Australian Wool Production Forecast Report

March 2008

Australian Wool Innovation Production Forecasting Committee

Summary

- Season conditions have generally been better in the 2007/08 season compared with the season before. The most notable exception is the state of Tasmania, which continues to be plagued by drought.

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

	2006/07	2007/08	change	2008/09	change
Sheep numbers shorn (million head)	101.4	91.5	-10%	89.7	-2%
Average cut per head (kg/head)	4.24	4.43	+4%	4.53	+2%
Shorn wool production (mkg greasy)	430	405	-6%	405	0%

Note: Totals may not add due to rounding.

- Australian shorn wool production is forecast at 405 mkg greasy in the 2007/08 season, a 6% decline year-on-year. This decline is driven by falling sheep numbers from the 2006 drought.

- While the proportion of fine wool (<19.5 micron) produced in 2007/08 is expected to remain the same as the 2006/07 season (36% of total production), the proportion of 20 and 21 micron wool is forecast to increase but decline in the 22-24 micron range.

- For the 2008/09 season, Australian shorn wool production is forecast to stabilise and remain at 405mkg greasy, as opposing production trends between Eastern and Western Australia cancel out each other.

Table 2: Summary of state wool production forecasts over last 6 seasons

	QLD	NSW	VIC	TAS	SA	WA	National
2003/04	21	165	93	15	65	115	475
2004/05	23	165	98	15	63	112	475
2005/06	22	156	92	13	58	122	461
2006/07	21	140	89	12	63	105	430
2007/08	19	138	83	9	61	94	405
y-o-y % change	-7%	-2%	-7%	-18%	-3%	-10%	-6%

Note: Totals may not add due to rounding. Mkg greasy

FURTHER INFORMATION
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Wool Production Forecasts

Forecast for season 2007/08

Australian shorn wool production is forecast at 405 mkg greasy, a 6% decline year-on-year.

This compares to the WPFC December 2007 forecast of 395 mkg greasy. The main reasons for this upward revision of 9 mkg compared with December are the change in the 2006/07 final production estimate (see 2006/07 final estimate section) and a large upward revision to fleece weights in NSW.

Table 3: 2007/08 State and National Production Forecast

	QLD	NSW	VIC	TAS	SA	WA	AUST
Sheep shorn (million head)	4.43	29.72	19.97	2.84	12.19	22.37	91.5
Average cut head (kg/head)	4.34	4.65	4.16	3.34	5.00	4.22	4.43
Shorn Wool Production (mkg greasy)	19	138	83	9	61	94	405

Note: Totals may not add due to rounding.

For NSW, improved seasonal conditions for sheep throughout 2007 has resulted in a larger than expected rebound in fleece weights from sheep shorn in the 2007/08 season, up 11% year-on-year. This large forecast improvement in average fleece weight in NSW is supported by the AWTA test statistic staple length, which is an indicator of fibre growth rate (acknowledging that length can also be influenced by changing on-farm management practices such as shearing time). However, more than offsetting this is a forecast decline of 11% of the number of sheep shorn in NSW in 2007/08. NSW shorn wool production is forecast at 138 mkg greasy, a 2% decline compared with the 2006/07 season.

Western Australian wool production is forecast to fall to 94 mkg greasy in 2007/08, a 10% decline year-on-year. The major driver of this is the decline in sheep numbers leading into the 2007/08 season in response to the 2006 drought. Fleece weights are forecast to stabilise, with the full impact of a return to more normal season conditions in 2007 not expected to flow through to higher average fleece weights until the 2008/09 season.

The forecast decline in sheep shorn numbers in Victoria (-11%) for the 2007/08 season, is consistent with the large fall in NSW, which similarly was driven by increased slaughterings and lower lambing percentages from the 2006 drought. Victorian shorn wool production is forecast at 83 mkg greasy in 2007/08, a 7% decline year-on-year. This decline is similar to the decline in the amount of wool tested by AWTA in Victoria so far this season, which is lower by 8% year-on-year from July 2007 to February 2008. Improved seasonal conditions in 2007, especially in the higher rainfall areas, is forecast to increase fleece weights by 4% on average in the state.

