



The National Council of Wool Selling Brokers of Australia Inc

ABN 40 059 628 554

Unit 9, 42 - 46 Vella Drive, Sunshine West Vic 3020 Australia

Phone: 03 9311 0152

e-mail: ncwsba@woolindustries.org

Fax: 03 9311 0138

15 August 2016

NCWSBA-16-024

NCWSBA 2016 ANNUAL GENERAL MEETING

PRESIDENT'S REPORT on 2015/16

I would like to thank you for attending the 2016 Annual General Meeting of the National Council of Wool Selling Brokers of Australia. 2015/16 has been another busy and successful year for National Council. It was also a positive one for the wool industry in terms of wool prices, although wool production continues to slide.

1. Market review for 2015/16

The wool market saw a steady improvement in Merino wool prices through much of the 2015/16 season, while prices for cross-bred wool eased back.

The key points from the 2015/16 season were:

- The Eastern Market Indicator started the season at 1,263 Acents/kg and finished at 1,297 Acents/kg, an increase of 34 cents or 3%. This was a much smaller increase than the 24% jump in prices seen in the 2014/16 season. However, the season average for the EMI was 1,254 Ac/kg, up 14% on the average in 2014/15. It was the highest season average ever recorded for the EMI, exceeding the previous record set in 1987/88 (this is on a like-for-like basis). The average greasy price at auction in 2015/16 was 792 Ac/kg, which was also the highest ever recorded. The EMI hit a high of 1,304 Ac/kg in August 2015 and a low point of 1,169 Ac/kg in October. There was less volatility than in recent seasons and it appears that the current price levels are more sustainable than in the past.
- The A\$ fell against the US\$ by 2UScents over the season to finish at 74.3 UScents (although it has recovered in recent weeks). It also declined against the Euro, but lifted against both the Renminbi and the Rupee. In US\$ terms the EMI fell by 1.5% from season start to season end and closed at 963 UScents/kg. For the full season, the EMI averaged 914 UScents/kg, the same as the average in 2014/15.
- In terms of wool types, Merino wool prices increased steadily and prices for Merino cardings remained at high levels throughout the season. Cross-bred wools 26 micron and broader pulled back from the highs seen at the end of 2014/15. The best performed wools were Merino wool between 20 and 23 micron which lifted by between 7% and 10% from the start to the finish of the 2015/16 season. Finer wools of between 18 and 19.5 micron increased by between 3% and 5%, while ultrafine wool of 16.5 micron slipped a slight 1%. Crossbred wool of between 28 and 32 micron fell by 15% to 17%, and the 26 micron price eased by 1%. The Merino Carding indicator was down by 2%, but remained at historically high levels.

- According to the latest estimate from the Australian Wool Production Forecasting Committee released on 19th August, Australian wool production fell by 6% to 325 mkg greasy in 2015/16. This is the lowest since 1925/26. The decline in 2015/16 came as a result of lower sheep numbers and lower average cuts per head due to poor seasonal conditions in a number of the major wool producing regions. The AWPFC currently predicts that wool production will remain steady in 2016/17 at 325 mkg, with higher fleece weights offsetting lower sheep numbers
- The volume of superfine wool tested declined by 3% in the 2015/16 season, but remains high. At the same time, the volumes of fine Merino (18.6 to 20.5 micron) tested fell by 8%, test volumes of medium Merino (20.6 to 24.5 micron) were down by 11%, wool of between 24.6 to 28.5 micron fell by 7%, and the volume of wool tested of 28.6 micron and broader dropped by 7%. As a result of these changes, superfine wool accounted for 27% of the total Australian wool clip, the highest share on record.
- AWEX reports that auction offerings in 2015/16 were 7.8% lower than in the 2014/15 season at 1.801 million bales. There were 1.653 million bales of Australian wool sold at auction, down by 8%. NCWSBA members accounted for 85% of the wool sold at auction in 2015/16.
- Australia exported 315.2 mkg greasy of wool at a value of A\$2.74 billion or US\$2.02 billion. Compared with 2014/15, Australia's exports were 11% lower in volume, 1% higher in A\$ value and 10% lower in US\$ value. The export volume in 2015/16 was the lowest since at least 1979/80 when NCWSBA database records begin and probably since 1925/26 (the last time Australian production was as low). In spite of this low volume, the A\$ value of exports was the highest since the 2003/04 season (the volume of exports in 203/04 was 461 mkg greasy). The volume of exports to a number of the major destinations in 2015/16 was below the level of 2014/15. Most significantly, exports to China fell by 12%, although it only fell back to the levels seen in 2013/14. Even with this decline, China's share of Australia's exports was at 74% in 2015/16, down only a little from the 75% share in 2014/15. Exports to India, Egypt and 'the Rest of Europe' increased.

2. NCWSBA activities in 2015/16

The National Council of Wool Selling Brokers of Australia provided important services to members and addressed a number of industry issues in 2015/16.

2.1. NCWSBA 2015/16 financial results

NCWSBA recorded a surplus of \$15,422, which was much better than budgeted due to higher than expected income, strict control of expenditure and some carry-over of travel expenses into the 2016/17 financial year. Our equity as at 30th June 2015 was a healthy \$114,274 as shown in detail in the AGM papers. I would like to thank all member companies for their continued commitment to the NCWSBA in terms of both their on-going financial support and their involvement in NCWSBA activities and on the Board. In terms of membership, I am delighted that Jemalong Wool has joined NCWSBA starting in July this year.

2.2. Services to NCWSBA members

NCWSBA provides many services to NCWSBA members. Some of the highlights in 2015/16 are set out below.

