

# Australian Wool Production Forecast Report

January 2012

Australian Wool Production Forecasting Committee

## Summary

- The Australian Wool Production Forecasting Committee has revised downwards its 2011/12 production forecast from 355 mkg to 350 mkg greasy, 5 mkg lower than the October 2011 forecast, but still 1.5% above 2010/11 production.
- The reduction is primarily due to the expectation of lower fleece weights in some areas than was the case in October 2011. Table 1 summarises the estimates and forecasts.

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

Parameter	2010/11 estimate	2011/12 3rd forecast	Change YOY	2011/12 4th forecast	Change YOY
<b>Opening sheep number</b> (million head)	70.8	70.8	-0.1%	74.3	5.0%
<b>Sheep number shorn</b> (million head)	76.2	77.3	1.4%	78.7	3.3%
<b>Average cut per head</b> (kg/head)	4.53	4.59	1.4%	4.42	-1.7%
<b>Shorn wool production</b> (mkg greasy)	345	355	2.8%	350	1.5%

Note: Totals may not add due to rounding.

- Significant issues impacting on the Committee deliberations include:
  - Lowering of expectations of high greasy fleece weight in a number of areas, partly reflecting animal health issues, such as fly and worm burdens.
  - Adjustment upwards of 2011/12 opening sheep numbers following the release of the provisional agricultural census data by Australian Bureau of Statistics (ABS) early in December 2011.
  - Continued evidence of grower intent to rebuild flock numbers, especially through retention of older ewes and ewe lambs for breeding purposes, and consequential decline in sheep turnover.
- Overall, the changes in forecast production are consistent with a stabilisation of sheep numbers and wool production in Australia.

### FURTHER INFORMATION

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**Wool Production Estimates and Forecasts**

**Forecast for 2011/12**

The Committee’s fourth forecast for the 2011/12 season is for shorn wool production to total 350 mkg greasy, 1.4% lower than the preceding third forecast made in October 2011, but still 1.5% higher than 2010/11 production. The comparative estimates and forecasts are shown in Table 2 below.

**Table 2: 2011/12 fourth forecast of wool production compared with 2010/11 for Australia**

Parameter	2010/11 estimate	2011/12 forecasts				Change YOY%
		April 2011	August 2011	October 2011	December 2011	
<b>Opening sheep number</b> (million)	70.8	67.7	70.8	70.8	74.3	5.0%
<b>Sheep numbers shorn</b> (million)	76.2	77.3	77.3	77.3	78.7	3.3%
<b>Average cut per head</b> (kg/head)	4.53	4.60	4.60	4.60	4.45	-1.7%
<b>Shorn wool production</b> (mkg greasy)	345	340	355	355	350	1.5%

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

The corresponding State production forecasts are shown in Table 3, comparing October and December 2011 forecasts.

**Table 3: Changes to State Committee forecasts for 2011/12 wool production, comparing October (3<sup>rd</sup>) and December (4<sup>th</sup>) forecasts.**

<b>3rd 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> (ABS, million)	3.6	26.0	16.1	2.3	10.1	12.6	70.8
<b>Sheep to be shorn</b> (million)	3.7	27.3	19.1	3.1	10.4	13.6	77.3
<b>Average GFW</b> (kg)	3.90	4.50	4.50	4.00	5.40	4.60	4.60
<b>Wool production</b> (mkg greasy)	14.4	123.8	85.4	12.4	56.0	62.6	355

<b>4th forecast (Dec-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>	3.7	27.0	15.4	2.4	11.2	14.5	74.3
<b>Sheep to be shorn</b>	3.8	27.5	18.8	3.1	10.6	14.9	78.7
<b>Average GFW</b>	3.80	4.50	4.49	3.90	5.20	4.10	4.45
<b>Wool production</b>	14.3	123.8	84.4	12.0	55.3	60.7	350

<b>change (%)</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>	2.5%	4.0%	-4.2%	3.9%	11.2%	15.0%	5.0%
<b>Sheep to be shorn</b>	2.4%	0.7%	-1.6%	-0.3%	1.8%	9.7%	1.9%
<b>Average GFW</b>	-3.8%	0.0%	0.4%	-3.2%	-3.4%	-11.7%	-3.0%
<b>Wool production</b>	-1.0%	0.0%	-.22%	-3.2%	-1.3%	-3.1%	-1.5%

The data in Table 3 shows revisions to individual State forecasts, most notably seen in the changes to the forecasts in WA. For WA, the State and National committees felt that the prior estimate of fleece weight was too high, particularly in the light of shearing reports, and season-to-date wool receivals and testing volumes.

