December 2014

Australian Wool Production Forecast Report

Australian Wool Production Forecast Committee

Summary

- The Australian Wool Production Forecasting Committee (AWPFC) has forecast production in the 2014/15 season at 334 million kilograms greasy, down by 2% from the 2013/14 season total of 341 mkg. The fall in production is now anticipated to be slightly less than the decline previously forecast in August.
- Nationally, average fleece weights are expected to increase (+2.9%) due to better than expected fleece weights in some parts of NSW, Victoria and South Australia, but this will not be enough to offset fully the estimated decline in the number of sheep shorn (-4.7%). Table 1 summarises the estimates and forecasts.

Table 1: Summary of wool production estimates and forecasts for Australia

Parameter	2012/13 Final Estimate	2013/14 Final Estimate	*Change y-o-y (%)*	2014/15 Third Forecast	*Change y-o-y (%)*
Opening Sheep Number (million)	74.7	75.5	*1.2%*	71.8	*-5.0%*
Sheep Numbers Shorn (million)	78.8	78.0	*-1.0%*	74.3	*-4.7%*
Average Cut Per Head (kg)	4.47	4.37	*-2.3%*	4.37	*0.0%*
Shorn Wool Production (mkg greasy)	352	341	*-3.3%*	334	*-2.0%*

- Regionally, the Committee forecasts that wool production in 2014/15, compared with 2013/14, will fall the most in Queensland (-31.9%) and Western Australia (-4.1%), while production in Victoria (-1.7%) and Tasmania (-0.6%) will decline to a smaller degree. Wool production in New South Wales is expected to remain at around the same level as in 2013/14 (-0.1%) while the Committee predicts that wool production will lift in South

FURTHER INFORMATION
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Australia (+1.9%). A more detailed comparison of greasy wool production by state can be found in Tables 1 and 2 in the Appendix to this report.

Table 2: Summary of wool production estimates and forecasts for individual states

Shorn wool production (mkg greasy)	QLD	NSW	VIC	TAS	SA	WA	National
2013/14 Final	10.8	125.3	70.5	10.2	52.0	71.8	341
2014/15 Third Forecast	7.4	125.1	69.3	10.1	53.0	68.9	334
Change y-o-y (%)	*-31.9%*	*-0.1%*	*-1.7%*	*-0.6%*	*1.9%*	*-4.1%*	*-2.0%*

Major data inputs

These forecasts are based on detailed consideration by the state and national committees of current seasonal conditions, AWTA test data, AWEX auction statistics and matched brand analysis information gathered on sheep producer and wool grower intentions, including the MLA/AWI Lamb Survey results, ABS sheep and lamb turn-off and National Livestock Recording Service yardings data.

ABS data

Table 3 summarises ABS flock statistics. The ABS' preliminary estimate for the closing number of sheep for 2013/14 (i.e. the opening number of sheep for the 2014/15 season) is due for release on 21st January 2015. The AWPFC therefore used its own estimate of opening sheep numbers for the 2014/15 season of 71.8 million head for Australia. This compares with the most recent MLA estimate of 72 million head (released in August 2014) projection and ABARES' December 2014 estimate of 72.7 million head.

Table 3: ABS National flock numbers

ABS data	2008/09	2009/10	2010/11	2011/12	2012/13	% Δ
Closing Flock (million head at 30th June)*:	72.7	68.1	73.1	74.7	75.5	1%
Breeding ewes (million head at 30th June)*:	40.9	42.3	41.8	44.9	40.3	-10%
Lambs marked:	32.5	31.9	33.3	35.4	31.0	-12%
Ewes mated:	37.7	NA	37.4	39.6	34.9	-12%
Marking %	85%	NA	89%	89%	89%	0%

*Used by AWPFC as sheep number at 1st July, opening day of following season.

National ABS sheep turn-off statistics from Australian farms are shown in Table 4, July 2014 to September 2014, compared with the equivalent year in 2013 and the five year average 2009/10 – 2013/14. National ABS live exports compared the year January 2013 to December 2013 to the equivalent year in 2012 and the five year average 2009/10-2013/14.

