

## Summary

- The Australian Wool Production Forecasting Committee has left the shorn wool production forecast at 355 mkg greasy for 2011/12, consistent with the preceding August 2011 forecast, and representing a rise of 3.1% on 2010/11 production levels.
- The forecast increase this season is based on a 3.8% increase in shorn sheep numbers, and a slight fall in average greasy fleece weights. Table 1 summarises the estimates and forecasts.

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

Parameter	2010/11 estimate	2011/12 2 <sup>nd</sup> forecast (Aug 2011)	Change YOY	2011/12 3 <sup>rd</sup> forecast (Oct 2011)	Change YOY
<b>Opening sheep number</b> (millions)	68.1	70.8	3.8%	70.8	3.8%
<b>Sheep number shorn</b> (millions)	74.4	77.3	3.8%	77.3	3.8%
<b>Average cut per head</b> (greasy kg)	4.64	4.60	-0.7%	4.60	-0.7%
<b>Shorn wool production</b> (mkg greasy)	345	355	3.1%	355	3.1%

Note: Totals may not add due to rounding.

- The increase in 2011/12 production levels compared to 2010/11 reflects the continued impact of good seasonal conditions experienced in eastern Australia and grower intent to rebuild flock numbers, as seen in increased retention of older ewes and ewe lambs, and consequently reduced sheep turn off for slaughter or live export.
- The Committee noted that while year-to-date auction offering and wool testing volumes were much higher than for the same period last year and much higher than the forecast production increases, these were indicative of changes in rainfall and shearing patterns between the years, with uninterrupted shearing and much more rapid flow of wool from shearing shed to auction floor this year. The year-on-year differences are falling and expected to fall further as the season progresses.
- The changes in forecast production are consistent with a trend toward rebuilding of wool production in Australia, in alignment with recent ABARE and MLA forecasts.

### FURTHER INFORMATION

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**Wool Production Estimates and Forecasts**

**Forecast for 2010/11**

The Committee’s third forecast for the 2011/12 season is for shorn wool production to total 355 mkg greasy, unchanged from the August 2011 forecast, and 3.1% higher than for 201/11. The comparative estimates and forecasts are shown in Table 2 below.

**Table 2: Third 2011/12 forecast of Australian wool production compared with 2010/11 and preceding 2011/12 forecasts.**

Parameter	2010/11 estimate	2011/12 forecasts				Change year-on-year (%)
		April 2011 (1 <sup>st</sup> forecast)	Aug. 2011 (2 <sup>nd</sup> forecast)	Oct. 2011 (3 <sup>rd</sup> forecast)		
Opening sheep number (millions)	68.1	67.7	70.8	70.8	3.8%	
Sheep number shorn (millions)	74.4	73.8	77.3	77.3	3.8%	
Average cut per head (greasy kg)	4.64	4.60	4.60	4.60	-1.0%	
Shorn wool production (mkg greasy)	345	340	355	355	3.1%	

Note: Opening sheep numbers as at 1<sup>st</sup> July of each year.

The corresponding State production forecasts are shown in Table 3.

**Table 3: Changes to State Committee forecasts for 2011/12 wool production, comparing August (2<sup>nd</sup>) and October (3<sup>rd</sup>) forecasts.**