The combined effect of the changes is the modest reduction in wool production between October and December forecasts. Table 4 shows the result of the 4<sup>th</sup> forecast in comparison with 2010/11 production estimate.

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

2010/11 final estimate	QLD	NSW	VIC	TAS	SA	WA	National
<b>Opening sheep number</b> (ABS, million)	3.6	25.6	14.4	2.0	9.9	15.3	70.8
<b>Sheep to be shorn</b> (million)	3.7	26.2	17.3	2.5	10.1	16.4	76.2
<b>Average GFW</b> (kg)	3.90	4.71	4.50	3.90	5.20	4.27	4.5
<b>Total wool production</b> (mkg greasy)	14.4	123.4	78.0	9.7	49.3	70.1	345

2011/12 4th forecast	QLD	NSW	VIC	TAS	SA	WA	National
<b>Opening sheep number</b>	3.7	27.0	15.4	2.4	11.2	14.5	74.3
<b>Sheep to be shorn</b>	3.8	27.5	18.8	3.1	10.6	14.9	78.7
<b>Average GFW</b>	3.80	4.50	4.50	3.90	5.20	4.10	4.50
<b>Total wool production</b>	14.3	123.8	84.4	12.0	55.3	60.7	350

change %	QLD	NSW	VIC	TAS	SA	WA	National
<b>Opening sheep number</b>	2.8%	5.6%	7.2%	20.0%	13.5%	-5.2%	5.0%
<b>Sheep to be shorn</b>	2.7%	5.0%	8.7%	24.0%	5.0%	-8.9%	3.3%
<b>Average GFW</b>	-3.8%	-4.4%	-0.2%	-0.7%	0.3%	-5.0%	-1.7%
<b>Total wool production</b>	-1.0%	0.3%	8.2%	23.7%	12.2%	-13.5%	1.6%

Overall, production is forecast to increase by 1.5% to 350 m kgs, with the significant decline in WA production being offset by substantial increase in VIC, TAS, and SA production.

## 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 MLA/AWI Lamb Survey results, ABS census and survey data, and ABS sheep and lamb turn-off for 2010/11 and other key inputs.

### **ABS data**

The ABS released their provision agricultural census data in early December 2011, and this release contributed to a major realignment of the opening sheep number estimate for 2011/12. The census is conducted every 5 years, and provides a more reliable assessment of sheep numbers than the smaller annual surveys conducted in the between years by the ABS.

Table 5 summarises ABS flock statistics, including the December 2011-released provisional forecast for 2010.

**Table 5: ABS National flock numbers**

Parameter	2006	2007	2008	2009	2010	2011p	change yoy %
<b>Year-end flock size</b> (million head)	91.0	85.7	76.9	72.7	68.1	74.3	9%
<b>Breeding ewes</b> (million head)	48.6	46.4	45.4	40.9	42.3	42.8	1%
<b>Lambs marked</b> (kg/head)	35.1	34.1	NA	32.5	31.9	33.2	4%
<b>Ewes mated</b> (mkg greasy)	42.7	41.5	NA	37.7			
<b>Marking rate</b> (percentage)	82%	82%	NA	85%			

Based on the latest census data, the ABS now expects 2011/12 opening sheep numbers to be 74.3 million, up from 68.1 million in 2010/11. As a result of the revised data for 2011/12, the Committee has also adjusted the previous season's (2010/11) estimated opening sheep numbers up from 68.1 million to 70.8 million.

The national aggregation of ABS sheep turn-off statistics from Australian farms is shown in Table 6.

