



2nd September 2016

2016/33

From the desk of Chris Wilcox, Executive Director

- Australian superfine wool prices lift to 14 month highs
- Fibre price volatility diminishes
- Wool test volumes in August rise
- Lifetime Ewe Management Program expanded
- Seasonal conditions and outlook
- NCWSBA Wallchart available now
- Upcoming events



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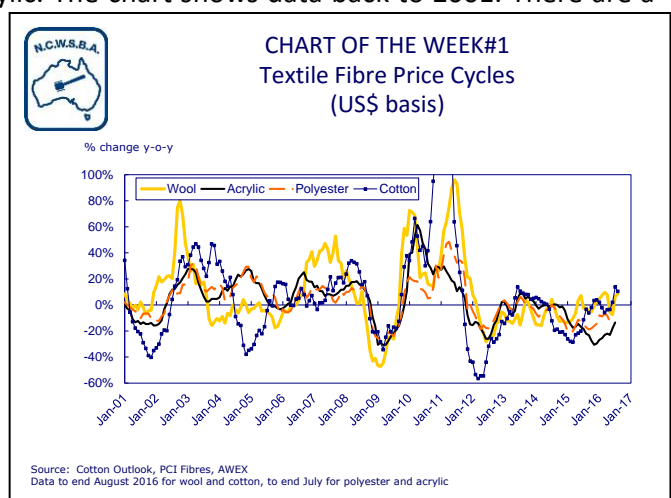
It was another good week in the **Australian wool market**, with prices lifting for Merino wool, notably at the fine end. The **Eastern Market Indicator (EMI)** lifted by 11 cents, to 1320 Acents/kg. Prices for superfine Merino wool (18.5 micron and finer) rose by 8 to 17 cent this week. As a result, these price guides are now at the highest level since June 2015. The 19 to 23 micron price guides also recorded good gains. Fine Crossbred prices jumped while broader Crossbred wool prices were more mixed. A total of 40,553 bales were offered and 3.6% was passed-in. Sydney hosted a designated superfine sale which attracted good buying interest, and the Northern Market Indicator lifted by 11 cents to 1344 c/kg. The Southern Market Indicator rose by 10 cents to 1304 c/kg, while the Western Market Indicator (which was playing catch-up after a week's recess) lifted by 16 cents to 1407 c/kg. The A\$ fell against the US\$, by 0.7 UScents, and was down a slight 0.1 €cents. The EMI was steady at 996 USc/kg but rose by 6 €cent to 892 €cents/kg.

Wool prices in US\$ terms have been quite stable in the past six months, on a rising trend. It is interesting to compare the volatility of wool prices recently with both previous years and with the **volatility for other textile fibre prices**. The first **Chart of the Week** shows the trends in the year-on-year change in wool prices as well as in the prices for cotton, polyester and acrylic. The chart shows data back to 2001. There are a few things to note in the chart.

First of all is the reduced volatility in prices since around the start of 2013. Prior to this the year-on-year change in fibre prices was +/- 30% or so, with some extremes of over 100%, notably in 2011-2012. Since 2013, the year-on-year change has been more muted of no much more than -20%.

A second, and probably related, point to note is that in general since 2013 there have been more and larger negative year-on-year changes in competing fibre prices than there have been positive changes. These two trends may be due to a combination of a period of subdued world economic growth since 2013 and record levels of cotton stocks and excess synthetic fibre capacity.

A third feature is of this chart is that there appears to be a cyclical trend in the prices for all fibres, with prices rising and falling together. This has become more muted and harder to discern since 2013, but does