Table 4: ABS Sheep turn off data for 2013/14 (July to September year)

Parameter	Financial year to date			5-yr FYTD	
	Jul 13 - Sep 13	Jul 14 - Sep 14	% Δ	Avg.	%Δ
Sheep slaughter ('000 hd)	2,141	2,052	-4%	1,553	32%
Sheep weights (kg/hd cwt)	23.0	24.4	6%	23.0	6%
Mutton production (tonnes cwt)	49,211	50,111	2%	35,687	40%
Lamb slaughter ('000 hd)	5,370	5,701	6%	4,884	17%
Lamb weights (kg/hd cwt)	21.2	22.0	4%	21.4	3%
Lamb production (tonnes cwt)	113,780	125,173	10%	104,422	20%
Live exports ('000 hd)	442	602	36%	609	-1%

The ABS data show a year on year decline in the number of sheep slaughtered (-4%) but an increase in the number of lambs slaughtered (+6%) in the first three months of the 2014/15 season. When compared with the longer term (5 year) average, both the number of adult sheep slaughtered (+34%) and the number of lambs slaughtered (+17%) were up substantially for this season to date. There was an increase in live exports year on year (+36%) in the first quarter of 2014/15, but this is in line with the longer term average (-1%).

AWTA wool test data (Financial year to end November 2014)

AWTA generates monthly greasy wool test data volumes within diameter categories. Comparative financial year to-date results are shown in Table 5, and Figure 1 and 2 (overleaf), based on this report. A historical comparison of the Australian micron profile percentage share and average micron can be found in Table 4 in the Appendix to this report.

Table 5: AWTA key test data volumes (WSA) for the financial year to November

Parameter	Year	<16.5	17	18	19	20	21	22	23	24	25/26	27/28	29/30	>30.5	TOTAL
AWTA WSA Data FYTD Total greasy tonnes	2012/13	5,063	11,536	20,720	27,747	28,841	22,278	14,136	7,192	3,566	6,309	8,961	6,758	3,305	166,412
	2013/14	7,923	14,137	22,686	29,306	27,504	18,621	10,373	5,242	3,164	7,235	9,114	4,333	2,220	161,858
	2014/15	6,301	13,751	23,203	29,026	25,866	18,855	11,018	5,629	2,757	6,222	9,367	5,702	2,977	160,674
FYTD - YOY%	2014/15	-20%	-3%	2%	-1%	-6%	1%	6%	7%	-13%	-14%	3%	32%	34%	-1%

AWTA data for wool test volumes presented in Tables 5 and 6 and Figures 1 and 2 indicate:

- Volumes for 2014/15 to end November were 0.8% lower than in 2013/14;
- There was a reduction in wool tested at the fine end of the clip, especially wool 16.5 microns and finer, in the first five months of the season;
- There were significant increases in the broad end of the clip (greater than 28.6 micron), which was a recovery from the sharp decline in 2013/14;
- There were gains in the 20.6 – 23.5 micron categories; and

- The volumes of wool tested (on a wool statistical area basis) in the first five months of the 2014/15 season were higher than year earlier levels in South Australia, Tasmania and New South Wales. It was lower in Queensland and Western Australia, and the same in Victoria.

Figure 1: Comparison of monthly AWTA key test data volumes (WSA)