August 2011 (2 <sup>nd</sup> fct)	QLD	NSW	VIC	TAS	SA	WA	National
Opening sheep number (millions)	3.6	26.0	16.1	2.3	10.1	12.6	70.8
Sheep to be shorn (millions)	3.7	27.3	19.1	3.1	10.4	13.6	77.3
Average cut per head (greasy kg)	3.9	4.5	4.5	4.0	5.4	4.6	4.6
Shorn wool production (mkg greasy)	14.4	123.8	86.1	12.4	56.0	62.6	355
<b>change %</b>	<b>QLD</b>	<b>NSW</b>	<b>VIC</b>	<b>TAS</b>	<b>SA</b>	<b>WA</b>	<b>National</b>
Opening sheep number	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sheep to be shorn	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average cut per head	0.0%	0.0%	-0.7%	0.0%	0.0%	0.0%	0.0%
Shorn wool production	0.0%	0.0%	-0.7%	0.0%	0.0%	0.0%	0.0%
<b>October 2011 (3<sup>rd</sup> fct)</b>	<b>QLD</b>	<b>NSW</b>	<b>VIC</b>	<b>TAS</b>	<b>SA</b>	<b>WA</b>	<b>National</b>
Opening sheep numbers (millions)	3.6	26.0	16.1	2.3	10.1	12.6	70.8
Sheep to be shorn (millions)	3.7	27.3	19.1	3.1	10.4	13.6	77.3
Average cut per head (greasy kg)	3.9	4.5	4.5	4.0	5.4	4.6	4.6
Shorn wool production (mkg greasy)	14.4	123.8	85.5	12.4	56.0	62.6	355

The data in Table 3 shows that with the exception of a very minor change to the Victorian state forecast for GFW and thus Victorian greasy production, there are no changes forecast to state or the aggregated national forecasts.

Table 4 shows the result of the 3<sup>rd</sup> forecast on the comparison with 2010/11 production estimate.

**Table 4: Comparison of the 2010/11 estimate against the 3<sup>rd</sup> 2011/12 production forecast (October 2011).**

<b>2010/11 (final estimate)</b>	<b>QLD</b>	<b>NSW</b>	<b>VIC</b>	<b>TAS</b>	<b>SA</b>	<b>WA</b>	<b>National</b>
<b>Opening sheep number</b> (millions)	3.6	24.4	14.4	2.0	9.0	14.7	68.1
<b>Sheep to be shorn</b> (millions)	3.7	25.4	17.3	2.5	9.4	16.1	74.4
<b>Average cut per head</b> (greasy kg)	3.9	4.9	4.5	3.9	5.2	4.4	4.6
<b>Shorn wool production</b> (mkg greasy)	14.4	123.4	78	9.7	49.3	70.1	345
<b>change %</b>							
<b>Opening sheep number</b>	0.3%	6.6%	11.9%	15.5%	12.3%	-14.2%	3.9%
<b>Sheep to be shorn</b>	0.3%	7.5%	10.5%	24.4%	10.7%	-15.5%	3.9%
<b>Average cut per head</b>	0.0%	-8.2%	-0.7%	2.6%	3.8%	4.5%	-1.0%
<b>Shorn wool production</b>	0.0%	0.3%	9.5%	27.8%	13.6%	-10.7%	3.1%
<b>3<sup>rd</sup> forecast (Oct-11)</b>	<b>QLD</b>	<b>NSW</b>	<b>VIC</b>	<b>TAS</b>	<b>SA</b>	<b>WA</b>	<b>National</b>
<b>Opening sheep number</b> (millions)	3.6	26.0	16.1	2.3	10.1	12.6	70.8
<b>Sheep to be shorn</b> (millions)	3.7	27.3	19.1	3.1	10.4	13.6	77.3
<b>Average cut per head</b> (greasy kg)	3.9	4.5	4.5	4.0	5.4	4.6	4.6
<b>Total wool production</b> (mkg greasy)	14.4	123.8	85.5	12.4	56.0	62.6	355

Overall, production is forecast to increase by 3.1% to 355 mkg greasy, with the substantial decline in WA (-10.7%) being more than offset by increases in the other states.

**Major data inputs**

These forecasts are based on detailed consideration by the state and national committees of current seasonal conditions, information gathered on sheep producer and wool grower intentions, including the July 2011 MLA/AWI Lamb Survey results, sheep and ABS lamb turn-off for 2011 and other key inputs.

**ABS data**

Table 5 summarises ABS flock statistics, revised in April 2011 to increase 2010/11 opening sheep numbers from 67.7 to 68.1 m.