In Tasmania, drought conditions continue to plague the state, with Tasmanian wool production forecast to fall to 9mkg greasy, an 18% decline compared with the 2006/07 season. South Australian wool production is forecast to fall by

Table 4: Comparison of State and National forecasts 2007/08

Wool Production (mkg greasy)	QLD	NSW	VIC	TAS	SA	WA	AUST
March 2007 (f)	--	--	--	--	--	--	420
June 2007 (f)	21	127	82	11	66	103	410
Sept 2007 (f)	20	126	80	10	62	97	395
Dec 2007 (f)	19	127	86	9	60	93	395
Mar 2008 (f)	19	138	83	9	61	94	405

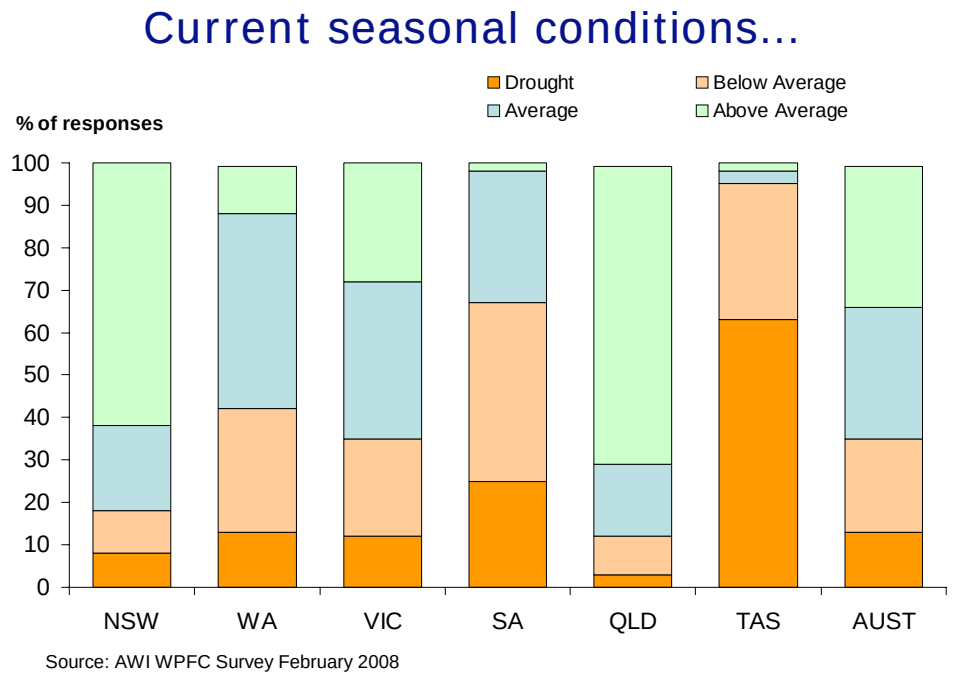
Note: Totals may not add due to rounding. (f) = forecast

3%, with fleece weights stable given relative similar season conditions to last year. For Queensland, despite significant summer rainfall in many areas, this will not have a major impact on fleece weights until the 2008/09 season, with declining sheep numbers in the state the reason shorn wool production is forecast to fall by 7% year-on-year.

Forecast for season 2008/09

The first 2008/09 forecast for Australian shorn wool production is 405 mkg greasy, unchanged year-on-year. This is based on the assumption of a return to 'normal' seasonal conditions across Australia.

At a national level, sheep shorn numbers are forecast to fall modestly, given the on-going trend towards high sheep and lamb turn-off for slaughter. While sheep slaughterings have declined sharply in recent months, which is expected to remain the case for the rest of the season, Australian sheep and lamb numbers are only likely to begin to largely stabilise in the next six months.