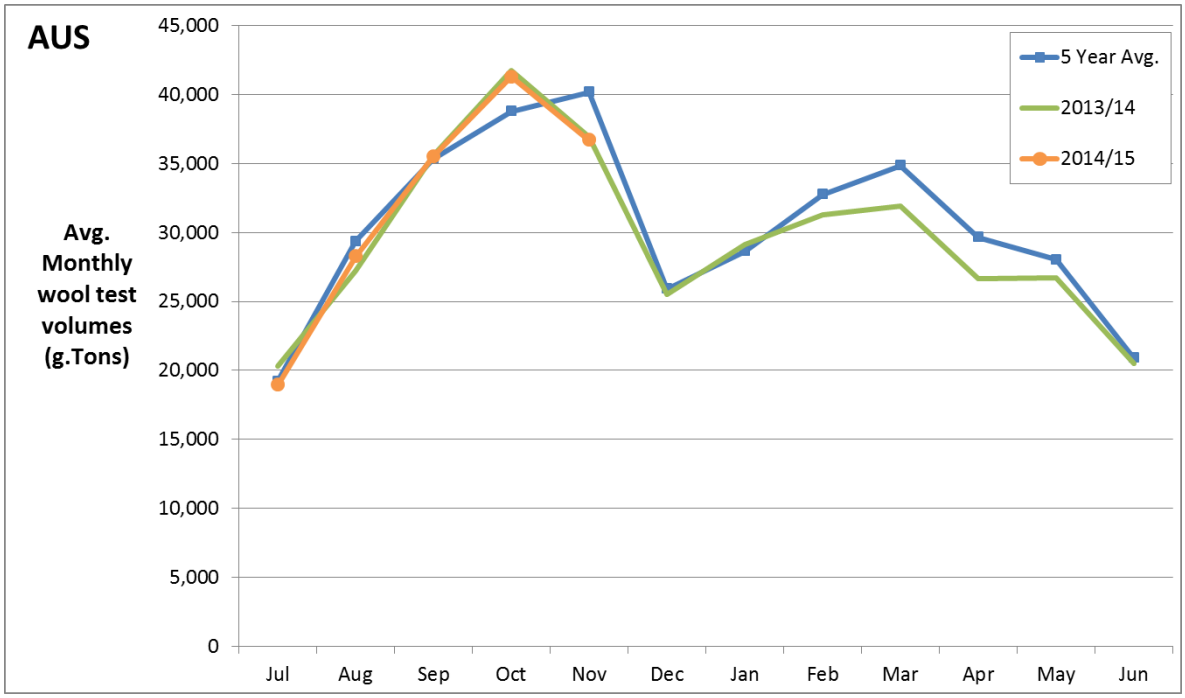


Figure 2: Across-years comparison of Australian diameter profile to November (AWTA based on WSA)

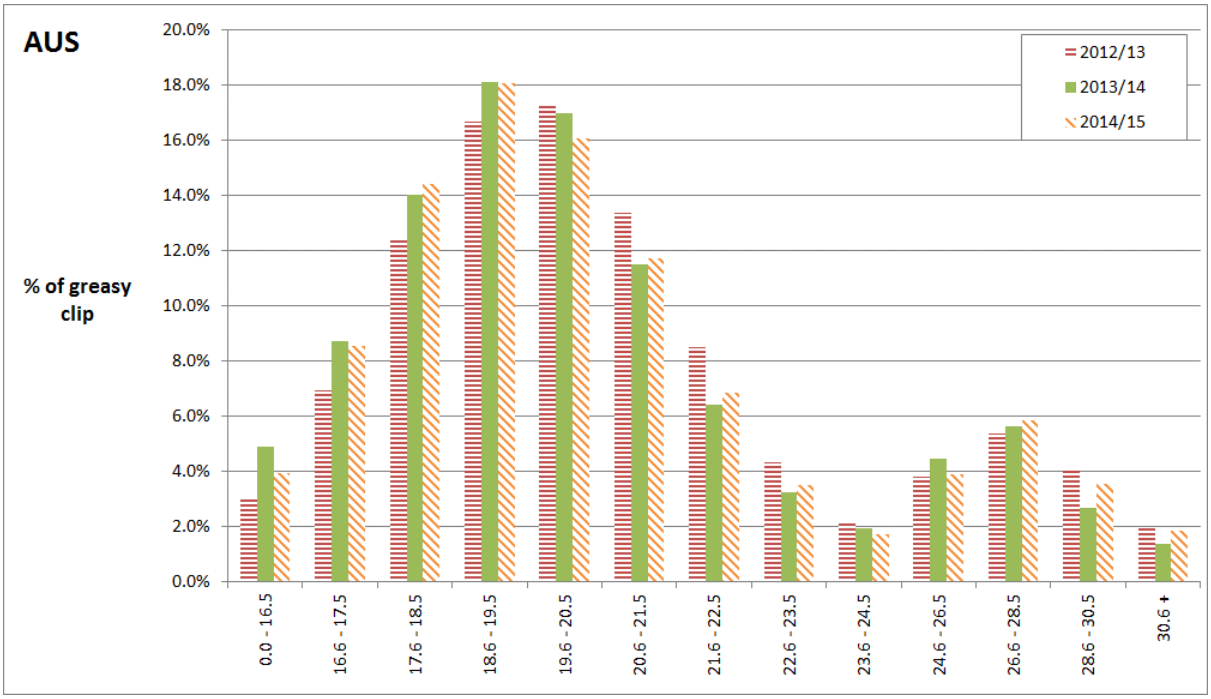


Table 6: AWTA Wool Statistics Area test data volumes (WSA) for the financial year to November