**Table 5: ABS National flock numbers**

Parameter	2006	2007	2008	2009	2010p	% Δ
<b>Flock size</b> (millions, at June)	91.0	85.7	76.9	72.7	68.1	-6%
<b>Breeding ewes</b> (millions)	48.6	46.4	45.4	40.9	42.3	+3%
<b>Lambs marked</b> (millions)	35.1	34.1	NA	32.5	30.3	-7%
<b>Ewes mated</b> (millions)	42.7	41.5	NA	37.7		
<b>Marking</b> (%)	82%	82%	NA	85%		

National ABS sheep turn-off statistics from Australian farms are shown in Table 6, for the calendar year to date (to end-August 2011), compared to the equivalent period in 2010 and the corresponding year-to-date average for the five years 2006 – 2010. Significant reductions in sheep and lamb slaughtering as well as live export numbers are shown, all of which are consistent with anecdotal reports of increased retention of ewe lambs and older ewes for breeding purposes.

**Table 6: ABS Sheep turn-off data for 2010 and 2011 (calendar year to-date)**

Parameter	Calendar year-to-date			5 year CY average	
	CY to Aug 2010	CY to Aug 2011	Change	CY to Aug 2006-10	Change
<b>Sheep slaughter</b> (‘000 hd)	3,914	2,890	-26%	6,616	-56%
<b>Sheep weights</b> (kg/hd cwt)	22.0	22.7	3%	20.7	10%
<b>Mutton production</b> (tonnes cwt)	86,124	65,658	-24%	136,918	-52%
<b>Lamb slaughter</b> (‘000 hd)	12,150	11,568	-5%	12,889	-10%
<b>Lamb weights</b> (kg/hd cwt)	21.8	22.5	3%	20.9	8%
<b>Lamb production</b> (tonnes cwt)	264,476	260,162	-2%	268,869	-3%
<b>Live exports</b> (hd)	2,016,729	1,530,110	-24%	2,321,649	-34%

The ABS data suggests substantial year-on-calendar-year decline in sheep turn-off, especially when compared to longer term average – significantly reduced adult sheep slaughter (-26%), mutton production (-24%), lamb slaughter (-5%) and live exports (-24%) are all consistent with the reports of increased retention of sheep.

**AWTA wool test data**

Following the August 2010 National Committee meeting, AWTA developed a specific Key Test Data (KTD) report for wool production forecasting purposes. This report aggregates data on a Wool Statistical Area (WSA) basis, and generates monthly greasy test volumes within diameter categories. Sale lots which do not have WSA-coding, such as interlots or bulk classed, are excluded from this new report, and thus a reason differences may occur between the data reported by the Committee and standard AWTA Key Test Data reports available from AWTA.

