



11<sup>th</sup> March 2016

2016/10

### From the desk of Chris Wilcox, Executive Director

- A\$ lifts, wool prices fall
- Synthetic fibre prices at multi-year lows
- Wool's price ratio against other fibres at 30 year highs
- National Wool Declaration statistics
- Upcoming events

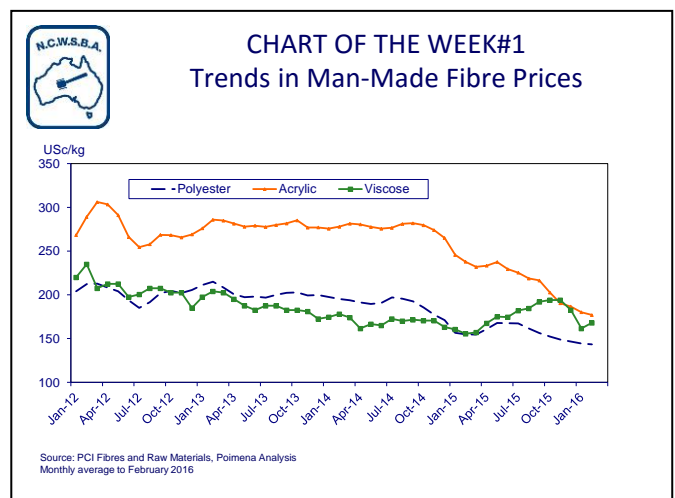


A stronger A\$ was again the major factor influencing the **Australian wool market** this week. The A\$ lifted against the US\$ and the Euro for the fourth consecutive week, rising by 1.7 UScents to reach 74.7 UScents and by 0.8€cents to 68.1 €cents. A low offering week of around 39,000 bales, was insufficient to prevent the higher A\$ from dampening buying interest and causing the **Eastern Market Indicator (EMI)** to fall by 35 Acents to close at 1223 Ac/kg. The Northern Market Indicator was 33 cents down (to 1250 Ac/kg), the Southern Market Indicator fell by 35 cents to 1206 Ac/kg and the Western Market Indicator declined by 39 cents to 1276 Ac/kg. The most significant declines were for Merino wool, with weekly falls of up to 50 Acents. In contrast, Crossbred wool saw more moderate falls. There were 39,082 bales offered in the three centres and, with the sharply lower prices, the pass-in rate jumped to 13.9%. The strong rise in the A\$ against the US\$ meant that the EMI fell by less than in A\$ terms, down by 3UScents to 915 USc/kg and 14€cents lower to 833 €c/kg.

In spite of the declines this week, wool prices have been resilient in spite of declines in prices for other apparel textile fibres. This is particularly true compared with **oil-based synthetic fibre prices**. Oil, as measured by the West Texas Intermediate crude price, fell from around US\$100 per barrel in March 2014 to US\$28 per barrel in February this year. It has since recovered a little to be US\$38 per barrel overnight. As oil is a major precursor to the production of oil-based synthetics such as polyester, acrylic and nylon, prices for these fibres have also fallen.

The first **Chart of the Week** shows the trends in prices for man-made fibres since 2012. The fibres shown in the chart are both oil-based synthetic fibres (polyester staple and acrylic) and cellulosic-based viscose fibre. As the chart shows, prices for both polyester staple and acrylic fibres have fallen in the past 18 months or so, in line with the decline in oil prices. Polyester staple prices were at 143 USc/kg in February, the lowest since March 2009. Acrylic fiber prices were at 177 USc/kg, which is the lowest level since 2004 – 12 years ago!

In fact, polyester staple prices have been on a declining trend throughout the past three years because excess production capacity, notably in China, has been bearing down on polyester fibre prices. **Viscose prices** have followed a very different pattern, as can be seen in the chart. This is because it is not directly affected by the price of oil, but is influenced by the level of production capacity and demand. Viscose prices were on a steady decline until