Year	NSW	Vic	WA	SA	Tas	Qld	Australia
2012/13	61,112	37,758	30,655	23,980	5,229	7,678	166,412
2013/14	60,504	35,225	31,642	23,125	5,156	6,206	161,858
2014/15	60,966	35,317	30,120	24,728	5,285	4,258	160,674
YTD - YOY%	1%	0%	-5%	7%	3%	-31%	-1%

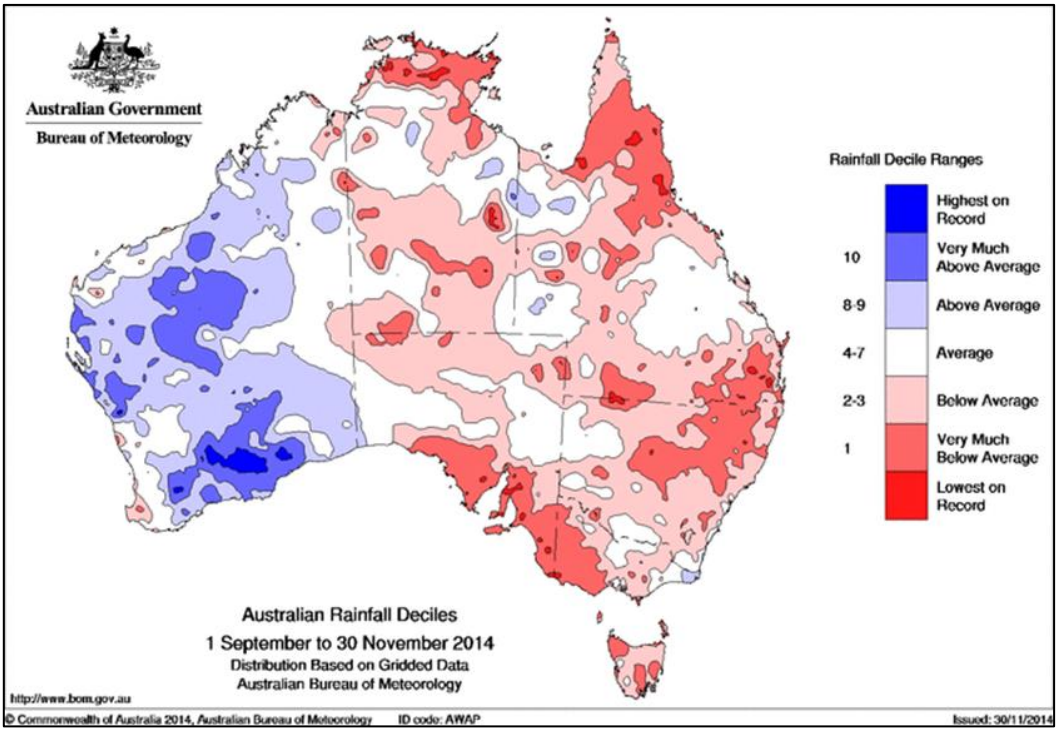
AWEX auction statistics and matched brand analysis

According to the AWEX auction statistics, overall, first hand bales offered were only slightly lower (-0.2%) in 2014/15 compared with 2013/14 to week 23 (week ending 5th December 2014), with declines in the northern (-5.4%) and western centres (-0.4%), partially offset by an increase in the southern centre (+3.2%). The AWEX matched brands analysis for the same period shows a 1.5% fall in the weight of wool, with large declines in Queensland (-22.8%) and Western Australia (-10%), and a small decline in Tasmania (-0.1%) offset by increases in South Australia (+5.8%) Victoria (+2.8%) and New South Wales (+0.3%).

