

Australian Wool Production Forecast Report, November 2003

Australian Wool Innovation Production Forecasting Committee

Summary

Australian shorn wool production is forecast to decline by 14% to 430 mkg greasy during the 2003/04 season, according to the Australian Wool Innovation (AWI) Production Forecasting Committee (AWIPFC). This forecast is based on 99.8 million sheep shorn and an average cut per head of 4.31 kg/head. A strong decline in sheep shorn numbers in most states and the on-going impact of the drought in New South Wales and Queensland have resulted in this further downward revision of the Australian wool production forecast for 2003/04.

The Committee has also released its second production estimate for the 2002/03 season of 499 mkg greasy. This estimate has been revised 1.8% higher than the previous estimate in September 2003 of 490 mkg greasy. It is based on the latest ABS wool receivals, released on 26th November 2003 and final AWTA test statistics for the 2002/03 season. The revised estimate reflects 117.5 million sheep shorn and an average cut per head of 4.25 kg/head.

The Committee's latest production forecast for the 2003/04 season is a further 10 mkg greasy lower than the September forecast of 440 mkg greasy. However, as noted in September, seasonal conditions were in the balance in New South Wales and the combination of hot weather and poor rains throughout September, October and the first half of November have led to further deterioration in seasonal conditions.

Sheep shorn numbers are forecast to be 99.8 million head in 2003/04, a fall of 15% from the revised 2002/03 estimate, based on the ABS opening sheep number of 98.4 million head at the start of July 2003. This opening sheep number is in line with the Committee's previous estimate of sheep numbers in September 2003 and represents an 8% decline on the 2002/03 season's opening sheep number of 106 million head. Significant destocking of sheep due to the drought and the strong meat-sheep prices throughout 2003 caused this decline.

National average fleece weights are forecast to increase 1.4% to 4.31 kg/head in 2003/04 due to the improved seasonal conditions in South Australia, Victoria and Western Australia and lower shorn lamb numbers in Queensland.

FURTHER INFORMATION

Dr David James, National Committee Chairman
Tel: +61 (0)2 99745450 Fax: +61 (0)2 99741341
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Table 1: Summary of wool production forecast for Australia

	2001/02	2002/03	% change	2003/04	% change
Sheep numbers shorn (mill head)	126.7	117.5	-7.2	99.8	-15.1
Average cut per head (kg/head)	4.38	4.25	-3.0	4.31	+1.4
Shorn wool production (mkg greasy)	555	499	-10.0	430	-13.9

Note: Totals may not add due to rounding.
Source: AWIPFC

On a state-by-state basis all states have pulled back their production forecasts, on a percentage change basis, compared with the previous September 2003 forecasts. The sharpest falls in shorn wool production in the 2003/04 season are again expected in Queensland and New South Wales. The continuing effects of the drought resulted in the Committee forecasting a 33% and 23% drop in shorn wool production in these two states respectively, compared with the 30% and 19% fall forecast in September.

Production in Tasmania had previously been forecast to increase by 11% in season 2003/04 however poor seasonal conditions since September resulted in this forecast being dropped to an increase of just 1% to 14.6 mkg greasy.

Similarly production in South Australia, Victoria and Western Australia had been forecast to decline by 5%, 4% and 2% respectively in the 2003/04 season. The Committee now expects production in these states to decline by 7%, 10% and 5% due mainly to lower than expected sheep shorn numbers.

Table 2: Summary of state by state wool production forecasts

Shorn Wool Production	QLD	NSW	VIC	TAS	SA	WA	National
2001/02	36	214	113	16	71	107	555
2002/03	23	183	102	14	63	114	499
2003/04	15	141	91	15	59	109	430
% change 02/03 v 03/04	-35%	-23%	-11%	7%	-6%	-4%	-14%

Note: totals may not add due to rounding. *National production forecast only
Source: AWIPFC

Wool Production Forecasts

Forecast for season 2003/04

Australian shorn wool production is forecast to decline by 14%, compared with production in 2002/03, to 430 mkg greasy in the 2003/04 season. This latest forecast is 10 mkg greasy less than the Committee's previous forecast of 440 mkg greasy in September and 40 mkg greasy less than the June 2003 forecast of 470 mkg greasy. The Committee has lowered its forecast in November 2003 due to lower than expected sheep shorn numbers and on-going drought conditions in over 60% of Australia's largest wool producing state, New South Wales.