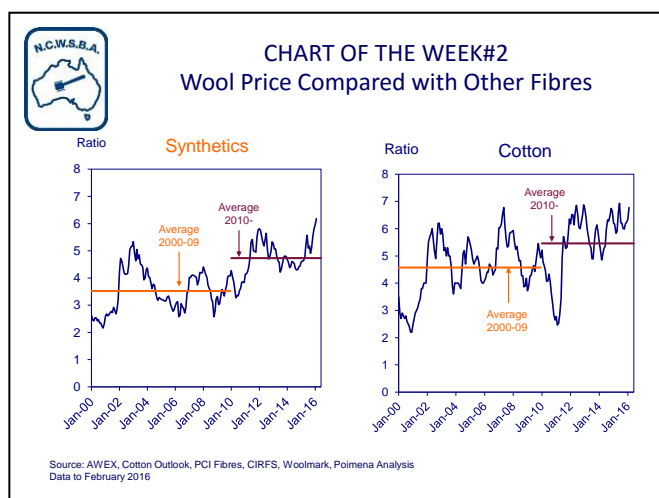


mid-2015 in reaction to a significant lift in world production. Since then, production and demand have moved back more into balance, which has helped the price for viscose.

Meanwhile, **cotton prices** have continued to fall. At the end of the first week in March, the CotLook “A” Index was at 142.3 USc/kg, the lowest since October 2009. Excess stocks and lower polyester prices have weighed on the price for cotton.

These lower prices for oil-based synthetic fibres and cotton combined with the relatively stable prices for wool have meant that wool’s price ratio compared with these fibres has risen sharply. The second **Chart of the Week** shows the trends in the wool price ratio with synthetics and with cotton.

Wool’s price ratio compared with **synthetic fibres** hit 6.18 in February (that is, wool was 6.18 times the price of a basket of synthetic fibre prices). This is the highest level ever recorded in data going back to 1991. Compared with **cotton**, wool’s price ratio was at 6.97, the highest level since 1988, when wool prices hit record levels (the data for cotton goes back further than the data for synthetic fibres, back to the mid-1980s). As can be seen in both ratio charts, there seems to be a new, higher level for wool against both synthetic fibre and cotton in the 2010s, higher than observed in the 2000s, which in turn was higher than in the 1990s. The supply and demand dynamics have changed in the past 20 years, with vastly increased production of synthetic fibres and lower world production of wool. This situation will continue for the foreseeable future.



You can hear more about the trends in synthetic fibres and the prospects over the next 20 years at the IWTO Congress in Sydney next month. **Bruna Angel**, an experienced and respected analyst from PCI Wood MacKenzie, will be a keynote speaker in the Market Intelligence session at the Congress. Brunna will be looking at the impact of polyester and other synthetic fibres on the world textile market.

Earlier this week AWEX released the statistics on **mulesing status** from the National Wool Declaration for February. The data shows a further increase in the share of wool with an NWD. The table below summarises the data on the number of bales with the Mulesing status declared, with Blank NWDs and with No Declaration. As can be seen, there has been a strong lift in the number of bales with an NWD while the number of bales without a Declaration has fallen.

**Table: NWD Statistics – Season to end February (bales)**

	CM	NM	PR	CM+NM+PR	Blank	All NWDs	ND	Total
<b>2014/15</b>	80,564	188,982	299,368	353,636	216,983	516,351	545,067	1,061,418
<b>2015/16</b>	27,696	92,442	206,424	527,715	200,880	527,715	457,149	984,864
<b>% change</b>	-6%	+15%	+9%	+9%	-7%	+2%	-16%	-7%
<b>2014/15 share (%)</b>	2.8%	7.5%	17.8%	28.2%	20.4%	48.6%	51.4%	100%
<b>2015/16 share (%)</b>	2.8%	9.4%	21.0%	33.2%	20.4%	53.6%	46.4%	100%

#### OTHER INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** will meet on 30<sup>th</sup> March 2016 in Melbourne.

The **2016 IWTO Congress** will be held in Sydney on 4-6 April. Register at <http://www.iwto.org/events/upcoming-events/45/>

The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25<sup>th</sup> & 26<sup>th</sup> August. The NCWSBA AGM will be held on Thursday, 25<sup>th</sup> August 2016.

#### WOOL SALES WEEK BEGINNING 29<sup>th</sup> FEBRUARY 2016 – week 38 (roster as at 10/3/2016)

<u>Sydney</u>	Wed, 16 <sup>th</sup> Mar; Thurs, 17 <sup>th</sup> Mar	8,464 bales
<u>Melbourne</u>	Wed, 16 <sup>th</sup> Mar; Thurs, 17 <sup>th</sup> Mar	22,609 bales
<u>Fremantle</u>	Wed, 16 <sup>th</sup> Mar; Thurs, 17 <sup>th</sup> Mar	10,798 bales

*Information in the Weekly Newsletter is intended to provide general information only and is not intended to constitute advice for a specific purpose.*