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2016/11

From the desk of Chris Wilcox, Executive Director

- Wool market lifts in spite of a jump in the A\$
- Trends in the EMI in A\$ and US\$
- Australian wool exports in January
- FAWO General Meeting – key topics
- Upcoming events



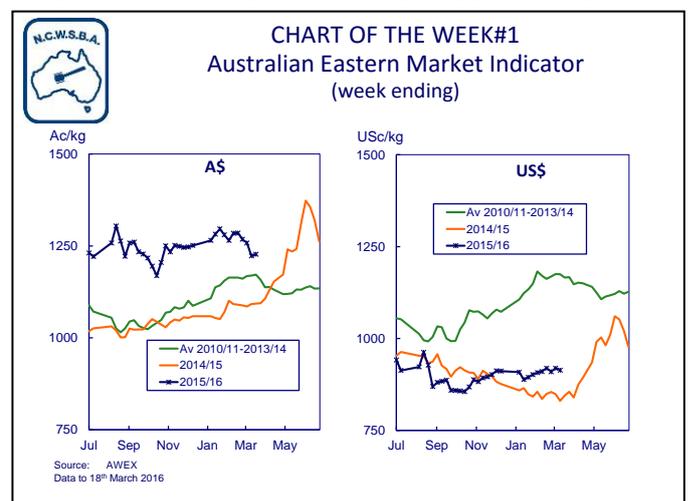
The **Australian wool market** performed remarkably well in the face of another lift in the A\$ against the US\$ in the middle of the two-day sale. After three weeks of losses, the **Eastern Market Indicator (EMI)** lifted by 4 Acents this week and closed at 1227 Ac/kg. The Northern Market Indicator was 2 cents higher to 1252 Ac/kg and the Southern Market Indicator increased by 5 Acents to 1211 Ac/kg. The Western Market Indicator recorded a 5 cent increase to 1281 Ac/kg. Almost all micron price guides lifted, with the strongest gains seen for 19 and 19.5 micron wool. Only the 28 and 32 micron price guides fell over the week.

The **A\$ gained another 1.2 UScents** over the week, with much of the gain seen on Wednesday night after the US Federal Reserve said that future interest rate rises in the US would be slower than previously anticipated. The A\$ has gained a remarkable 6.9 UScents since the A\$ fell to a recent low of 69.05 UScents in January. The reversal comes after some currency forecasters were predicting that the A\$ would fall to 60 UScents. Who'd be a currency forecaster? There are so many things that affect the A\$, including relative interest rates between countries (and guesses at where relative interest rates will go), commodity prices, relative strength of the domestic economies of the different countries and what John Maynard Keynes termed 'animal spirits' in the currency markets.

While the A\$ lifted against the US\$ it fell slightly against the Euro (by 0.4€cents) to 67.7 €cents. The strong rise in the A\$ against the US\$ meant that the EMI bounced by 17 UScents to 932 USc/kg. It was 1€cent lower to 832 €c/kg.

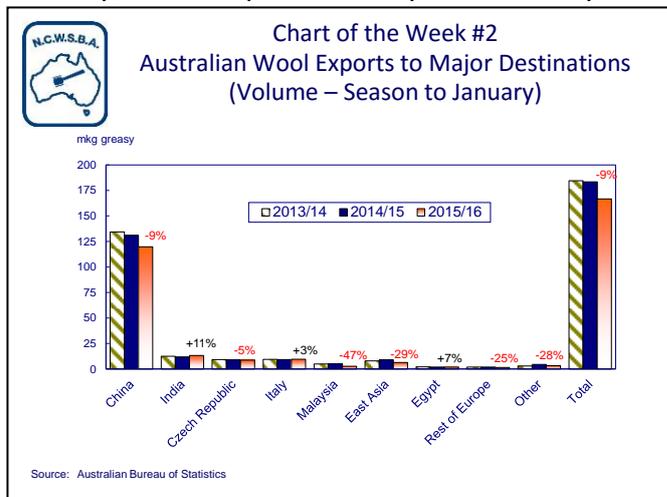
It is interesting to compare the **trends in the EMI** in A\$ and US\$ terms this season against the trends in the 2014/15 season and in the previous four seasons. The first **Chart of the Week** shows this comparison. In A\$ terms, the EMI has been well above the levels at the same time in the 2014/15 season. It has also been well above the average levels for each week in the 2010/11 to 2013/14 seasons.

In contrast, the **EMI in US\$ terms** has edged above year earlier levels only since late November. It is also well below the average levels over the 2010/11 to 2013/14 seasons. The A\$ averaged 99 UScents over these four seasons, compared with an average of 72 UScents for the 2015/16 season to date. The decline in the A\$



(although I should say, the rise in the US\$) has helped both the Australian woolgrower and the wool processors who buy in US\$ (such as the Chinese wool processors).

The latest data on **Australian wool exports** show that exports were higher in January than a year earlier in both volume and value terms, by 11% and 24% respectively. Export volumes to China, the Czech Republic, India and Egypt were all higher in January, while exports to Italy were steady. In spite of the increase in January, the **volume of exports** for the seven months of the 2015/16 season remains below year earlier levels. For the season to January, the total export volume was 9% lower than for the same period in 2014/15. The second **Chart of the Week** shows the changes in the volume of exports for July to January for the past three seasons. As can be seen, the volume of exports to many of the major destinations were below year earlier levels, led by a 9% drop in exports to the major destination, China. The exceptions were exports to India, Italy and Egypt, which were higher than in 2014/15.



The change in the volume of exports is only part of the story and reflects, at least in part, the lower level of wool supply in Australia this season so far (with AWTA test volumes being 6% lower in the July to February period). The direction of demand is better judged by the year-on-year change in the **value of wool exports** (as this takes into account the increase in wool prices seen so far in 2015/16). The value of exports to January was 9% higher than a year earlier. In fact, at A\$1.46 billion, it is the highest value of exports from Australia for the July to January period in a season since the 2011/12 season, when export volumes were 8% higher than in the current season. The value of exports increased for six of the top ten export destinations (including an 11% increase in the value of exports to China), with only exports to Malaysia, Korea, Taiwan and Thailand recording falls this season.

The **Federation of Australian Wool Organisations held a General Meeting** last Friday, as it usually does ahead of the annual IWTO Congress. Among other things it considered a report from the FAWO Technical Committee and accepted recommendations from the Technical Committee on the various technical papers that will be presented at the IWTO Congress in Sydney in early April. I attended both the General Meeting and the meeting of the Technical Committee which met the day before. One information paper of interest that will be presented at the Congress is on the AWEX development of the eBale (wool bales with Radio Frequency ID built in). Another interesting paper reports on a method to assess the extent of the decline in the production of “traditional” superfine wool in Australia based on curvature tests from AWTA.

Among other topics, the General Meeting also had a briefing from Professor James Rowe on the research work of the **Sheep CRC**. I found the information on the RamSelect website (www.ramselect.com.au) of particular interest.

OTHER INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** will meet on 30th 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 25th & 26th August. The NCWSBA AGM will be held on Thursday, 25th August 2016.

WOOL SALES WEEK BEGINNING 21st MARCH 2016 – week 39 (roster as at 17/3/2016)

<u>Sydney</u>	Tues, 22 nd Mar; Thurs, 23 rd Mar	13,753 bales
<u>Melbourne</u>	Tues, 22 nd Mar; Thurs, 23 rd Mar	23,569 bales
<u>Fremantle</u>	Tues, 22 nd Mar; Thurs, 23 rd Mar	10,969 bales

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