Bureau of Meteorology (BoM) seasonal rainfall seasonal outlook

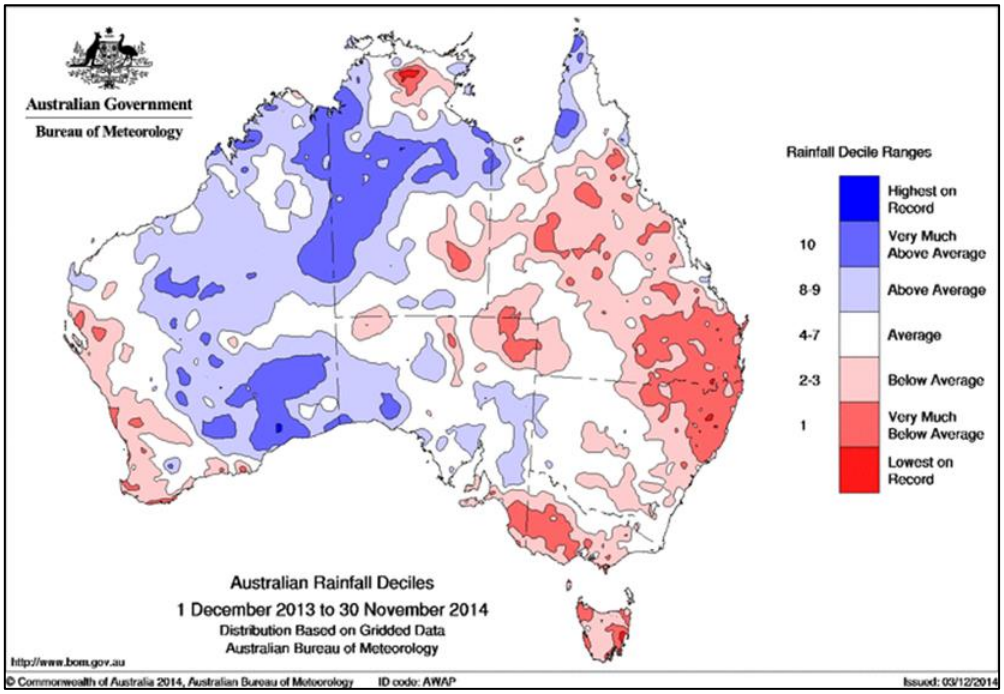
The BoM recorded very dry conditions over spring (September to November) for much of eastern Australia and the south-west corner of Western Australia. The eastern part of Victoria and small parts of northern Victoria/southern New South Wales fared better, as did considerable parts of Western Australia (figure 3).

Figure 3: Australian quarterly rainfall deciles (September to November 2014)



For the full 12 months to November, dry conditions have been recorded throughout Tasmania, in western Victoria/south-eastern South Australia, Queensland, northern New South Wales and the main sheep and cropping regions in Western Australia (figure 4). Northern parts of South Australia and the southern and western parts of New South Wales have seen average or above average rainfall.

Figure 4: Australian yearly rainfall deciles (December 2013 to November 2014)



The Bureau predicts that much of eastern Australia will record drier and hotter than normal seasonal conditions between December 2014 and February 2015 (figures 5 and 6). Tasmania is expected to see wetter than normal conditions, while other regions in Australia (western Victoria, south-eastern South Australia and Western Australia) has no strong tendency towards being wetter or drier than normal, or different to normal temperatures.

Figure 5: Chance of exceeding median rainfall (Dec 2014 to Feb 2015)