Source: AWI WPFC Survey February 2008
Funding provided by AWI and Department of Agriculture WA

Fleece weights are forecast to continue to improve in 2008/09, to 4.53 kg/head, a 2% increase compared with the 2007/08 season.

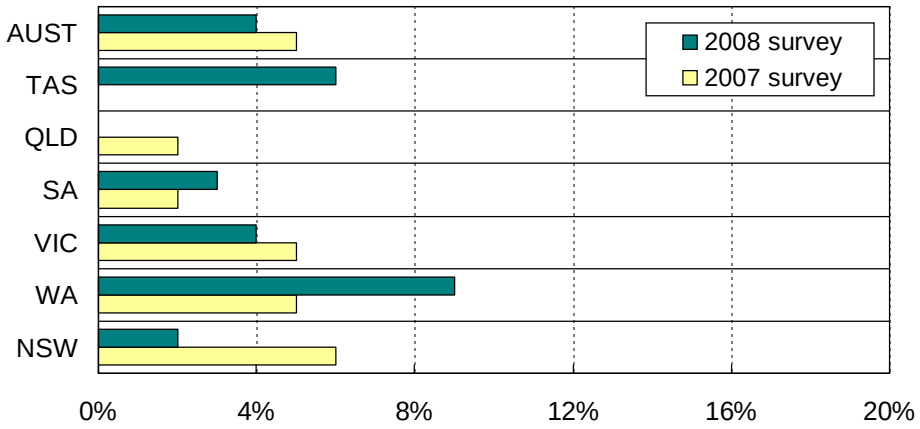
According to the results from the WPFC survey of over 1,400 wool growers, current seasonal conditions are better than this time last year (72%), while just 16% producers are indicating current seasonal conditions are the same, and only 12% are experiencing worse seasonal conditions than this time last year.

For the summer dominant rainfall areas in NSW and Queensland, producers are reporting the amount of rainfall over the last six months has led to 'above average' season conditions, with 62% of the wool production area in NSW 'above average' and 70% in Queensland.

While shorn wool production is forecast higher across Eastern Australia in 2008/09 compared with 2007/08, offsetting this is a decline in production from Western Australia. In Western Australia, a combination of factors is weighing negatively on sentiment towards sheep production, of which the greatest is the very high grain prices currently on offer for the winter 2008 crop in Australia. Another issue is a general shortage of labour, in particular shearers, as the resources boom has pushed unemployment rates in WA to low levels.

This was supported by the results of the WPFC grower survey conducted in February 2008, which at a state level showed that WA growers had the largest intentions to move their on-farm enterprise mix towards other non-sheep enterprises at the expense of wool production.

% wool producers planning to change to other on-farm enterprises at expense of wool production



Source: AWI WPFC Survey February 2008 and February 2007
Funding provided by AWI, Department of Agriculture WA and Sheep CRC

Micron Profile Forecast for 2007/08

The proportion of fine wool produced in the 2007/08 is forecast to remain at similar levels to the previous season (36% of the total clip). Despite this aspect of the Australian micron profile remaining constant, increases in the percentage of 20 and 21 micron wool are forecast, as fleece weights rebound in some states. The proportion of 22 to 24 micron is forecast to decline, which is consistent with the season-to-date trend in AWTA tested volumes.