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

Parameter	Calendar year to date			5-year calendar year average	
	CY to end-Sept 2010	CY to end-Sept 2011	change yoy %	CY to end-Sept	change yoy %
<b>Sheep slaughter</b> ('000 hd)	4,470	3,356	-25%	7,458	-55%
<b>Sheep weights</b> (kg/hd cwt)	22.19	22.97	3%	20.86	10%
<b>Mutton production</b> (tonnes cwt)	99,200	77,076	-22%	155,574	-50%
<b>Lamb slaughter</b> ('000 hd)	13,670	13,131	-4%	14,613	-10%
<b>Lamb weights</b> (kg/hd cwt)	21.66	22.38	3%	20.80	8%
<b>Lamb production</b> (tonnes cwt)	296,119	293,884	-1%	303,905	-3%
<b>Live exports</b> (hd)	2,089,519	1,805,493	-14%	2,575,119	-30%

The ABS data suggests year-on-calendar year decline in adult sheep slaughter (-25%), mutton production (-22%), lamb slaughter (-1%) and live exports (-14%), all of which are consistent with the anecdotal reports of increased retention of ewe lambs and older ewes for breeding purposes. Western Australia is the only State where a trend toward reduced sheep turn-off appears not to have occurred.

**AWTA wool test data**

Since August 2011, the Committee has been provided with specific AWTA Key Test Data report based only on sale lots which have Wool Statistical Area (WSA) coding – it was felt that this report, which excluded bulk class, interlots, and non-WSA coded sale lots allowed for more accurate estimates of production within individual states. However, following discussions between AWI and AWTA, it was decided to return the standard Key Test Data report for forecasting purposes.

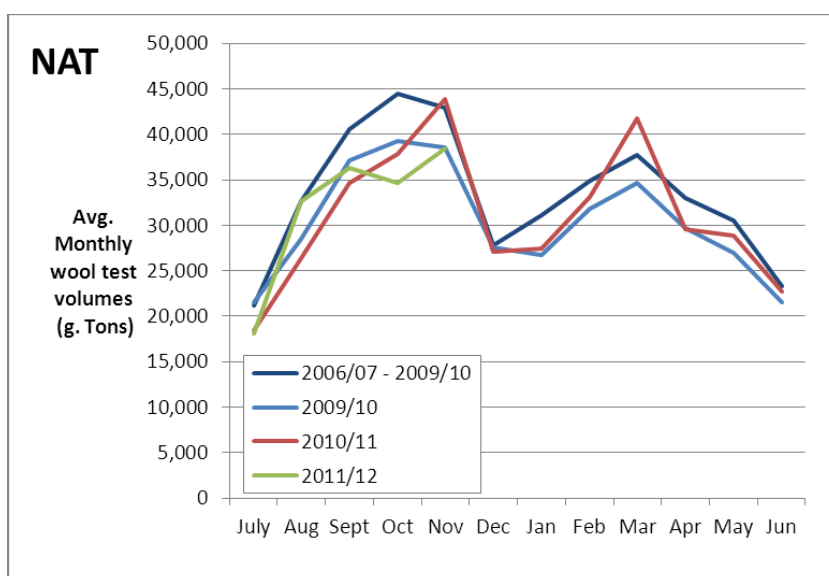
Table 7 shows the season-to-date (to end-November) comparisons of AWTA wool test volumes for the current season and the preceding two seasons.

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

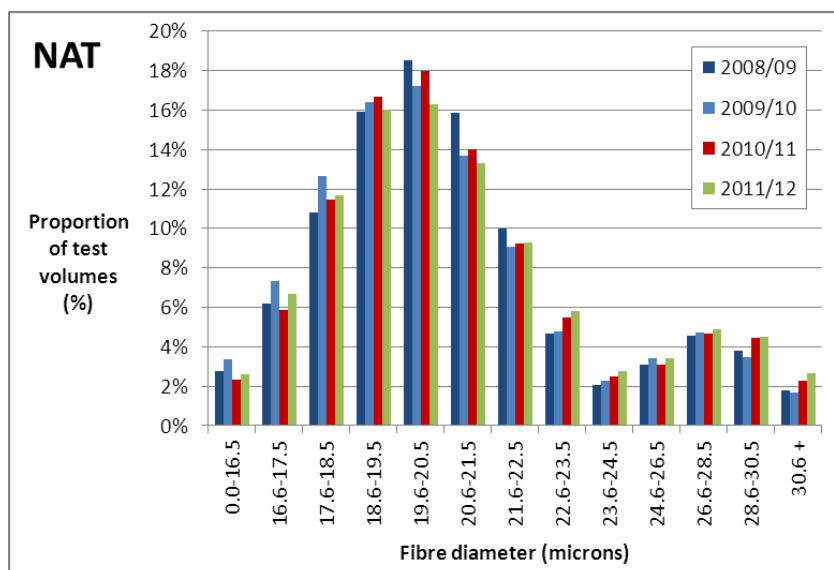
Year	0-16.5	16.6-17.5	17.6-18.5	18.6-19.5	19.6-20.5	20.6-21.5	21.6-22.5	22.6-23.5	23.6-24.5	24.6-26.5	26.6-28.5	28.6-30.5	30.6 +	TOTAL
2009/10	5,518	12,073	20,878	27,034	28,448	22,555	14,937	7,900	3,744	5,642	7,818	5,689	2,775	165,011
2010/11	3,749	9,483	18,505	26,905	29,019	22,608	14,877	8,819	4,013	4,947	7,513	7,200	3,636	161,274
2011/12	4,162	10,688	18,690	25,603	26,098	21,304	14,856	9,316	4,439	5,494	7,847	7,238	4,283	160,018
YOY	11%	13%	1%	-5%	-10%	-6%	0%	6%	11%	11%	4%	1%	18%	-1%