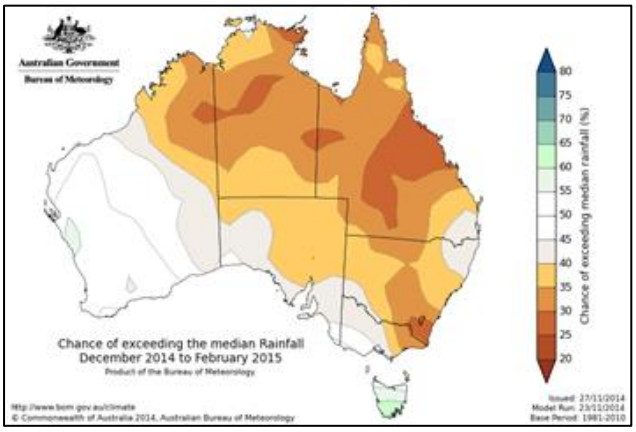
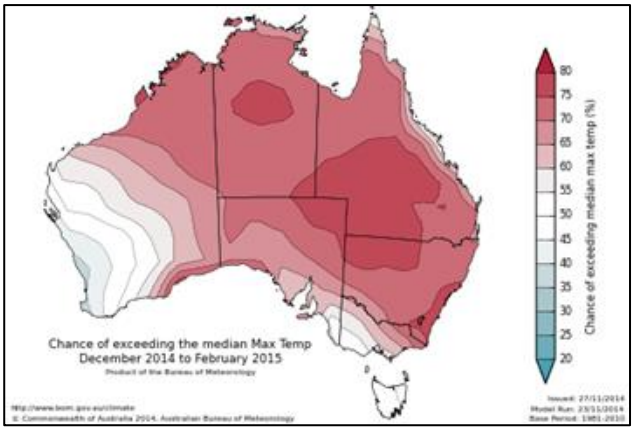


Figure 6: Chance of exceeding median maximum temperature (Dec 2014 to Feb 2015)



As at 2nd December, the Bureau stated that the chance El Niño being declared in the coming months is at 70%, triple the average likelihood of an event occurring. It also noted that regardless of whether or not El Niño is declared, it has similar impacts for much of Australia, meaning below average rainfall and above average temperatures are likely in the months ahead, as shown by the Bureau's latest Climate Outlook (summer 2014-15).

State Committee inputs

The following provides a summary of conditions and wool production in each state for the 2014/15 season as reported by State Committees in December 2014. Seasonal conditions have been drier in many parts of Australia in recent months, which will push average fleece weights down over autumn. The recent rains in many areas are greatly welcomed; however the impact on this season's production will be somewhat limited and follow up rain is essential.

Queensland

For the season to date, fewer sheep have been shorn than originally expected and cuts per head are low. Both the number of sheep shorn and cut per head will fall and production is predicted to be the lowest on record.

New South Wales

Seasonal conditions have been very good to excellent in the southern half of the state, while the northern half has been doing it tough. Fleece weights and production will be up in the southern part of the state and will offset both the decline in the northern half and the fall in sheep numbers. Production will be flat in 2014/15. Higher fleece weights will offset the lower sheep numbers.

Victoria

Cuts per head appear to have been higher in the first five months of the 2014/15. However, seasonal conditions have been dry since August, which will reduce fleece weights in autumn. There is also a distinct difference between the poor conditions in the western half of the state and the better seasonal conditions in the eastern half. Average cuts per head will increase in 2014/15, but this will not be enough to offset the lower numbers of sheep shorn. Wool production will therefore be lower for the full 2014/15 season.

Tasmania

While production has been higher in the first five months of the 2014/15 season, dry conditions over the past 4-5 months will push fleece weights down in autumn, which will cause average fleece weights, and total shorn wool production, to be slightly lower over the full 2014/15 season.

South Australia

After an excellent first five months of the 2014/15 season, wool production in next seven months is likely to be lower due to a sell-off of sheep from some regions of the state (notably the south-east where rainfall has been poor) and lighter average fleece weight. This is

expected to partially offset the increase in the first five months. For the full 2014/15 season, there is expected to be an increase in average fleece weight which will more than offset decline in sheep shorn.

Western Australia

Dry conditions have seen lower fleece weights than expected in the first five months. There is also intense competition for sheep for live trade and slaughter. Over the full season, both the number of sheep shorn and the average wool cut per head is likely to decline, resulting in a decline in total shorn wool production.

Appendix

Table 1: Comparison of the 3rd forecast for 2014/15 against the final estimate for 2013/14

2013/14 Final estimate (Aug -14)	QLD	NSW	VIC	TAS	SA	WA	National
Opening Sheep Number (million)	2.9	27.9	16.1	2.4	10.8	15.5	75.5
Sheep Numbers Shorn (million)	2.9	28.4	17.8	2.6	10.7	15.6	78.0
Average Cut Per Head (kg)	3.72	4.41	3.96	3.92	4.86	4.60	4.37
Shorn Wool Production (mkg greasy)	10.8	125.3	70.5	10.2	52.0	71.8	341

