



DECEMBER MARKET INTELLIGENCE

Wool enters the new year on stronger ground

As the wool industry moves into 2026, the market has a significantly different feel to it than this time last year.

The year closed with solid momentum, and industry analysts suggest that as auctions get underway next week, prices have the potential to lift further, supported by tighter supply and improving sentiment.

Now, as wool auctions are set to resume following the industry's three-week Christmas recess, confidence is firmer and decision-making at the farm gate is becoming more deliberate rather than reactive.

But the industry is still facing its share of challenges.

Speaking recently on *The Yarn*, new AWI Chairman George Millington put it simply – producers have a choice, they don't just have to grow wool.

"Quite a few of them don't just have to grow wool. They can crop, cattle, crossbred," Millington said.

"The only way to make sure wool growers are profitable is to assist them with managing their business.

"This is provided through on farm research and development. We do this to try and make life easier for them.

"And the other side of that is to try and ensure they get a fair price for their product and are remunerated."

What he means is wool must continue to earn its place both in global markets and on farm, particularly when competing enterprises are offering strong, and sometimes immediate, returns.

The decisions growers are making now are shaped as much by seasonal conditions and cashflow as by longer-term confidence in wool's outlook.

According to AWI's General Manager, International, Stephen Hill who also Chairs the Australian Wool Production Forecasting Committee, conditions across Australia remain highly variable, and that variability is driving different supply responses.

"It's a very mixed picture across the states," Hill said.

"Since the April meeting, WA has had a great season – fleece weights are up but production is still down compared to a year ago."

In Victoria and South Australia conditions have been more challenging.

"Victoria and South Australia are really feeling it with a poor season – high ewe mortality, poor lambing and selling for cashflow," Hill said.

In those regions, alternative income signals are influencing short-term decisions.

"High meat, skin and stock prices are tempting people to take the cash – especially if feed and water outlooks are poor."

Hill is careful to stress this is not a single national story, but a reflection of how different regions are responding to local conditions.

Where feed is available and systems are holding together, confidence looks materially stronger.

When viewed as part of the full Merino production system, Hill said the returns picture is improving.

“The great returns, if you look at the whole Merino package, are becoming very positive. Anyone who can feed sheep or find well-priced available stock is happy to maintain or increase numbers,” he said.

That assessment is particularly relevant as other enterprises face pressure.

“Cropping in some areas is under pressure with lower commodity prices, poor seasons and strongly rising input costs,” Hill said.

Wool is looking very strong against competing farm enterprises – I guess only cattle look a bit better this season

“Recent supply indicators suggest adjustment rather than retreat. After a record year of sheep turn-off, the pace has slowed.

“Sheep turn-off to the end of September is 24% lower than the same time last year – which was a record year – so turn-off is slowing.”

Testing and sales data add further nuance.

AWTA key test data from July to November is down 10.4pc.

But AWEX auction sales over the same period are only down 3.2pc.

Part of that difference reflects wool returning to market as prices improved.

Taken together, these signals point to a market that is absorbing reduced volumes without disruption. That steadiness helped underpin prices into the end of the year.

At the final sale of the calendar year, the Eastern Market Indicator closed around 1,541 cents per kilogram clean, reinforcing the strength that has returned to the market heading into 2026.

Looking ahead, Hill remains measured about what comes next.

“I still believe this season will be the short- to medium-term low for production – just lower than hoped,” he said.

“If we can stabilise in the next six months and then slowly increase, any significant lift will take 18 months to two years, given very low lambing, young ewe numbers and general ewe turn-off.”

The signals in the market as the new selling season begins are constructive rather than exuberant.

Prices are firming without overheating. Supply is adjusting, not collapsing. Competition for land remains real, but wool is performing strongly against most alternatives.

As auctions resume and 2026 unfolds, wool is once again making a strong, credible case for its acres.