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Table 3: Comparison of forecasts for 2003/04

Wool Production (mkg greasy)	QLD	NSW	VIC	TAS	SA	WA	National
March 2003 forecast							505*
June 2003 forecast	20	163	98	15	60	115	470
September 2003 forecast	16	145	98	16	59	109	440
November 2003 forecast	15	141	91	15	59	109	430

Note: Totals may not add due to rounding. * National production forecast only.
Source: AWIPFC

The November 2003 forecast has been based on the ABS opening sheep number of 98.4 million head comprising of 25.5 million lambs under 1 year and 72.9 million sheep. This is an 8% decline from the previous opening sheep number of 106.2 million head for the 2002/03 season. The decline in sheep numbers has been driven by de-stocking of sheep over the past 12 to 18 months due to drought conditions, low lambing percentages and high sheep and lamb slaughtering rates which were boosted by high sheep-meat prices. Accordingly sheep shorn numbers are forecast to fall 15% from 117.5 to 99.8 million head in 2003/04. Sheep shorn numbers are forecast to drop by more than opening sheep numbers due to the increased number of non-merino sheep in the national flock which are not shorn for wool production.

Sheep shorn numbers in 2003/04 are now expected to be lower in all states with the Committee pulling back its September 2003 sheep shorn forecast figures for each state. The national sheep shorn figure has been lowered from 103.9 to 99.8 million head for the 2003/04 season.

The Committee has forecast sheep shorn numbers will fall in all states except Tasmania during the 2003/04 season, year-on-year. Not surprisingly the sharpest declines are forecast in Queensland and New South Wales with falls of 35.3% and 22.2% respectively. However there are also significant falls in forecast sheep shorn numbers in Victoria, South Australia and, to a lesser extent, Western Australia with declines of 11.3%, 11.5% and 5.4% respectively. A higher number of lambs this season is the major contributor to a forecast increase of 4.7% in Tasmanian sheep shorn numbers.

National average fleece weights have been adjusted since the September 2003 forecast based on the latest seasonal conditions in each state. The national average fleece weight has been increased from 4.23 to 4.31 kg/head. Although the November forecast has been calculated off a slightly higher base, after the Committee revised its 2002/03 estimate, the percentage change in fleece weights has also been lifted from an increase of 0.6% in the September forecast to an increase of 1.4%.

Better than expected seasonal conditions in Western Australia and South Australia have pushed the forecast average fleece weights for the 2003/04 season higher in these states. Western Australian Department of Agriculture pasture growth data reflects the very good seasonal conditions in most of the major wool growing regions of the state. AWTA test statistics for Western Australia also support higher average fleece weights this season with average staple length increasing 1.9 mm for the July to November period and 3.1 mm in November, year-on-year.

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South Australian fleece weights are also forecast to rebound strongly in 2003/04 following the drought last season. The Committee has forecast a lift of 5.4% in average fleece weights in South Australia based on some good to very good seasonal conditions in the high sheep population areas such as the wheat-sheep zone and the south-east corner of the state.

On the other hand, the Committee has cut their average fleece weight forecasts for New South Wales, Queensland, Victoria and Tasmania given the worse than expected seasonal conditions during the September to November period. As noted in September, seasonal conditions in New South Wales remained in the balance with widespread rains needed to maintain drought recovery. However, since then seasonal conditions have deteriorated with drought conditions persisting in over 60% of the state.

Similarly seasonal conditions in Queensland and Tasmania have deteriorated since the September 2003 forecast. The forecast average fleece weight in Tasmania has been lowered from an increase of 2.6% in September to a decline of 3.4% in November.

Improved seasonal conditions in 2003 are still expected to push average fleece weights higher in Victoria during the 2003/04 season, although the forecast improvement has been lowered from an increase of 3.6% in the September 2003 forecast to an increase of 1.5% in the November 2003 forecast.