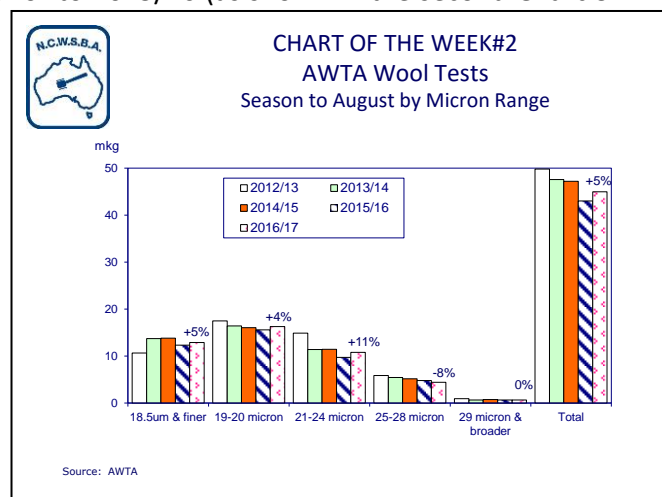


seem to have continued, with a rising trend into late 2013, a declining trend through 2014 and into 2015, and then, more recently, a rising trend.

Within this overall subdued textile fibre price cycle, wool has had its own mini-cycles but on an overall rising trend since the start of 2015. Hopefully this cyclical upturn in textile fibre prices continues for the remainder of 2016, helping wool prices rise in US\$ terms.

AWTA released the **data on wool tests for August** yesterday. The weight of wool tested in August was 13.6% higher than in August 2015. This increase comes after a 9.1% decline in July. For the two months of 2016/17, the total weight of wool tested by AWTA was 4.6% higher than for the same period in 2015/16. However, it was well below the levels seen in seasons prior to 2015/16 (as shown in the second **Chart of the Week**). Volumes of wool tested are volatile at this early stage of the season and are also relatively small. July is the smallest month of the season for wool tested, while August has been the 2nd to 4th smallest month in recent years.

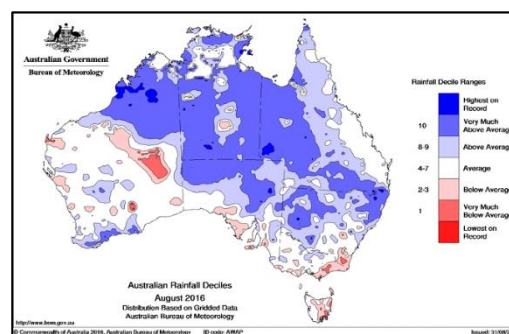
The second **Chart of the Week** shows the weight of wool tested by micron range for the July-August period. The year-on-year change in the volume of wool tested for the 18.5 micron and finer range and for 19-20 micron wool was in line with the change in total volumes. However, there was a larger increase in the volume of wool in the 21-24 micron range. At the same time the volume of wool 29 micron and broader fell.



AWI announced yesterday that it will continue funding and expand the successful **Lifetime Ewe Management** program. It will provide over \$1.6 million to expand the program to about 1,400 sheep producers in the next three years. The program will be focused on Merino specialists. To date over 2,400 sheep producers representing about a quarter of the national ewe flock have participated in the Lifetime Ewe Management program. The program focuses on understanding the impact ewe nutrition and management has on ewe reproductive efficiency and progeny performance. Full details on the program and how to start a group to implement the program can be seen at www.wool.com/LTEM.

There was **good rainfall** throughout much of the main woolgrowing regions of Australia during August, as the map shows. There were some exceptions, with drier than average conditions in southern Victoria and in Tasmania. However, after the soaking these regions had in July, this is probably not a concern as long as there is good rain in September.

REMINDER: The 2016 Wall Chart from the National Council of Wool Selling Brokers is now available. Send me an email at chris.wilcox@woolindustries.org with your address and how many you would like for your office.



INDUSTRY EVENTS

The **Nanjing Wool Market Conference** will be held in Wuxi on 23rd-25th September. Click [here](#) for details.

The **IWTO Wool Roundtable** will be held in Biella, Italy on 28th-29th November.

The **IWTO 2017 Congress** will be held in May 2017. I will keep you posted about the location once it has been advised by the IWTO Head Office.

WOOL SALES WEEK BEGINNING 5th SEPT 2016 – week 10 (roster as at 1/9/2016)

<u>Sydney</u> Wed, 7 th Sep; Thurs, 8 th Sep	11,926 bales
<u>Melbourne</u> Tues, 6 th Sep; Wed, 7 th Sep; Thurs, 8 th Sep	22,833 bales
<u>Fremantle</u> Wed, 7 th Sep; Thurs, 8 th Sep	8,227 bales

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