One of the important services in 2015/16 was **training on the *Competition and Consumer Act 2010*** delivered by Alexandra Merrett (a lawyer expert in Competition Law) after last year's Annual General Meeting. This training was made available to all NCWSBA Board directors as well as NCWSBA members who could attend. It is important that NCWSBA members are aware of their obligations under the *Competition and Consumer Act 2010*, in particular with regard to collusive behaviour and other action that risks breaching the Act rules on anti-competitive conduct.

The **NCWSBA Wool Broker Award** is now in its fifth year and the three Finalists for the 2016 Award will present at the AGM. I am delighted with the quality of this year's applicants and I look forward to the presentations by each Finalists today. As well, Matt Thomas, the winner of the 2015 Award, will give a presentation on his experiences when he attended the 2015 IWTO Congress in Sydney in April. Matt will also attend the Nanjing Wool Market Conference in Wuxi in September as part of the Award.

I greatly appreciate the continued support from the two Award sponsors, AWTA and Fairfax Agricultural Media. I was also very pleased to see the profiles of each Award Finalist in last week's Fairfax Agricultural Media publications. We must encourage younger people in the industry and the Award is one way of doing this. I urge all members of NCWSBA to again support the Award by encouraging their younger staff members to nominate for the Award in future years.

I would also like to thank the Selection Panel of Ian Ashman, Charlie Merriman and Annabelle Beale for their time and contribution to the Award.

Other **services** provided to NCWSBA members in 2015/16 include among others:

- The NCWSBA's *Weekly Newsletter*, with 50 editions each year provided to NCWSBA members. It is a valuable source of information and analysis on issues that affect NCWSBA members. I know that it is widely distributed and well regarded within Australia and overseas.
- NCWSBA distributes a selection of news articles from the Bradford-based World Textile information Network (WTiN) website to NCWSBA members each month.
- The 2015 edition of the IWTO's annual Market Information report was made available to NCWSBA members in December 2015. The report included over 60 tables of statistics on the global wool industry.
- Copies of presentations by our Executive Director to the IWTO Congress and the Nanjing Wool Market Conference were provided to our members.
- The NCWSBA's annual Wall Chart for the 2015/16 season is also available to members and can be collected at the AGM today.
- NCWSBA now has a Twitter account and sends tweets most weeks. You can follow NCWSBA through @woolbrokersaus.
- Further work on developing the historical collections on the Australian wool broking industry in preparation for NCWSBA's centenary in 2019.

2.3. Issues addressed by NCWSBA

NCWSBA addressed a number of issues on behalf of NCWSBA members in 2015/16. These are outlined below.

As you would know, NCWSBA has been a member of FAWO's **China-Australia Joint Working Group** since its inception. One activity of the Working Group is providing training for Chinese mill technicians. NCWSBA participated in a training session for mill technicians during 2015/16 in Australia in April 2016. We organised a visit to a wool property in central Victoria. Two NCWSBA members, including the Executive Director, accompanied the Chinese group. As we, the Executive Director gave a presentation to the training group on the role and importance of the wool broker in the Australian wool industry.

NCWSBA is also a member of FAWO's **Emergency Animal Diseases Working Group**. This group is working to prepare the Australian wool industry so that it can respond quickly to an outbreak of an Emergency Animal Disease, such as Foot and Mouth Disease. Wool brokers will be key in this response. I am very pleased that Dr Charles Milne, the Chief Veterinary Officer for Victoria, is presenting at later today as a key speaker for the AGM. Charles will speak on the importance of preparing for an outbreak and his personal experiences with an outbreak of Foot and Mouth Disease in the UK during the 2000s.

Other issues and activities in which NCWSBA was involved in 2015/16 include:

- A second submission to the Wool Selling Systems Review before the final report was released in February.
- Two submissions to ISAC on the two Reviews of the National Wool Declaration, one in October 2015 and one in June 2016.
- A submission to the National Auction Selling Committee on the 2016/17 and 2017/18 Wool Selling Programs.
- Representation on a number of other industry organisations and Working Groups, including AWTA, FAWO (one of NCWSBA Board members, Robert Ryan, is Chairman of FAWO), the FAWO Technical Committee, the India-Australia Joint Working Group, the Australian Wool Production Forecasting Committees (state and national), MLA's Lamb Forecasting Advisory Committee, and WIEDPUG.
- Representing NCWSBA internationally at both the International Wool Textile Organisation and at the Nanjing Wool Market Conference. The Executive Director is Chairman of the IWTO's Market Intelligence Committee and gave presentations at the IWTO Congress in Sydney in April this year and at the Nanjing Wool Market Conference in September 2015.
- Addressing issues with sale room conduct in Melbourne.
- Providing a submission on uncertified weight bales to AWEX.

3. **Closing comments**

In closing I would like to thank my fellow Directors for their support and assistance on the various issues that NCWSBA, wool broking and the wool industry have faced during over the past year.

The Board directors for 2016/17 will be:

Simon Hogan (Elders)

John Colley (AWN)

Andrew Lindsay (RuralCo/Primaries of WA)

Alistair Calvert (RuralCo)

Robert Ryan (Australian Wool & Pastoral Agency Ltd)

Stephen Keys (Landmark)

Geoff Clark (Quality Wool)

Rowan Woods (Jemalong Wool)

Emma Reynolds (Michell – appointed as the Independent Director).

I welcome Rowan, Geoff and Emma who are new Board Directors since last year's AGM.

I would also like to acknowledge and thank the retiring Director, Michael Sugars, who has been on the Board since September 2009. Michael has made a significant contribution to NCWSBA first as the Director representing South Australia and then, since 2014, the Independent Director representing the smaller broking member companies.

Finally, I would like to thank the Executive Director, Chris Wilcox, on behalf of all NCWSBA members for his work and contribution in 2015/16.

Simon Hogan
President
25 August 2016