARKET INTELLIGENCE

## Volatility in prices and weather as production drops

The latest figures released in early May from the Australian Wool Production Forecasting Committee (AWPFC) came as the wool market finished at a steady state after some positive market movements in March and April.

Moreover, the first quarter of the year saw wool prices creep steadily higher, clearly reversing a long-term downward trend from 2024.

The drivers behind the improvement were a combination of continual favourable exchange rates, lower volumes of wool on offer and tentative signs of some increased demand.

Currently, the benchmark Eastern Market Indicator (EMI) is trading at around 1200 cents per kilogram, clean.

This figure represents a recovery to year ago levels.

In the west, the indicator is sitting at around 1350c/kg, clean.

Looking forward however, volatility continues in the market, as does uncertainty in the industry with the revised production forecast indicating a further drop in wool production.

The first forecast of shorn wool production for the 2025/26 season is 256.6 Mkg greasy, an 8.4pc decrease on the 2024/25 forecast.

The forecast and figures tell a story, nationally and state by state.

Changes in wool production comes from changes in the number of sheep shorn, the structure of the flock, and average fleece weights.

Sheep numbers and wool production remain under pressure as the dry either sets in or continues in many key wool growing areas.

Continuing drought conditions in western Victoria and South Australia are having a direct impact on wool production.

The committee is forecasting a decline in production for all states ranging from over 18 per cent in WA and South Australia to 1.1 per cent in Tasmania.

NSW and Victoria are down about 8 to 9 per cent.

Committee chairman Stephen Hill said while Queensland produces about 3-5 per cent of the national clip, the recent major flood event will have a significant negative impact in that state's key wool producing regions.

He said there is major damage to infrastructure, including exclusion fencing and substantial stock losses.

Nationally, the drop in the number of sheep hitting the boards to be shorn due to increased slaughter rates is also taking its toll.

The number of sheep shorn in 2024/25 is forecast to drop by 12pc to 63 million.

Data shows sheep slaughter from July to December 2024 was up 29pc compared with same time in 2023 and was 58pc above the five-year July to December average.

Less than favourable commodity prices, higher input costs and the ongoing challenging seasonal conditions will all weigh heavily in coming months on producers on-farm business decisions.

Industry specialists are predicting the rise in mutton prices across the nation are likely to sway producers in the direction of selling stock rather than retaining and supplementary feeding.

Seasonal conditions have a major part in wool production. To look at historical data, the drought of 2018-2019 saw production fall and in 2020 rain came and production responded with an increase.

And if historical data is anything to go by, analysts expect lower supply will eventually boost the price ratio for wool compared to other major fibres such as cotton.

Pass in rates have remained at a lower level this current selling season which is most probably due to high input costs putting pressure to produce cash flow.