



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Wool prices fall as A\$ lifts
- Presentation to the Nanjing Wool Market Conference
- China's wool product exports dip and raw wool imports continue to fall
- ABARES' latest forecasts for sheep and wool
- Upcoming events



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The **Australian wool market** went backwards this week as the A\$ rebounded following the US Federal Reserve's decision not to increase interest rates. The A\$ rose by 1.7 UScents and 1.8 €cents over the week, according to the Reserve Bank of Australia. In response, Australian wool prices declined. The **Eastern Market Indicator** (EMI) fell by 24 cents to 1287 c/kg, the lowest level recorded for the 2016/17 season to date (and the lowest since June). All microns recorded declines, although fine and superfine Merino wool fell the least. With the A\$ rising against both the US\$ and the Euro, the EMI rose by 6 UScents and 7 €cents to finish the week at 985 USc/kg and 878 €cents/kg respectively. By region, the Northern Market Indicator and the Southern Market Indicators both fell by 24 cents to 1316 c/kg and 1266 c/kg, while the Western Market Indicator declined by 21 cents to 1363 c/kg.

I gave a **presentation to the Nanjing Wool Market Conference** today (Saturday, 24th September) in Wuxi, China. In the presentation, the title of which was "Reaching a Tipping Point", I reviewed the market over the past 12 months and then focused on two key points.

First, I looked at the continuing low level of world wool production and the low level of stocks in the growing countries, with a focus on Australia. I specifically looked at Australia because of its importance as by far the major supplier of Merino wool. By my estimation Australia accounts for over 70% of world Merino wool production. As well, the proportion of total breeding ewes in Australia made up by Merino ewes has fallen from 85% to a little over 70%. I noted that this decline in proportion of Merino ewes needed to be reversed to ensure a recovery in Merino sheep numbers in Australia and therefore a recovery in Merino wool production.

Second, I showed how stable Australian wool prices have been in the past 9-12 months. My point was that at some stage soon prices will break out of this stable pattern, and I believe that it is more likely to break out on the upside, rather than the downside. I believe this because stocks within the wool textile industry are low, global wool production and availability is low, and mills, notably in China, will need to start rebuilding their depleted stocks.

If you would like a copy of my presentation, please send me an email and I will send it to you. I will report more on the Nanjing Wool Market Conference in next week's Weekly Newsletter.

I received the latest data on **China's wool trade** during the week. The data, which is for July, is disappointingly negative. The **Chart of the Week** (on the next page) shows the year-on-year change in China's trade in wool products for the past five years for the January-July period, including for 2016. As can be seen China's imports of raw and semi-processed wool has dropped by 15% in 2016 after recording a 22% increase in 2015. China's imports of wool from Australia has fallen by 12% in the first

seven months of this year, after a 24% increase last year. At the same time, China's exports of all wool products (with the exception of wool top exports) have declined in 2016 to July. This follows a decline in exports of all wool products for the same seven months in 2015.

It will be important for China's exports to recover in the next few months to help initiate a turnaround in raw wool purchases by China.

One piece of good news we have gleaned from the visits to the mills this week is that there have been orders coming through for uniforms for the Chinese Government. This will hopefully help support increased raw wool purchases.

ABARES (the Australian Government agricultural commodity forecaster) earlier this week released its **updated forecasts for 2016/17** for the various agricultural industries. The forecasts for the wool and sheep industry are shown in the table below. In terms of wool, ABARES has retained its June forecast of an average EMI of 1300 c/kg for the 2016/17 season and has shorn wool production at 325 mkg greasy (the same as the AWPFC). It predicts that slightly less wool will be exported in 2016/17 compared with 2015/16 due to lower production of non-shorn wool. This is in line with the lower number of sheep it expects to be slaughtered. It also predicts that the number of lambs slaughtered will decline in 2016/17. There will be fewer sheep and lambs slaughtered mainly because growers are expected to retain sheep and lambs as they rebuild the national flock. Reflecting this, ABARES predicts that sheep numbers will increase to 71.5 million head at the end of the 2016/17 season, up from 68.4 million head at the start of the season.

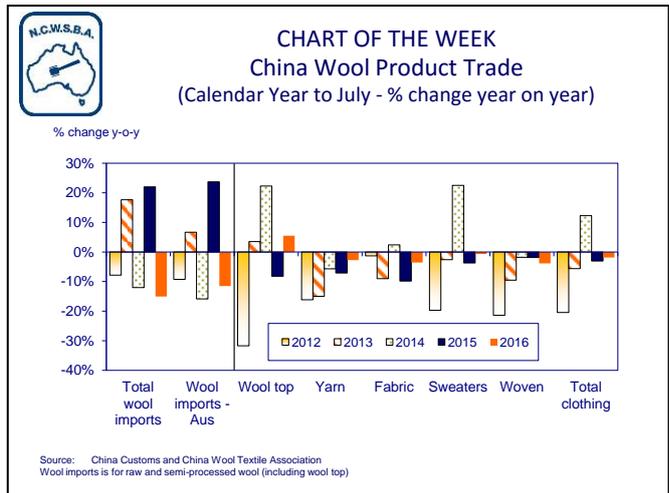
	2015/16	2016/17
Sheep numbers as at 30 th June (million)	68.4	71.5
Shorn wool production (mkg greasy)	325	325
Wool exports (mkg greasy)	426	422
Average EMI (c/kg clean)	1253	1300
Lambs slaughtered (million)	23.1	22.9
Sheep slaughtered (million)	8.1	6.5
Lambs average saleyard price (c/kg)	533	595
Sheep average saleyard price (c/kg)	316	325

INDUSTRY EVENTS

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 14th October.

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 26th SEPT 2016 – week 13 (roster as at 22/9/2016)

Sydney

Wed, 28th Sep; Thurs, 29th Sep 10,292 bales

Melbourne

Tues, 27th Sep, Wed, 28th Sep 18,299 bales

Fremantle

Wed, 28th Sep; Thurs, 29th Sep 6,962 bales

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