**Table 7: Season-to-date comparison of AWTA wool test volumes for 2009/10, 2010/11 and 2011/12 seasons.**

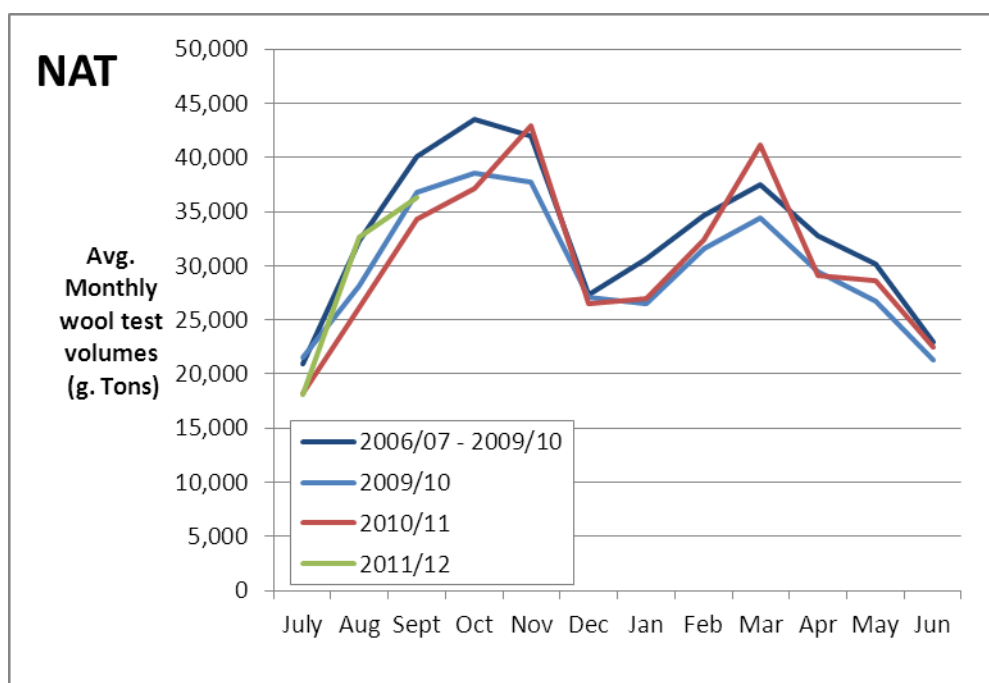
Year	0.0-16.5	16.6-17.5	17.6-18.5	18.6-19.5	19.6-20.5	20.6-21.5	21.6-22.5	22.6-23.5	23.6-24.5	24.6-26.5	26.6-28.5	28.6-30.5	30.6+	TOTAL
2009/10	2,235	5,895	10,497	13,954	15,654	12,894	8,532	4,576	2,064	2,796	3,560	2,532	1,246	86,435
2010/11	1,271	4,398	8,921	13,202	14,597	11,766	7,855	4,612	1,883	2,393	3,295	2,905	1,519	78,617
2011/12	1,967	5,802	10,013	13,556	14,872	12,522	8,813	5,499	2,462	2,779	3,698	3,158	1,816	86,957
YOY	35%	24%	11%	3%	2%	6%	11%	16%	24%	14%	11%	8%	16%	10%

As shown in the final row in Table 7, 2011/12 season-to-date test volumes have increased by on average 10% compared to 2010/11, with all diameter categories showing some increase. While the overall season-on-season to-date increase is substantially larger than the 3.1% increase forecast by the Committee, the Committee does not believe that this reflects any change in the underlying production trends – rather, the season-to-date increase also reflects:

- Changes in the rainfall and thus shearing patterns between years, with the start to shearing in 2011/12 being uninterrupted, whereas 2010/11 was rain affected in many areas, and;
- More rapid movement of shorn wool from shearing shed to auction floor to take advantage of improved wool prices on offer. Evidence to support this view was provided by AWEX to the Committee, showing that year-on-year to-date, the proportion of wool offered for sale within 10 days of the date of sampling increased by 8.5%, 5.2%, and 6.4% for western, southern and northern catalogues respectively.

