



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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

- A\$ leaps, Australian wool prices fall
- Wool prices in South Africa, New Zealand and the UK
- US retail sales and imports of wool clothing
- AWI Strategic Plan
- Upcoming events

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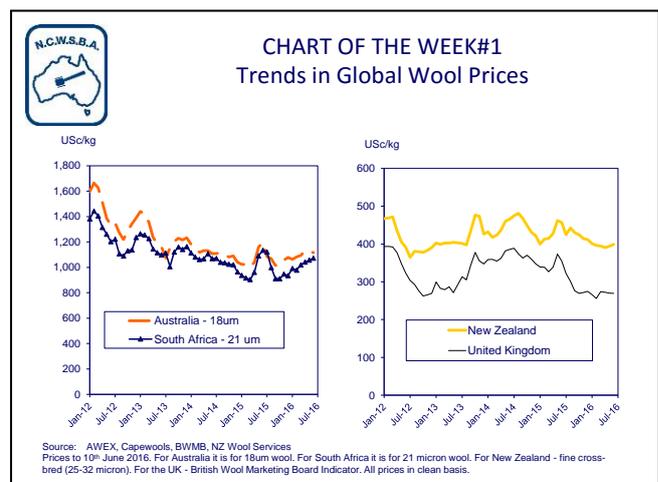


**Australian wool prices in A\$** came under pressure this week as the A\$ jumped by more than 2 UScents after the financial markets reassessed the prospects both of another drop in Australian interest rates and of an increase in US interest rates in the near term. Prices fell across the board with the most significant declines seen for Merino wool between 18 and 19.5 microns. The **Eastern Market Indicator (EMI)** fell by 26 Acents to 1270 Ac/kg. The Northern Market Indicator fell by 31 cents to 1292 Ac/kg and the Southern Market Indicator dropped by 23 cents to 1255 Ac/kg. There were no sales this week in Fremantle. The A\$ rose against all currencies, with the most significant rise being the 2.3 UScent gain against the US\$ to 74.7 UScents. As a result, the EMI actually rose this week by 9 UScents to 948 USc/kg. The A\$ also lifted by just under 1€cent to 65.5 €cents. This was not enough to offset the A\$ decline in prices, and the EMI fell by 6€cents to 832 €cents/kg.

It is interesting to compare the **US\$ price trends** for wool from Australia, South Africa, New Zealand and the United Kingdom. The first **Chart of the Week** shows these trends. For Australia, the price is for 18 micron wool; for South Africa it is for 21 micron wool (South African wool prices move in lock-step with US\$ prices for Australian wool); for New Zealand wool it is fine crossbred (25 to 32 micron) and for the UK it is the British Wool Market Board's Market Indicator (80% of British wool is 32.5 micron and broader).

As the chart shows, after seeing a steady downward trend from 2012 to 2014, wool prices in **Australia** and **South Africa** have been on a rising trend over the past 18 months (even allowing for the temporary price spike in mid-2015). This rising trend continued at auctions in both countries this week (at least in US\$).

In contrast to this rising trend for finer wool from Australia and South Africa, broader wool has struggled over the past 12 months. Both crossbred wool (indicated by the **New Zealand** prices) and broad carpet wool types (as indicated by the trends in **UK** prices) have declined since mid-2015. The decline appears to reaching a bottom in the most recent sales in both countries.