Table 5: Australian micron profile - forecasts & estimates for last 4 years

National	<16.5	17	18	19	20	21	22	23	24	25/26	27/28	29/30	>30
2004/05 AWTA	1.2%	4.2%	10.5%	16.5%	18.7%	16.0%	10.7%	6.2%	3.2%	3.6%	4.1%	3.1%	2.0%
2005/06 AWTA	1.5%	4.7%	9.7%	15.1%	18.7%	17.1%	11.5%	5.9%	2.9%	3.9%	4.5%	2.9%	1.6%
2006/07 AWTA	2.0%	5.9%	11.8%	15.9%	17.0%	14.0%	9.9%	6.2%	3.4%	4.3%	4.4%	3.2%	2.1%
2007/08 AWIPFC (Mar 08)	2.1%	5.7%	12.2%	16.2%	17.9%	14.7%	9.5%	6.0%	3.1%	3.9%	4.2%	2.9%	1.7%

Table 6: AWIPFC forecast micron profile 2007/08 by State

States	<16.5	17	18	19	20	21	22	23	24	25/26	27/28	29/30	>30
QLD	1.0%	4.0%	7.5%	16.0%	26.0%	25.0%	12.0%	4.0%	1.5%	1.5%	1.0%	0.4%	0.1%
NSW	3.5%	8.4%	15.6%	17.6%	17.5%	13.0%	5.4%	2.8%	1.9%	4.5%	5.5%	3.0%	1.3%
VIC	1.5%	4.9%	10.7%	14.3%	14.6%	11.9%	8.3%	5.7%	3.5%	6.0%	7.9%	6.4%	4.3%
TAS	11.0%	21.0%	25.0%	16.0%	6.0%	3.0%	2.0%	1.5%	1.5%	3.0%	5.0%	3.0%	2.0%
SA	0.1%	0.4%	2.0%	5.4%	11.8%	18.9%	23.7%	18.1%	8.2%	4.9%	2.8%	2.3%	1.4%
WA	1.0%	4.6%	15.0%	22.9%	25.0%	16.1%	7.5%	4.0%	1.5%	1.2%	0.4%	0.4%	0.3%
AUST	2.1%	5.7%	12.2%	16.2%	17.9%	14.7%	9.5%	6.0%	3.1%	3.9%	4.2%	2.9%	1.7%

Note: Totals may not add due to rounding.

Estimate for season 2006/07

The final estimate for Australian wool production of 430 mkg greasy, was revised higher by 4mkg greasy compared with the December 2007 estimate. The revision occurred after a review of the final estimate of ABS broker receivals for 2006/07.

Table 7: 2006/07 Production Forecast

	QLD	NSW	VIC	TAS	SA	WA	AUST
Sheep shorn (million head)	4.76	33.39	22.31	3.23	12.57	25.13	101.4
Average cut head (kg/head)	4.32	4.20	4.00	3.59	5.00	4.18	4.24
Shorn Wool Production (mkg greasy)	21	140	89	12	63	105	430

Note: Totals may not add due to rounding.

At a state level, both Victorian and South Australian shorn wool production were revised higher, each by 2mkg greasy.

Table 8: Comparison of State & National Wool Production forecasts and estimates

Wool Production (mkg greasy)	QLD	NSW	VIC	TAS	SA	WA	AUST
March 2006 (f)	--	--	--	--	--	--	465
July 2006 (f)	22	157	93	13	60	111	456
September 2006 (f)	21	143	88	13	60	109	434
December 2006 (f)	21	140	85	12	59	104	421
March 2007 (f)	20	138	89	12	61	105	425
June 2007 (f)	21	140	87	12	61	105	426
September 2007 (e)	21	140	87	12	61	105	426
December 2007 (e)	21	140	87	12	61	105	426
March 2008	21	140	89	12	63	105	430

Note: Totals may not add due to rounding. (f) = forecast

Latest Industry Statistics

Both AWEX auction offerings and AWTA test volumes indicate Australian wool supply and production is notably lower than for the same period last season.

Table 9: Latest Statistics: July to February

	Jul-Feb 2007	Jul-Feb 2008	% change
AWEX auction offerings ('000 bales)	1,678	1,507	-10%
AWTA test statistics (mkg greasy)	319.7	294.6	-8%

Note: Totals may not add due to rounding.