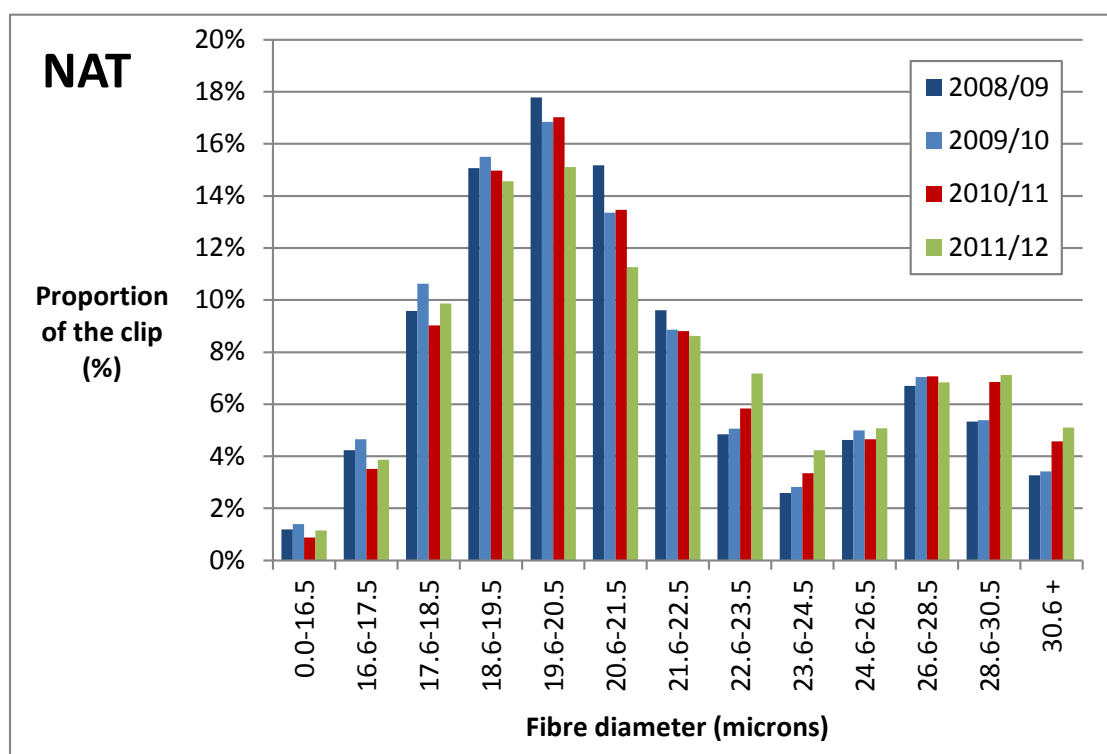
The year-on-year comparisons are shown graphically in Figure 1.

**Figure 1: Graphical cross-season comparison of national wool test volumes, showing 2011/12 season-to-date volumes compared to 2010/11, 2009/10 and the average of 2006/07-2009/10.**



Reflecting the above and other factors, changes are occurring to the production of wool within specific diameter categories, with season-on-season to-date increases in the production of the finest categories (<18.6 um), and a number of the coarser categories (e.g. 22.6 – 26.5 um, and > 28.6 um). Decreases have been observed in the 18.6 – 22.5 um categories, and in the 22.6-28.5 um category. These changes are shown in Figure 2 (overleaf).

Figure 2: Season-on-season to-date comparison of the diameter profile of the Australian clip.



**AWI wool production forecasting model**

As detailed in the December 2010 report, AWI has developed a statistical forecasting methodology which utilises the new AWTA data report, as a contribution to the AWPFC process. Table 8 outlines the results of the AWI production modelling based on AWTA wool test data to the end of September 2011, where AWTA KTD values for February 2011 to July 2011 were adjusted downwards to account for increased release of wool from long-term on-farm storage (3.5% per month, or 1.5% annualised) - such wool would be included in AWTA KTD as fresh wool tests.

Table 8: AWI wool production forecast model output for 2011/12, in comparison to 2010/11 production volumes.