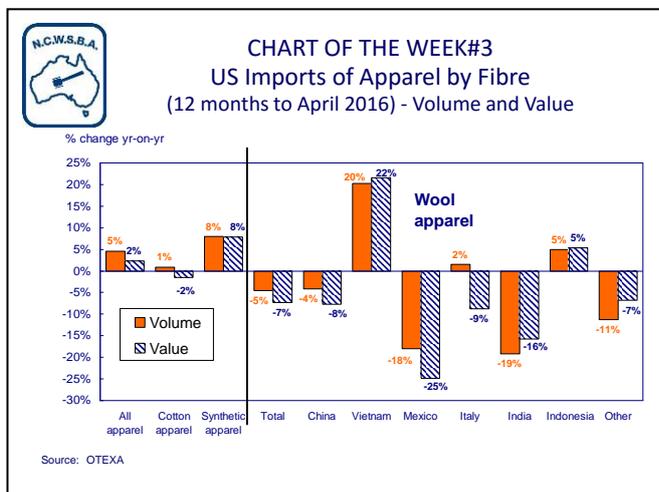
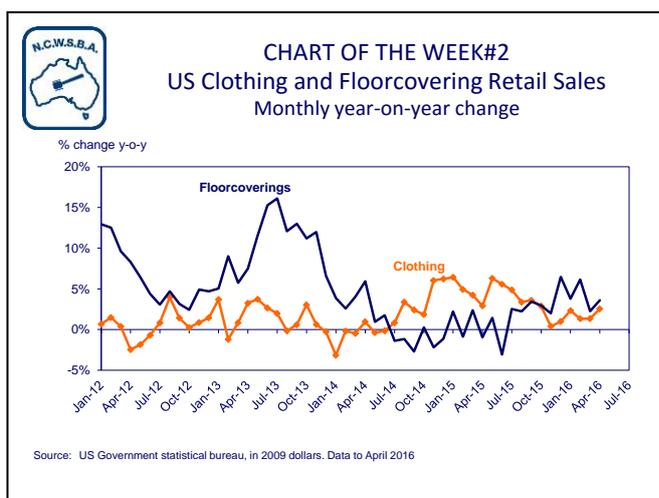
The latest data on **US retail sales of clothing and of home floorcoverings** from the US Department of Commerce shows continued year-on-year growth in the value of sales in April (see the second **Chart**

**of the Week**). Retail sales of clothing grew at 2.2% in April compared with April 2015. This is the fastest growth rate since October. Prior to October, retail sales of clothing were growing at a very fast pace but this slowed dramatically just as the crucial Autumn/Winter season was starting in the US. This no doubt hurt retail sales of wool clothing. A better growth rate now doesn't help wool clothing sales much as we enter summer in the Northern Hemisphere. Hopefully the better growth rates continue for the next six months.

In addition to a hoped for improvement in clothing retail sales in the US (remembering that the US is the world's second largest retail market for wool clothing), US imports of wool clothing also needs to lift in coming months. The third **Chart of the Week** shows the year-on-year change in US imports of clothing by fibre between May 2015 and April 2016. The chart also shows the year-on-year change in US imports of wool clothing from the major source countries.

As can be seen, the US imports of wool apparel has declined in both value and volume terms over the past 12 months. This is mainly due to a significant decline in imports from China, the major supplier (China accounted for 54% of US imports of wool clothing by volume in 2015 and 44% by value). Interestingly, imports from Vietnam has increased sharply in the past 12 months, while imports from Indonesia have increased. In 2015 Vietnam was the second largest supplier by volume with a 9% share, but Italy was the second largest supplier by value (a share of 15%).

**Australian Wool Innovation** have released a draft of its **2016-19 Strategic Plan**. It is available as a PDF document and as an on-line interactive version. Some elements of the Strategic Plan were presented at the AWI Broker Day held in March, so the draft plan and interactive version will be somewhat familiar to those representatives from wool broking companies who attended. The Plan includes an Independent Review of the 2013-2016 plan. The new Plan sets out the priorities and targets for AWI over the next three years under each of three main headings: Marketing; Sheep Production; Woolgrower Services; Processing Innovation, Education and Extension and Business Services. You can download the plan by [clicking here](#) and see the on-line interactive version by [clicking here](#).



#### INDUSTRY EVENTS

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.

The **Nanjing Wool Market Conference** will be held in Wuxi on 23<sup>rd</sup>-27<sup>th</sup> September. Click [here](#) for details.

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

#### WOOL SALES WEEK BEGINNING 13<sup>th</sup> JUNE 2016 – week 51 (roster as at 9/6/2016)

|                  |  |              |
|------------------|--|--------------|
| <u>Sydney</u>    | Wed, 15 <sup>th</sup> June; Thurs, 16 <sup>th</sup> June | 10,016 bales |
| <u>Melbourne</u> | Wed, 15 <sup>th</sup> June; Thurs, 16 <sup>th</sup> June | 18,676 bales |
| <u>Fremantle</u> | Wed, 15 <sup>th</sup> June; Thurs, 16 <sup>th</sup> June | 6,019 bales  |

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