Overall, wool test volumes by weight are down 1% year-on-year, due to declines in wool test volumes in the 18.6 – 21.5 micron Merino band. The year-on-year comparisons are shown graphically in Figures 1 and 2. In comparison with 2010/11, wool test volumes for the first four months of 2011/12 were far higher reflecting the slow start in 2010/11 due to wet weather effecting shearing. However, as expected, since September 2011 test numbers have slowed.

**Figure 1: Graphical cross-season comparison of national wool test volumes, showing 2011/12 season-to-date, compared to preceding seasons.**



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

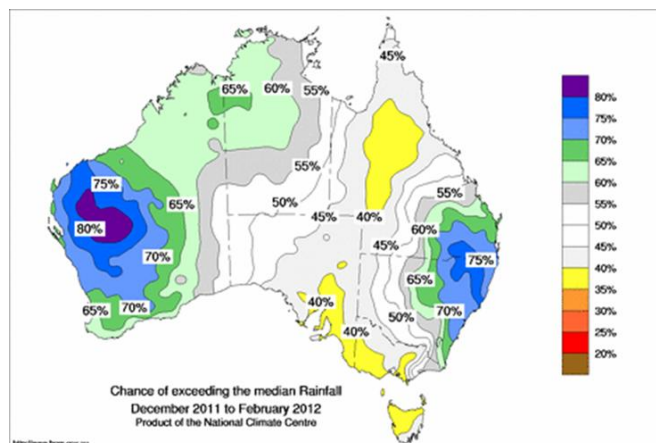
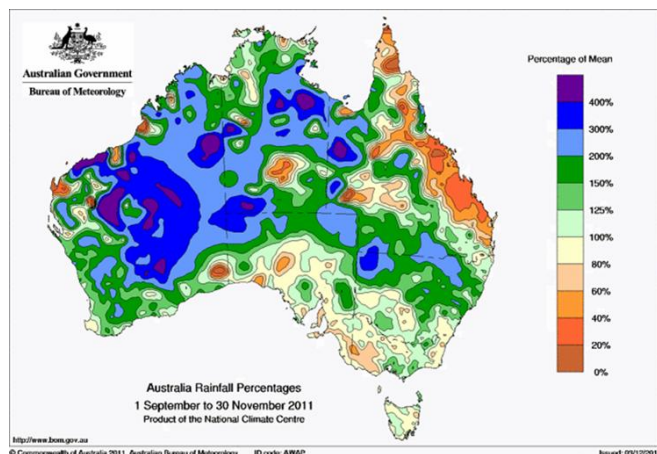