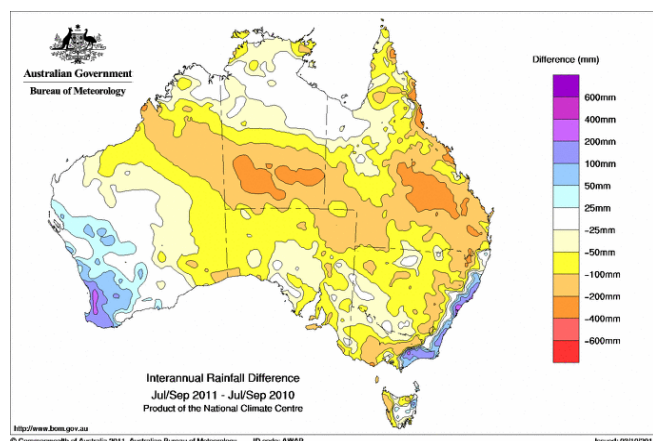
Year	0.0-16.5	16.6-17.5	17.6-18.5	18.6-19.5	19.6-20.5	20.6-21.5	21.6-22.5	22.6-23.5	23.6-24.5	24.6-26.5	26.6-28.5	28.6-30.5	30.6 +	TOTAL
2010/11	4,036	15,272	37,138	58,345	63,014	47,491	29,630	18,772	10,319	13,528	19,026	17,496	10,931	345,000
2011/12	5,508	17,456	42,118	58,897	58,051	41,193	30,089	23,991	13,544	15,274	19,094	18,868	12,652	356,734
YOY	36.5%	14.3%	13.4%	0.9%	-7.9%	-13.3%	1.5%	27.8%	31.2%	12.9%	0.4%	7.8%	15.7%	3.4%

For 2011/12, the AWI model is suggesting wool production will reach 357 mkg greasy by end-June 2012, a 3.4% year-on-year increase.

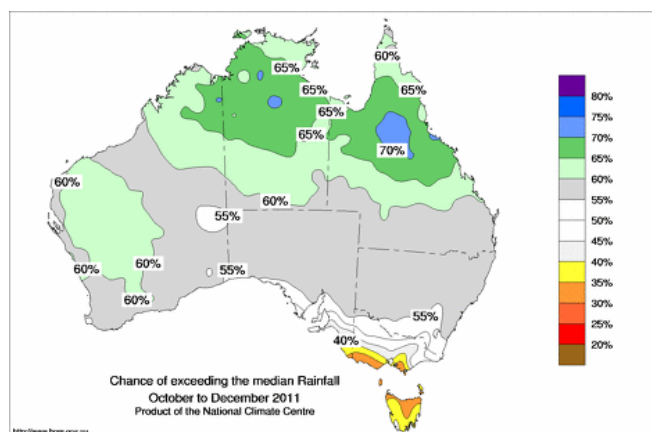
**Bureau of Meteorology (BOM) Seasonal Outlook**

The Bureau of Meteorology July to September seasonal summary is shown in Figure 3, and Figure 4 shows the seasonal outlook for the October to December 2011 period.

**Figure 3: BOM seasonal comparison: July to September 2011 vs July to September 2010**



**Figure 4: BOM seasonal outlook October to December 2011**



In summary:

- Winter rainfalls through many sheep-production areas of eastern Australia have been below equivalent 2010/11 values, with the exception of parts of coastal NSW and Victoria. Western Australian falls have been better than comparative 2010/11 totals, which was a drought year, and falls to-date in 2011/12 are in fact close to normal.
- With the exception of southern south-eastern Australia, rainfall expectations for the October to December period are expected to be close to historical norms.

### State Committee inputs

The following provides a summary of conditions in each state as reported by State Committees in October 2011.

#### Queensland

Forecast production from QLD in 2011/12 is unchanged from the 2<sup>nd</sup> forecast, made in August 2011.

The QLD Committee noted that year-to-date increases in wool testing volumes (12%) were not indicative of expected whole-of-year production increases, but rather that shearing has occurred around 3 weeks earlier than 2010/11 on average, and wool has moved more quickly from shed to store for sale (4-8 weeks). The Committee expectation was that volumes would reduce coming into the summer period, although growing prospects of another La Nina weather event might make for good summer rainfall – potentially affecting fleece weights in the second half of the season.

#### New South Wales

Forecast wool production in NSW in 2011/12 is unchanged from the 2<sup>nd</sup> forecast, made in August 2011.

Consistent with the QLD Committee, the NSW Committee noted that year-to-date increases in wool testing volumes (15%) were not indicative of expected whole-of-year production increases, but rather that shearing had been uninterrupted in most areas compared to 2010/11, and wool had moved more quickly from shed to store for sale.