2014/15 3rd Forecast (Dec -14)	QLD	NSW	VIC	TAS	SA	WA	National
Opening Sheep Number (million)	2.3	26.6	15.1	2.4	10.2	15.1	71.8
Sheep Numbers Shorn (million)	2.1	27.2	16.7	2.6	10.4	15.3	74.3
Average Cut Per Head (kg)	3.50	4.60	4.15	3.90	5.10	4.50	4.49
Shorn Wool Production (mkg greasy)	7.4	125.1	69.3	10.1	53.0	68.9	334

Change (%)	QLD	NSW	VIC	TAS	SA	WA	National
Opening Sheep Number	-20.2%	-4.7%	-6.1%	0.0%	-5.4%	-2.1%	-5.0%
Sheep Numbers Shorn	-27.6%	-4.2%	-6.2%	0.0%	-2.8%	-1.9%	-4.7%
Average Cut Per Head	-5.9%	4.3%	4.8%	-0.6%	4.9%	-2.2%	2.9%
Shorn Wool Production	-31.9%	-0.1%	-1.7%	-0.6%	1.9%	-4.1%	-2.0%

Numbers may not add due to rounding

Historical Australian Production Figures

Table below provides historical sheep numbers, wool production and fleece weight statistics since 1991/92 for background information.

Table 2: Australian wool production statistics since 1991/92

Year	Opening Sheep Number (million)	Sheep Numbers Shorn (million)	Average Cut Per Head (kg)	Shorn Wool Production (mkg greasy)
1991-92	163.1	180.9	4.4	801
1992-93	148.1	178.8	4.6	815
1993-94	138.0	172.8	4.5	775
1994-95	132.5	156.2	4.4	682
1995-96	120.8	145.6	4.5	655
1996-97	121.0	152.0	4.3	661
1997-98	120.1	150.0	4.2	633
1998-99	117.4	153.6	4.3	665
1999-00	115.4	144.2	4.3	619
2000-01	118.5	139.5	4.3	602
2001-02	110.8	118.6	4.7	555
2002-03	106.1	116.6	4.3	499
2003-04	99.2	104.7	4.5	475
2004-05	101.2	106.0	4.5	475
2005-06	101.1	106.5	4.3	461
2006-07	91.0	101.4	4.2	430
2007-08	85.7	90.2	4.4	400
2008-09	76.9	79.3	4.5	362
2009-10	72.7	76.2	4.5	343
2010-11	70.8	76.2	4.5	345
2011-12	73.1	76.4	4.5	342
2012-13	74.7	78.8	4.5	352
2013-14	75.5	78.0	4.4	341
2014-15$_f$	71.8	74.3	4.4	334

Table 3: Australian micron profile of AWTA wool test volume statistics since 1991/92 (% share and average micron)

