Australian Wool Production Forecast Report, April 2002

Australian Wool Innovation Production Forecasting Committee

Summary

Australian shorn wool production is forecast to fall by 5% in 2002/03 to 520 mkg greasy (within a range of between 495 mkg and 535 mkg greasy), the lowest level since 1951/52 when production was just 490 mkg greasy. Seasonal conditions over the next two months will have a major impact on the forecast production in 2002/03, with several states awaiting autumn rains.

This forecast decline in production in 2002/03 comes after an estimated 9% drop in production in 2001/02. The revised forecast for Australian shorn wool production in 2001/02 is 550 mkg greasy (with a range of 540 to 555 mkg greasy), down slightly on the December 2001 forecast of 560 mkg greasy for the season. There has been a larger-than-expected run-down in sheep numbers and continued poor seasonal conditions in several states in recent months. High prices for adult sheep are encouraging wool producers to sell both wethers and older ewes. The total number of sheep shorn is expected to fall by 7% to 130.4 million head in 2001/02 and by a further 5% in 2002/03 to 123.3 million head. This is based on estimated opening sheep numbers of 113 million head as at 1 July 2001 and 110 million head as at 1 July 2002.

On-farm wool stocks have fallen following a sell-off so far this season, particularly in the past three months, as higher wool auction prices have encouraged producers to sell their wool stocks. There is likely to be very little wool held on-farm carried over into the 2002/03 season, although some will be held in brokers' stores.

The micron profile of Australian wool production continues to move finer, with breeding programs and dry conditions in some states favouring fine wool production. Australian Wool Testing Authority data for the July-March period of the 2001/02 season, indicate that 19.5 micron and finer wool represented 24.3% of the wool tested in Australia, an increase of around 2% share on the volume of wool tested in the 2000/01 season. This shift is expected to continue in 2002/03, with 19.5 micron and finer wool predicted to reach a 25.6% share of the national shorn wool production.

The estimates for the 1999/00 and 2000/01 seasons are currently under review to investigate discrepancies in existing data on sheep numbers and on wool receivals and wool tested.

FURTHER INFORMATION
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Table 1: Summary of wool production forecasts for Australia

	2001/02	% change*	2002/03	% change
Sheep numbers shorn (mill head)	130.4	-7%	123.3	-5%
Average cut per head (kg/head)	4.2	-3%	4.2	0%
Shorn wool production (mkg greasy)	550	-9%	520	-5%

*on current estimate for 2000/01

Wool Production Forecasts

Forecast for season 2001/02

Australian wool production is forecast to fall 9% in the 2001/02 season to 550 mkg greasy, within a range of between 540 mkg and 555 mkg greasy. This percentage decline is based on the current estimate for the 2000/01 season of 602 mkg greasy (a figure which is currently under review and which may be below actual production in 2000/01). Production is expected to decline in all states, except Tasmania, with the largest falls expected in Queensland, Western Australia and Victoria. A run-down in sheep numbers coupled with generally poor seasonal conditions are the major drivers in this decline.

Nationally the total number of sheep shorn during the 2001/02 season is expected to fall by 7% to 130.4 million head based on opening sheep numbers of 113 million head at 1st July, 2001. High sheep/meat and live sheep export prices have had a major influence on this decline in the number of sheep shorn, particularly in Queensland and Western Australia. A general move away from wool production to other enterprises, such as cattle, cropping and prime lambs has also resulted in a run-down in sheep numbers. Finally, there has been a move away from the traditional wool-producing sheep towards exotic, meat oriented types.

The average fleece weight nationally in 2001/02 is estimated at 4.2 kg/head, a decline of 3% on the 2000/01 season. This fall is due to the generally poor seasonal conditions in most states in 2000/01, particularly in Western Australia and Queensland, and the increased production of fine wool. Tasmania is the exception as seasonal conditions have improved in the past 12 to 18 months from drought conditions and fleece weights are expected to be 5% higher.