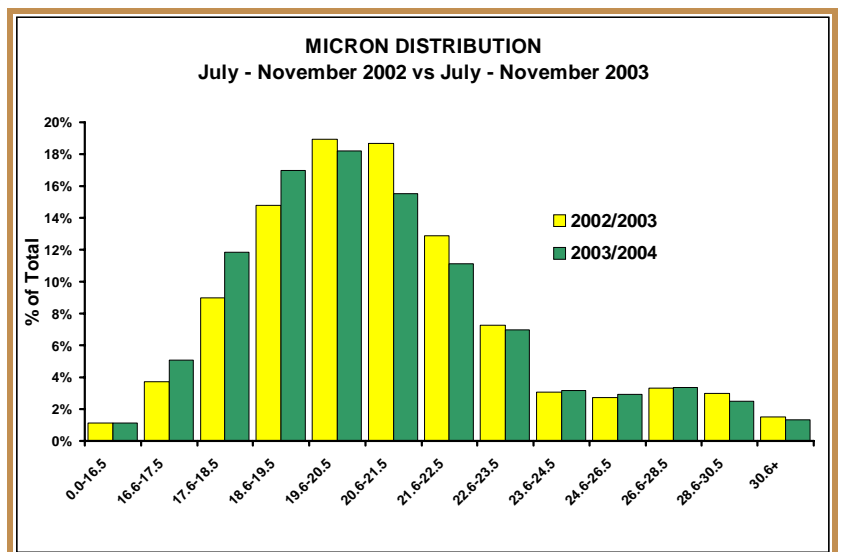
Table 4: 2003/04 Production Forecast

	QLD	NSW	VIC	TAS	SA	WA	National
Sheep shorn (million)	4.5	34.4	21.5	3.9	11.8	23.8	99.8
Average cut head (kg/head)	3.47	4.10	4.25	3.80	4.98	4.57	4.31
Shorn wool production (mkg greasy)	15	141	91	15	59	109	430

Note: Totals may not add due to rounding.
Source: AWIPFC

Micron Profile - 2003/04

AWTA test statistics for the season to date, July to November 2003, suggest there has been a further increase in fine wool (19.5 micron and finer) production for the season to date, year-on-year. In the 18 micron (17.6 to 18.5 micron) category alone, test statistics have been 3% higher in the first five months of the 2003/04 season, compared with the same period last season.



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The sharpest decline in AWTA test statistics has been recorded in the mid-micron category between 20 and 23 microns. For example, test statistics for 21 micron (20.6 to 21.5micron) are down 3% for July to November year-on-year.

The shift towards sheep-meat production has resulted in test statistics at the broader end of the scale remaining generally unchanged on the same period last season, despite the lower total production across all microns.

The Committee noted that there is likely to be a shift broader in the micron profile of production during the second half of the season as better seasonal conditions in Western Australia, South Australia and Victoria impact on production.

**Table 5: AWTA test statistics micron profile - Jul to Nov 2003
(% share)**

Micron Range	QLD	NSW	VIC	TAS	SA	WA	National
0.0-16.5	0.77	2.13	1.23	1.38	0.04	0.22	1.10
16.6-17.5	3.88	10.52	4.36	8.02	0.13	1.47	5.06
17.6-18.5	11.33	21.29	10.16	22.40	1.02	6.55	11.86
18.6-19.5	24.62	22.82	15.13	28.84	3.82	15.91	16.96
19.6-20.5	34.06	16.49	16.22	18.45	9.75	24.37	18.18
20.6-21.5	17.63	8.98	14.07	7.35	18.87	24.40	15.49
21.6-22.5	4.77	3.70	10.96	2.98	24.44	15.95	11.14
22.6-23.5	0.88	1.66	8.21	0.89	20.51	6.85	6.97
23.6-24.5	0.63	1.10	3.53	0.94	11.13	2.00	3.19
24.6-26.5	0.56	3.08	3.90	2.64	4.54	1.07	2.92
26.6-28.5	0.45	4.60	5.35	3.27	2.09	0.48	3.36
28.6-30.5	0.19	2.76	4.34	1.46	2.17	0.40	2.47
30.6+	0.22	0.89	2.54	1.39	1.51	0.34	1.31

Note: Totals may not add due to rounding.

Source: AWTA

Estimate for season 2002/03

The Committee revised its wool production estimate for the 2002/03 season from 490 to 499 mkg greasy based on the latest ABS statistics. This is an increase of 9 mkg greasy and lifts the percentage change on the 2001/02 season production from a decline of 12% to a decline of 10%. This brings the 2002/03 estimate into line with the historical data series, using the final ABS wool receivals figure as the season's production estimate with an adjustment for on-farm stock movements based on ABARE figures.

The ABS wool receivals estimate for the 2002/03 season is 503 mkg greasy, a decline of 6%. The Committee estimated this percentage change to be on the low side. However it does bring the aggregate ABS wool receivals figure into line with other industry data, including AWTA test statistics which were recorded at 501 mkg greasy in 2002/03, a decline of 12% on 2001/02.