Historical Australian Production Figures

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

Table 10 and 11: Full season Australian wool industry statistics

	2004/05	2005/06	2006/07	% change
AWEX auction offerings (mkg)	453.342	447.653	447.989	+0.1%
AWEX Broker receivals (bales)	2,308,820	2,226,536	Discontinued series	
AWTA test statistics (mkg)	485.859	470.319	456.325	-3.0%

Note: Totals may not add due to rounding.

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	Opening Sheep Numbers (million)	Sheep Shorn (million)	Average Cut Per Head (kg/head)	Shorn Wool Production (mkg greasy)
1997/98	120.1	150	4.22	633
1998/99	117.4	153.6	4.33	665
1999/00	115.4	144.2	4.30	619
2000/01	118.5	139.5	4.31	602
2001/02	110.8	118.6	4.68	555
2002/03	106.1	116.6	4.28	499
2003/04	99.2	104.7	4.53	475
2004/05	101.2	106.0	4.49	475
2005/06	101.1	106.5	4.33	461
2006/07	91.0	101.4	4.24	430

Note: Totals may not add due to rounding. Source: AWPFC (March 2006 revised series)

Table 12: Micron profile of Australian wool (% share)

Year	<18.5	19	20	21	22	23	24	25/26	27/28	29/30	>30
1991/92	4.0%	7.9%	15.2%	21.5%	20.0%	13.4%	7.1%	5.5%	2.9%	1.6%	1.0%
1992/93	2.2%	5.4%	12.0%	19.9%	20.6%	15.6%	10.0%	7.9%	3.0%	1.9%	1.6%
1993/94	3.0%	5.5%	12.1%	18.8%	20.8%	15.7%	10.0%	7.4%	2.8%	1.9%	1.7%
1994/95	4.2%	8.6%	15.2%	20.9%	19.9%	13.0%	7.0%	4.7%	2.8%	2.0%	1.7%
1995/96	3.9%	8.2%	15.3%	20.8%	18.5%	13.2%	8.1%	6.0%	2.7%	1.8%	1.6%
1996/97	4.8%	9.7%	15.3%	20.2%	18.3%	13.1%	7.4%	5.3%	2.3%	1.9%	1.8%
1997/98	5.9%	9.8%	14.8%	19.4%	18.3%	12.8%	7.7%	5.4%	2.6%	1.8%	1.5%
1998/99	5.4%	8.8%	14.6%	19.6%	18.6%	14.0%	7.6%	5.1%	2.7%	2.0%	1.5%
1999/00	5.3%	9.3%	14.4%	19.1%	18.2%	13.6%	7.7%	5.2%	2.9%	2.4%	1.9%
2000/01	6.7%	11.1%	15.7%	18.5%	16.4%	11.4%	6.8%	5.1%	3.6%	2.8%	1.9%
2001/02	9.5%	14.4%	19.9%	18.9%	12.9%	7.7%	4.1%	3.7%	3.8%	3.1%	1.9%
2002/03	14.6%	15.7%	18.9%	17.6%	12.0%	6.6%	2.9%	3.4%	3.7%	2.9%	1.7%
2003/04	14.2%	15.8%	18.3%	16.6%	11.9%	7.5%	3.6%	3.5%	3.8%	2.9%	1.8%
2004/05	15.9%	16.5%	18.7%	16.0%	10.7%	6.2%	3.2%	3.6%	4.1%	3.1%	2.0%
2005/06	15.8%	15.1%	18.7%	17.1%	11.5%	5.9%	2.9%	3.9%	4.5%	2.9%	1.6%
2006/07	19.7%	15.9%	17.0%	14.0%	9.9%	6.2%	3.4%	4.3%	4.4%	3.2%	2.1%

Note: Totals may not add due to rounding. Source: Australian Wool Testing Authority (AWTA)

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.
- The National and state sub-committees comprise wool producers, wool brokers, exporters, processors, private treaty merchants, AWEX, AWTA, ABARE, ABS, MLA, Dept of Ag WA 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.