Table 2: 2001/02 Production Forecast

	QLD	NSW	VIC	TAS	SA	WA	National
Sheep shorn (million head)	9.0	50.1	26.5	4.1	14.3	26.4	130.4
Average cut head (kg/head)	3.95	4.2	4.2	3.8	4.9	4.0	4.2
Shorn wool production (mkg greasy)	36	211	112	16	70	106	550

- **Micron profile 2001/02**

The AWTA test data for the season to date provides an indicator of the clip profile in 2001/02 (July to March). It is likely that the percentage of fine wool (19.5 micron and finer) will fall slightly from these levels over the remaining three months of the season, following the usual seasonal pattern.

There are two major trends driving the micron profile of Australian wool production. Firstly, producers are moving to finer wool production, through the use of breeding schemes and technologies such as in-shed testing. This has resulted in an increase in the percentage of wool being tested in the 19.5 micron and finer category. Secondly, producers are moving to crossbred and meat-sheep production, which has resulted in an increase in production in the broader micron categories.

The combined effect of these two trends has resulted in a fall in the share of wool production in the 22 to 26 micron categories. For example, in South Australia production in the 23/24 micron category production is down by 19% year-on-year, in New South Wales it is down 49% and in Western Australia it is down by 58% for July to March year on year. Whilst seasonal conditions have played some role in this shift, particularly in Western Australia, the underlying trend in Australian production is away from these middle micron categories.

Table 3: AWTA Test statistics July 2001 – March 2002 (% share of all wool tested)

States	<19	20	21	22	23/24	25/26	27/28/29	>30
QLD	19.6%	27.1%	28.9%	15.3%	5.9%	0.6%	1.7%	0.8%
NSW	36.4%	19.6%	16.8%	9.0%	5.5%	3.6%	7.8%	1.2%
VIC	20.1%	17.5%	16.7%	12.0%	12.1%	4.9%	12.8%	4.0%
TAS	41.5%	22.3%	13.3%	6.5%	3.7%	3.0%	7.4%	2.3%
SA	4.5%	8.3%	15.1%	22.7%	35.3%	6.7%	5.7%	1.7%
WA	25.3%	27.3%	24.2%	13.5%	7.1%	1.2%	1.1%	0.2%
National	**24.3%**	**19.5%**	**18.6%**	**12.9%**	**11.8%**	**3.7%**	**7.3%**	**1.9%**

Forecast for season 2002/03

Australian wool production in 2002/03 is forecast to fall 5% to 520 mkg, within the range of 495 – 535 mkg. This forecast assumes reasonable autumn rains in the next 1-2 months, and hence normal seasonal conditions, however a wide range in the production forecast has been set as uncertainty about these seasonal conditions remains. The low point in the range of 495 mkg greasy assumes poor autumn rains and hence poor seasonal conditions.

Sheep shorn numbers are again expected to fall in all states except Tasmania, due to the sell-off of sheep during the 2001/02 season, particularly in the past few months. Nationally, the total number of sheep shorn are expected to fall 5% in 2002/03 to 123.3 million head with declines split across all states (see Table 4). This is based on opening sheep numbers at 1 July 2002 of around 110 million head.

The shift away from wool production seen in past few years is expected to cease in many states in 2002/03. The exceptions are Victoria, where a further shift away from wool production to other enterprises is predicted, and Tasmania, where a modest shift towards wool is expected. This expected slow-down in the shift away from wool production will not prevent a fall in wool production in 2002/03, as that will be affected by the move away from wool and the sales of sheep in 2001/02. However, it could mean that the decline in wool production may slow or even cease in 2003/04 and beyond.

Fleece weights are expected to recover in Western Australia and Tasmania next season on the back of better seasonal conditions. In contrast, a decline in fleece weights is expected in New South Wales as seasonal conditions in some regions of that state are currently poor. Fleece weights are expected to remain stable in other states. However, these figures will be highly dependent on the seasonal conditions going into the 2002/03 season, and are in particular dependent on there being adequate autumn rains over the next 1-2 months.

Table 4: 2002/03 Production Forecast

	QLD	NSW	VIC	TAS	SA	WA	National
Sheep shorn (million)	8.5	47.6	25.2	4.2	13.7	24.3	123.3
Average cut head (kg/head)	3.95	4.1	4.2	4.1	4.9	4.2	4.2
Shorn wool production (mkg greasy)	33	195	105	17	67	102	520

- **Micron Profile Forecast 2002/03**

The trend to increased fine wool production is expected to continue in 2002/03, with a resultant increase in the share of 19.5 micron and finer wool. In some states, however, the shift to finer wool is reported to be slowing. As well, better seasonal conditions in some parts of Australia (compared with 12 months ago) is expected to bring a small lift in the share of 21 micron and 22 micron wool, at the expense of 20 micron wool. The expected micron profile of the clip will be subject to seasonal conditions and poor autumn rains in some states could bring a significant change in this expected profile (notably an increase in the proportion of fine wool).

