



20th May 2016

2016/19

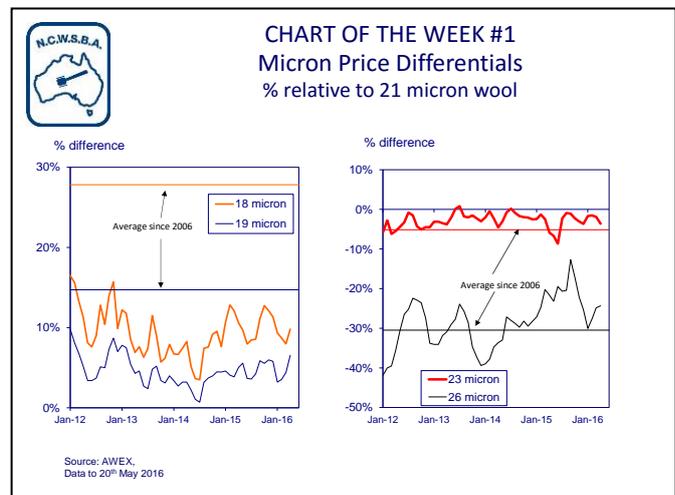
From the desk of Chris Wilcox, Executive Director

- Australian wool prices steady as auction offerings rise
- Micron price differentials
- The OECD Leading Economic Indicators and wool prices
- Emergency Animal Disease preparedness for the Australian wool industry
- NCWSBA Wool Broker Award 2016
- Upcoming events



This week saw over 42,000 bales offered for sale in the **Australian wool market**, the highest offering level in five weeks. At the same time, the A\$ continued its recent decline, falling by a little over 1 UScent to 72.1 UScents. These opposing influences resulted in a steady **Eastern Market Indicator** (EMI at 1291 Ac/kg, up by 4 Acents for the week. Increases in the prices for Crossbred wool and Merino Cardings offset uneven price trends for Merino fleece wool, with some gains and some falls over the week. The Northern Market Indicator closed at 1322 Ac/kg (up by 4 cents) and the Southern Market Indicator rose by 2 cents to 1270 Ac/kg (up 18 cents), while the Western Market Indicator fell by 8 cents to 1375 Ac/kg. With the A\$ falling against the US\$, the EMI fell by 14 UScents over the week, to 931 USc/kg. The A\$ was, however, steady against the Euro at 64.2 €cents and the EMI increased by 2 €cents to 829 €c/kg.

I last looked at the **price differentials** between microns in January. There have been some changes since then, notably that prices for wool finer than 21 micron and broader Merino wool. This has only had a relatively small effect on the price differentials, as the first **Chart of the Week** shows. The most significant change is for 19 micron wool. There has also been a moderate improvement for 18 micron wool. Even so, the price premiums for these wools over 21 micron wool remain well below the 10 year average. This is probably not surprising as the supply pressures which have compressed the micron price differentials are not showing any sign of relenting.

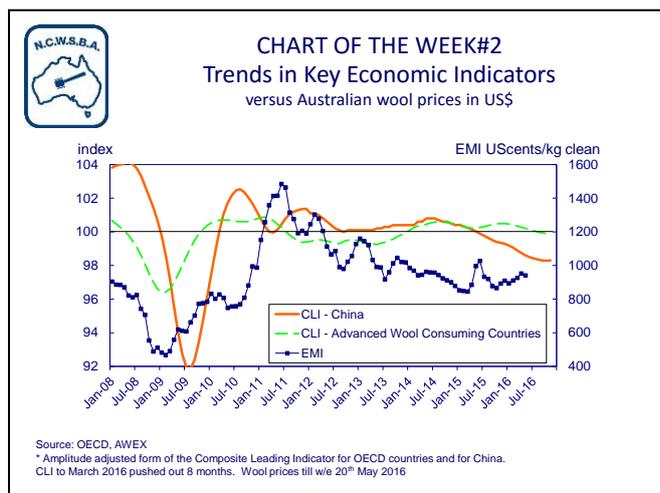


The AWTA data on the weight of wool tested to the end of April shows that the supply of fine wool (and in particular 18.5 micron and finer wool) remains close to the levels of last season and not far off the record levels seen in 2013/14. In contrast, the volume of Merino wool in the 21 to 24 micron range has fallen by 10% this season to an all-time low for the ten month period.

The latest data on **leading economic indicators** from the Organisation for Economic Co-operation and Development (OECD) point to stable growth in the major advanced economies as a whole. The new leading indicators data, which were released a week ago, suggest that there will be stable growth in the Euro area as a whole, including Germany and France. There are also signs of growth stabilisation emerging in Japan. However, the leading indicators continue to suggest easing growth in the United

States, the United Kingdom and Italy. The good news is that the outlook has improved in China and India since last month's assessment.

In the past, the turning points in the OECD leading indicators have been a useful guide to what may happen to wool prices, particularly in US\$ terms. The second **Chart of the Week** shows the trends in the Composite Leading Indicators (CLI) for the major advanced wool consuming countries (the US, Japan, Italy, France, Germany and the UK) and for China, against the trends in the EMI in US\$. For a period in 2014 and the first half of 2015, the wool prices in US\$ seemed to mirror the decline in the Leading Indicators for China. In the past 12 months, prices seem more in line with the upwards trend in the Leading Indicators for the advanced economies. With the Leading Indicators for both the advanced economies and for China starting to stabilise, we may see prices in US\$ stabilise.



I have written in previous editions of the *Weekly Newsletters* about the work being done by the Australian wool industry to prepare itself for an outbreak of an **Emergency Animal Disease (EAD)**, such as Foot and Mouth Disease. The Australian wool industry, under the auspices of the Federation of Australian Wool Organisations, has been working to be prepared for an outbreak. This includes the development of the EAD Preparedness RD&E Strategy 2013-16 and the Wool Enterprise Manual as part of the AUSVETPLAN, which was published in August 2015. There are two significant projects currently underway that are of direct interest to wool brokers.

The first is the development of protocols to be used to **trace potentially EAD contaminated wool** from farm to ship or processor's door. I am doing this project with two colleagues. These protocols are being tested through simulations being run on Victoria, New South Wales and Western Australia. The Victorian simulation has been conducted, while the simulations in NSW and WA will be run in June. We will contact some brokers at the time to help trace the wool that has been delivered from the selected farms.

The second project, initiated by WoolProducers Australia, aims to develop an **EAD-introduction module** which can be used for on-line access (through websites, Facebook pages etc.) by wool broker staff and livestock agents. These people are vital in the event of an outbreak. The module would be used as a training tool for these people, explaining what is an EAD, what would happen in the event of an outbreak, the roles of various agencies and so on. I will be involved in a scoping meeting to be held in Melbourne on 16th June.

REMINDER: Applications for the **NCWSBA Broker Award for 2016** are being sought - **Applications close on 4th July!** Sponsored by Fairfax Agricultural Media and AWTA, the Award recognises excellence in wool broking by a younger member of our industry. The 2016 Award winner this year will be granted an **all-expenses trip to Istanbul, Turkey, to attend 2017 IWTO Congress in May 2017.** Contact me at chris.wilcox@woolindustries.org or on 0419344259 for details and the application form.

OTHER INDUSTRY EVENTS

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.

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

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

WOOL SALES WEEK BEGINNING 16th MAY 2016 – week 48 (roster as at 19/5/2016)

<u>Sydney</u>	Wed, 25 th May; Thurs, 26 th May	11,281 bales
<u>Melbourne</u>	Wed, 25 th May; Thurs, 26 th May	18,659 bales
<u>Fremantle</u>		No sale

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