#### Victoria

Consistent with the QLD and NSW Committees, the VIC Committee noted that year-to-date increases in wool testing volumes (14%) were not indicative of expected whole-of-year production increases, but rather that shearing had been uninterrupted in most areas compared to 2010/11, and wool had moved more quickly from shed to store for sale.

The Committee was confident about grazing conditions for the summer and early autumn periods, given the good 'set-up' through the preceding autumn and winter, and short-term expectations for rainfall. Nonetheless, some reports from Spring shearings indicate that fleece weights are below (high) expectations, perhaps reflecting animal health challenges (such as worm burdens) experienced due to above average summer and early autumn rainfalls, and on this basis elected to marginally reduce forecast 2011/12 average greasy fleece weight.

### Tasmania

Consistent with the QLD, NSW and VIC Committees, the TAS Committee noted that year-to-date increases in wool testing volumes (15%) were indicative of expected whole-of-year production increases, but rather that shearing had not been uninterrupted in most areas compared to 2010/11, and wool had moved more quickly from shed to store for sale.

While September has been dryer than normal, grazing conditions are expected to be good for the coming months.

### South Australia

Consistent with the QLD, NSW, VIC and TAS Committees, the SA Committee noted that year-to-date increases in wool testing volumes (23%) were not indicative of expected whole-of-year production increases, but rather that shearing had been uninterrupted in most areas compared to 2010/11, and wool had moved more quickly from shed to store for sale.

Seasonal conditions were reported as being good for the sheep-wheat and pastoral zones, with reports of good lambing results achieved.

### Western Australia

The WA State Committee elected to leave forecast 2011/12 production volumes unchanged from the August 2011 values, which represented a 10.7% reduction from 2010/11 values.

Wool test volumes for WA were reported as being down 9% to the end of September, with October volumes indicating a likely further reduction toward 10% - consistent with whole-of-year predictions. Notably, the September wool test data showed an average mean fibre diameter of 19.6 microns, the finest on record.

Interstate live sheep movements were reported as having stopped, and decreased slaughter and live export values reflects both (a) growers having brought forward sheep turnoff to 2010/11 to avoid drought feeding, and (b) growers holding onto older ewes and ewe lambs to build flock numbers.

**Historical Australian Production Figures**

Table 9 provides historical sheep numbers, wool production and fleece weight statistics since 1997/98 for background information.

**Table 9: Australian Wool Production Statistics**

	<b>Opening Sheep Numbers</b> (million)	<b>Sheep Shorn</b> (million)	<b>Average Cut Per Head</b> (kg/head)	<b>Shorn Wool Production</b> (mkg greasy)
<b>1997/98</b>	120.1	150	4.22	633
<b>1998/99</b>	117.4	153.6	4.33	665
<b>1999/00</b>	115.4	144.2	4.30	619
<b>2000/01</b>	118.5	139.5	4.31	602
<b>2001/02</b>	110.8	118.6	4.68	555
<b>2002/03</b>	106.1	116.6	4.28	499
<b>2003/04</b>	99.2	104.7	4.53	475
<b>2004/05</b>	101.2	106.0	4.49	475
<b>2005/06</b>	101.1	106.5	4.33	461
<b>2006/07</b>	91.0	101.4	4.24	430
<b>2007/08</b>	85.7	90.2	4.43	400
<b>2008/09</b>	76.9	81.6	4.43	362
<b>2009/10</b>	72.7	76.3	4.48	343
<b>2010/11e</b>	68.1	74.5	4.63	345
<b>2011/12f</b>	70.8	77.3	4.60	355

Note: Totals may not add due to rounding.

Source: AWPFC (incl March 2006 revised series)

**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, Department of Agriculture and Food WA, and AWI.

It is funded by AWI, which also funds an independent 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.