## Bureau of Meteorology (BOM) Seasonal Outlook

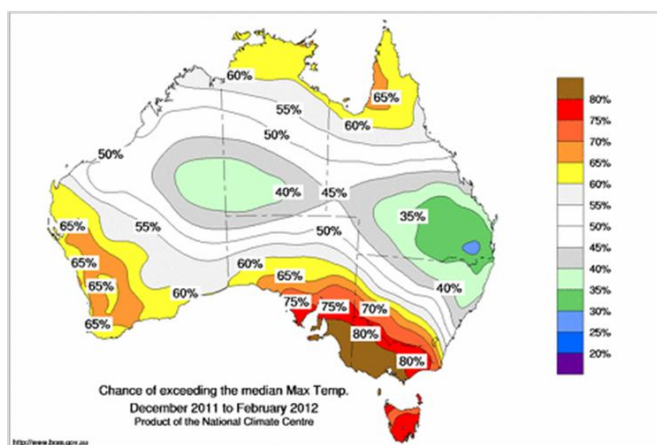
The following figures summarise BOM data for spring quarter (July-Sept 2011) rainfall (Figure 3), and the summer quarter (December-February) outlook for rainfall (Figure 4) and temperature (Figure 5).

**Figure 3: Seasonal rainfall summary: September – November 2011**

**Figure 4: National rainfall outlook: December 2011- February 2012**



**Figure 5: National temperature outlook: December 2011 – February 2012**



In summary:

- Following a dry winter, many sheep production areas of Australia received average or above rainfall in Spring 2011.
- The summer rainfall outlook reflects the emergence of a La Nina event in the Eastern Pacific, and warmer than normal Indian Ocean temperatures – leading to forecast summer rainfall well above historical medians for both central eastern Australia, and central WA. By comparison, forecast summer rainfall for south eastern Australia is below average.
- The corresponding temperature outlook suggests hotter than normal temperatures for most sheep production zones, with the exception of south-eastern QLD and north-eastern NSW.

## **State Committee inputs**

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

### Queensland

The situation in QLD, as reported by the state committee, remains difficult, and forecast wool production is down by 1%, driven by lower fleece weight expectations as a result of seasonal conditions and lice. On the positive, the committee noted anecdotal evidence of growers returning to use of Merino rams compared to maternal or terminal sires. However, lambing percentages were lower than expected in a number of areas, due to nutrition issues and predation, and the extensive lice problem was noted.

### New South Wales

Forecast wool production in NSW in 2010/11 is largely unchanged from the 3<sup>rd</sup> forecast, made in October 2010. The Committee noted substantial variation between regions in lambing percentages, and in some areas stock losses due to localised flood impacts. Also noted were the substantial increase in premature-shorn wool coming into store, and the widespread downgrading of the grain crop, which is felt likely to impact on grower preparedness to restock or feedlot.

### Victoria

Forecast VIC production was reduced slightly by the National Committee, to address the reduction in the ABS estimate of VIC opening sheep numbers - fleece weight was largely unchanged. The VIC Committee noted generally excellent feed conditions, reflected in an increase in staple length and the expectation that fleece weights would remain high. The prospect of the drier and hotter than normal summer was not considered a major concern by the Committee, and in fact, potentially advantageous for worm control prospects.

### Tasmania

The forecast for 2011/12 TAS wool production was adjusted downwards by the National Committee, but remains substantially above 2010/11 levels. The TAS state committee noted strong sentiment to increase sheep numbers through retention of young ewes, and that a dryer, warmer summer would not pose a problem for wool production given pasture conditions.

### South Australia

The forecast for 2011/12 SA wool production was adjusted slightly downwards from its October estimate by the national committee, but overall, production is expected to be 12% above 2010/11 levels. The SA state committee noted the excellent seasonal conditions in many areas, especially in the pastoral zone, and the prospects for increase in the numbers of wethers due to feed conditions and good live-export prices.

### Western Australia

Forecast production in WA in 2011/12 was further reduced from the October 2011 value, primarily due to lowering of fleece weight expectations, despite improved seasonal conditions in many areas. The reduced production estimate reflected in part AWTA reports for season-to-date wool test volumes.

**Historical Australian Production Figures**

Table 8 provides historical sheep numbers, wool production and fleece weight statistics since 1997/98 for background information.

**Table 8: Australian Wool Production Statistics**

<b>Year</b>	<b>Opening Sheep Number (million)</b>	<b>Sheep Shorn (million)</b>	<b>Average Cut Per Head (kg/head)</b>	<b>Shorn Wool Production (mkg greasy)</b>
<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>	70.8	76.2	4.50	345
<b>2011/12f</b>	74.3	78.7	4.50	350

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, Dept of Ag WA and The Woolmark Company.

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 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.