Table 5: Micron Profile Forecast – Australian clip 2002/03

	<19	20	21	22	23/24	25/26	27/28/29	>30
National	25.6%	19.0%	19.0%	13.2%	10.4%	3.7%	7.0%	2.1%

Latest Industry Statistics

The latest industry statistics for the 2001/02 season (July to March period) highlight the decline in wool production in Australia this season. Auction offerings, broker receivals and AWTA test data are all down by between 12-13%. However, all of these would have been inflated in 2000/01 by sales from on-farm stocks. While there have been some sales of on-farm stocks in 2001/02, it is likely that these sales are lower than in the previous season. As a result, the percentage decline in the auction offerings, broker receivals and AWTA test data may modestly overstate the actual decline in wool production this season.

Table 6: July 2001 to March 2002 – Season to date

	2000/01	2001/02	% change
AWEX auction offerings (mkg)	455.436	402.939	-12%
AWEX Broker receivals (bales)	2,486,274	2,169,974	-12.7%
AWTA test statistics (mkg)	516.643	449.953	-13%

Historical Australian Production Figures

The following tables provide historical statistics on the Australian wool industry for background information. The estimates of sheep numbers and wool production in 1999/00 and 2000/01 are currently being reviewed with the Australian Bureau of Statistics. Discrepancies have been found between data sources on both sheep numbers and wool production in these years. It is hoped that the review will be completed by the middle of 2002.

Table 7: Australian wool industry statistics

	1996/97	1997/98	1998/99	1999/00*	2000/01*
Opening sheep numbers (million)	121.2	120.2	117.9	115.5	118.6
Sheep shorn (million)	156.5	155.5	148	144.4	139.6
Average cut per head (kg/head)	4.33	4.22	4.32	4.3	4.31
Total shorn wool production (mkg greasy)	682.0	655.1	641	620	602

* season estimates currently under review.
Source: ABS, ABARE.

Table 8: Micron profile of wool offered at auction (% share)

Year	<19	20	21	22	23/24	25/26	27/28/29	>30
1993/94	10.5%	13.2%	19.2%	20.4%	24.9%	7.1%	2.9%	1.8%
1994/95	14.9%	16.3%	20.3%	18.8%	18.9%	4.1%	2.5%	4.2%
1995/96	15.5%	16.9%	20.3%	17.2%	20.2%	5.5%	2.7%	1.7%
1996/97	18.0%	16.7%	19.7%	17.4%	19.4%	4.7%	2.4%	1.7%
1997/98	18.9%	16.0%	19.1%	17.6%	19.4%	4.7%	2.5%	1.6%
1998/99	16.8%	16.7%	20.6%	17.9%	19.6%	4.4%	1.8%	2.2%
1999/00	15.7%	16.0%	19.7%	18.1%	20.9%	4.8%	2.0%	2.7%
2000/01	19.6%	17.2%	18.9%	16.2%	17.7%	4.9%	2.4%	3.0%

Source: Australian Wool Compendium and AWEX

Modus operandi for the Australian Wool Production Forecasting Committee

- The Australian Wool Production Forecasting Committee draws together a range of objective data and qualitative information to produce consensus-based, authoritative forecasts of Australian wool production three times a year.
- The Committee has a two-level structure, with a National Committee considering information and advice from state sub-committees.
- The National and state sub-committees comprise wool producers, wool brokers, exporters, processors, private treaty merchants, AWEX, the Australian Wool Testing Authority, ABARE, the Australian Bureau of Statistics and The Woolmark Company.
- It is funded by Australian Wool Innovation Limited, which also provides a representative in the role of the Chairman of the National Committee.
- The Committee releases its forecasts of production in the form of a press release and a report providing the detailed forecasts, historical data and commentary on the key drivers of the forecasts.