To derive a production estimate for the 2002/03 season the Committee then adjusted the latest ABS statistics for on-farm stock movements. According to ABARE figures there was a net decline in on-farm stocks of

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3.5 mkg in the 2002/03 season. This was in-line with the Committee's expectations given the sharp rise in raw wool prices and the need for farmers to gain cash flow during the drought.

The Committee adjusted the national sheep shorn figure from its September estimate of 116.3 to 117.5 million head and the national average fleece weight was increased from 4.21 to 4.25 kg/head in the 2002/03 season.

Table 6: 2002/03 Production Estimate

	QLD	NSW	VIC	TAS	SA	WA	National
Sheep shorn (million)	6.9	44.2	24.2	3.7	13.3	25.2	117.5
Average cut head (kg/head)	3.34	4.14	4.19	3.94	4.72	4.55	4.25
Shorn wool production (mkg greasy)	23	183	102	14	63	114	499

Note: Totals may not add due to rounding.
Source: AWIPFC

Table 7: Comparison of forecasts 2002/03

Wool Production (mkg greasy)	QLD	NSW	VIC	TAS	SA	WA	National
April 2002 forecast	33	195	105	17	67	102	520
September 2002 forecast	31	179	102	16	67	101	495
December 2002 forecast	27	174	104	16	66	114	500
March 2003 forecast	26	179	104	15	63	114	500
June 2003 forecast	23	179	101	14	60	112	490
September 2003 estimate	23	180	100	14	62	112	490
November 2003 estimate	23	183	102	14	63	114	499

Note: Totals may not add due to rounding.
Source: AWIPFC

Micron Profile - 2002/03

Table 8 illustrates that the micron profile of the Australian clip in the 2002/03 season shifted significantly finer due to the continuing effects of grower breeding programs, the increased use of in-shed testing and the large increase in drought affected ("hunger fine") wool production. As a result production in the mid-micron category was severely affected with the 20 to 26 micron ranges all falling compared with the previous 2001/02 season.

Table 8: AWTA test statistics micron profile – 2002/03 (% share)

Micron Range	QLD	NSW	VIC	TAS	SA	WA	National
0.0-16.5	0.93	2.10	1.00	2.80	0.05	0.08	1.01
16.6-17.5	3.27	7.03	4.39	7.76	0.59	0.90	3.87
17.6-18.5	11.12	15.70	10.36	17.25	2.54	4.70	9.75
18.6-19.5	20.89	19.78	15.75	23.31	6.56	13.73	15.68
19.6-20.5	28.20	18.90	16.57	18.20	13.13	23.29	18.93
20.6-21.5	21.55	13.45	13.05	9.15	21.31	26.44	17.59
21.6-22.5	7.95	6.66	9.85	3.73	21.23	17.85	12.00
22.6-23.5	2.56	2.89	6.57	1.76	15.74	7.52	6.60
23.6-24.5	0.62	1.58	3.01	1.61	7.35	2.56	2.90
24.6-26.5	0.72	2.91	4.99	4.51	4.60	1.53	3.36
26.6-28.5	0.74	4.05	6.48	4.94	3.30	0.61	3.75
28.6-30.5	0.94	3.40	4.92	2.55	2.39	0.45	2.90
30.6+	0.49	1.55	3.07	2.43	1.21	0.36	1.66

Note: Totals may not add due to rounding.
Source: AWTA

Latest Industry Statistics

In the first five months of the 2003/04 season there has been a sharp drop in AWTA test statistics and AWEX auction offerings, year-on-year. The Committee believes these current statistics overstate the decline in wool production this season due to the effects that the drought has had on the production cycle.

In the first half of the 2002/03 season the drought conditions throughout the eastern states resulted in a number of early shearings as farmers sold their sheep due to a lack of feed. Very high sheep-meat and live export prices also encouraged this de-stocking by farmers. As a result AWTA test statistics in the first half of the 2002/03 season were unusually high and production in the second half of the season dropped away sharply.

This season with improving seasonal conditions in many states, the production cycle is expected to shift back to a more normal pattern. As a result, the Committee has factored this trend into its production forecast for the 2003/04 season with a significantly lower year-on-year decline forecast for production than is currently represented through these industry statistics. In essence, the Committee believes that the year-on-year rate of decline in AWTA test statistics, Broker receipts and auction offerings, will slow as the season progresses.