AWTA KTD Micron Percentage Split of Wool Production (micron)														
Year	<16.5	17	18	19	20	21	22	23	24	25/26	27/28	29/30	>30.5	Average Fibre Diameter (micron)
1991/92	0.1%	0.7%	3.2%	7.9%	15.2%	21.5%	20.0%	13.4%	7.1%	5.5%	2.9%	1.6%	1.0%	22.0
1992/93	0.0%	0.3%	1.9%	5.4%	12.0%	19.9%	20.6%	15.6%	10.0%	7.9%	3.0%	1.9%	1.6%	22.4
1993/94	0.1%	0.5%	2.4%	5.9%	12.1%	18.8%	20.8%	15.7%	10.0%	7.4%	2.8%	1.9%	1.7%	22.4
1994/95	0.1%	0.6%	3.5%	8.6%	15.2%	20.9%	19.9%	13.0%	7.0%	4.7%	2.8%	2.0%	1.7%	22.0
1995/96	0.0%	0.6%	3.3%	8.2%	15.3%	20.8%	18.5%	13.2%	8.1%	6.0%	2.7%	1.8%	1.6%	22.1
1996/97	0.2%	0.8%	3.9%	9.7%	15.3%	20.1%	18.3%	13.1%	7.4%	5.3%	2.3%	1.9%	1.8%	22.0
1997/98	0.2%	1.2%	4.5%	9.8%	14.8%	19.4%	18.3%	12.8%	7.7%	5.4%	2.6%	1.8%	1.5%	21.9
1998/99	0.2%	1.1%	4.2%	8.8%	14.6%	19.6%	18.6%	14.0%	7.6%	5.1%	2.7%	2.0%	1.5%	22.0
1999/00	0.1%	1.0%	4.2%	9.3%	14.4%	19.1%	18.2%	13.6%	7.7%	5.2%	2.9%	2.4%	1.9%	22.1
2000/01	0.2%	1.3%	5.2%	11.1%	15.7%	18.5%	16.4%	11.4%	6.8%	5.1%	3.6%	2.8%	1.9%	22.0
2001/02	0.3%	2.0%	7.2%	14.4%	19.9%	18.9%	12.9%	7.7%	4.1%	3.7%	3.8%	3.1%	1.9%	21.6
2002/03	1.0%	3.9%	9.8%	15.7%	18.9%	17.6%	12.0%	6.6%	2.9%	3.4%	3.7%	2.9%	1.7%	21.2
2003/04	0.7%	3.6%	9.9%	15.8%	18.3%	16.6%	11.9%	7.5%	3.6%	3.5%	3.8%	2.9%	1.8%	21.3
2004/05	1.2%	4.2%	10.5%	16.5%	18.7%	15.9%	10.7%	6.2%	3.2%	3.6%	4.1%	3.1%	2.0%	21.2
2005/06	1.4%	4.7%	9.7%	15.1%	18.7%	17.1%	11.5%	5.9%	2.9%	3.9%	4.5%	2.9%	1.6%	21.2
2006/07	2.0%	5.9%	11.8%	15.9%	16.9%	14.0%	9.9%	6.2%	3.4%	4.3%	4.4%	3.2%	2.1%	21.1
2007/08	1.9%	5.3%	10.9%	16.8%	18.4%	14.3%	9.2%	5.5%	3.0%	4.1%	4.8%	3.6%	2.2%	21.2
2008/09	2.0%	5.7%	11.4%	16.6%	18.5%	15.0%	9.1%	4.4%	2.3%	3.8%	5.1%	3.8%	2.2%	21.2
2009/10	2.3%	6.2%	12.6%	17.1%	17.5%	13.2%	8.4%	4.6%	2.5%	4.1%	5.4%	3.9%	2.3%	21.2
2010/11	1.5%	4.8%	11.0%	16.8%	18.0%	13.5%	8.4%	5.4%	3.0%	3.9%	5.5%	5.0%	3.1%	21.5
2011/12	1.8%	5.6%	12.0%	17.1%	16.6%	12.3%	8.3%	5.3%	2.9%	4.2%	5.8%	4.7%	3.3%	21.2
2012/13	2.5%	7.0%	13.3%	17.5%	16.8%	12.0%	7.3%	4.1%	2.3%	4.6%	6.2%	4.0%	2.5%	21.2
2013/14	3.8%	8.4%	14.6%	17.8%	16.0%	10.8%	6.2%	3.4%	2.2%	5.2%	6.4%	3.1%	2.1%	20.7

Note: Totals may not add due to rounding

Explanation of revised AWPFC data series

At the December 2005 meeting, the national Committee made the decision to collate and review the key variables (shorn wool production, cut per head, number of sheep shorn) used in the committee from the available industry sources and to create a consistent historical data series at both a state and national level. This was required as some differences existed between industry accepted figures and the AWPFC data series and to ensure a consistent methodology over time. This process resulted in changes to the parameters 'average cut per head' and the 'number of sheep shorn' for some seasons at both a state and national level.

Modus operandi for the AWI Production Forecasting Committee

The AWI Wool Production Forecasting Committee draws together a range of objective data and qualitative information to produce consensus-based, authoritative forecasts four times a year for Australian wool production.

The Committee has a two-level structure, with a National Committee considering information and advice from state sub-committees. It is funded by Australian Wool Innovation Limited, which also provides an independent representative in the role of the Chairman of the National Committee.

The National and state sub-committees comprise wool producers, wool brokers, exporters, processors, private treaty merchants, AWEX, AWTA, ABARES, ABS, MLA, state departments of Agriculture and AWI.

The Committee releases its forecasts in the forms of a press release and a report providing the detailed forecasts, historical data and commentary on the key drivers of the forecasts.