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Table 9: July 2003 to November 2003

	2002/03	2003/04	% change
AWEX auction offerings (tonnes)	231,120	175,273	-24.2%
AWEX Broker receivals (bales) *	1,046,142	840,904	-19.6%
AWTA test statistics (tonnes)	267,014	218,106	-18.3%

* July to October only
Source: AWEX, AWTA

At the end of the 2002/03 season the various key wool industry statistics finished in-line with the Committee's production estimate of a 10% decline compared with the 2001/02 season.

Table 10: July 2002 to June 2003

	2001/02	2002/03	% change
AWEX auction offerings (tonnes)	518,736	448,499	-13.5%
AWEX Broker receivals (bales)	2,742,111	2,460,420	-10.3%
AWTA test statistics (tonnes)	572,001	501,215	-12.4%

Source: AWEX, AWTA

Historical Australian Production Figures

The following tables provide historical statistics on the Australian wool industry for background information.

Table 11: Full season industry statistics

	2000/01	2001/02	2002/03	% change
AWEX auction offerings (mkg)	575.919	518.736	448.499	-13.5%
AWEX Broker receivals (bales)	3,139,903	2,742,111	2,460,420	-10.3%
AWTA test statistics (mkg)	643.218	572.001	501.215	-12.4%

Source: AWEX, AWTA

Table 12: Australian wool industry statistics

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Opening sheep numbers (million)	121.2	120.2	117.9	115.5	118.6	110.9	106.2
Sheep shorn (million)	156.5	155.5	148	144.4	139.6	127.0	117.5
Average cut per head (kg/head)	4.33	4.22	4.32	4.3	4.31	4.38	4.25
Total shorn wool production (mkg greasy)	682	655	641	620	602	555	499

Note: Totals may not add due to rounding.
Source: ABS, ABARE, AWIPFC.

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Table 13: Micron profile of wool tested (% share)

Year	<19	20	21	22	23/24	25/26	27/28/29	>30
1991/92	11.91%	15.16%	21.47%	20.02%	20.47%	5.49%	3.67%	1.01%
1992/93	7.57%	12.04%	19.91%	20.56%	25.55%	7.90%	3.94%	1.58%
1993/94	8.84%	12.09%	18.76%	20.84%	25.72%	7.42%	3.71%	1.66%
1994/95	12.79%	15.22%	20.86%	19.89%	19.98%	4.70%	3.82%	1.73%
1995/96	14.52%	15.31%	20.05%	18.26%	20.55%	5.29%	3.27%	1.80%
1996/97	14.52%	15.31%	20.05%	18.26%	20.55%	5.29%	3.27%	1.80%
1997/98	15.70%	14.81%	19.42%	18.26%	20.54%	5.35%	3.49%	1.51%
1998/99	14.28%	14.57%	19.60%	18.62%	21.62%	5.13%	3.69%	1.46%
1999/00	14.60%	14.39%	19.10%	18.22%	21.24%	5.21%	4.13%	1.88%
2000/01	17.81%	15.71%	18.53%	16.39%	18.13%	5.13%	5.02%	1.86%
2001/02	23.88%	19.91%	18.90%	12.90%	11.82%	3.72%	5.38%	1.93%
2002/03	30.31%	18.93%	17.59%	12.00%	9.50%	3.36%	5.12%	1.66%

Note: Totals may not add due to rounding.

Source: AWTA

Table 14: Micron profile of wool tested – all microns (% share)

Micron Range	2001/02	2003/03	2003/04*
0.0-16.5	0.32	1.01	1.10
16.6-17.5	2.00	3.87	5.06
17.6-18.5	7.20	9.75	11.86
18.6-19.5	14.36	15.68	16.96
19.6-20.5	19.91	18.93	18.18
20.6-21.5	18.90	17.59	15.49
21.6-22.5	12.90	12.00	11.14
22.6-23.5	7.75	6.60	6.97
23.6-24.5	4.07	2.90	3.19
24.6-26.5	3.72	3.36	2.92
26.6-28.5	3.80	3.75	3.36
28.6-30.5	3.14	2.90	2.47
30.6+	1.93	1.66	1.31

* 2003/04 figures for July – November 2003 only

Source: AWTA

Modus operandi for the Australian Wool Innovation 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 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, Meat and Livestock Australia 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.