



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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30th September 2016

2016/37

From the desk of Chris Wilcox, Executive Director

- Australian wool market ends the week on a high
- Superfine wool premiums start to recover
- Report on the Nanjing Wool Market
- Upcoming events



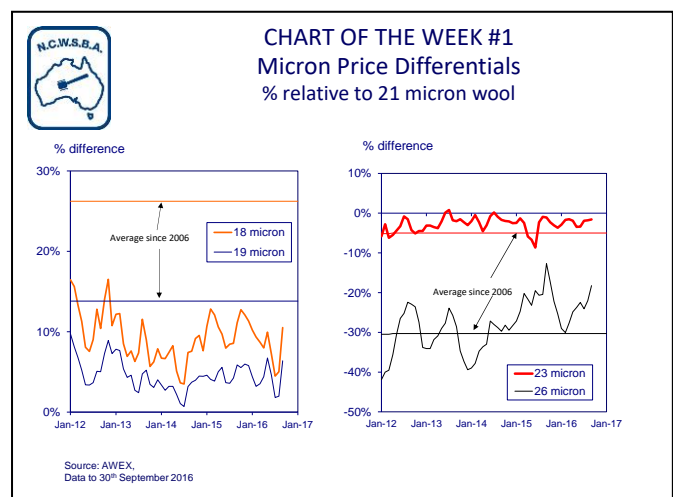
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After a slow start to the week on Tuesday and Wednesday, the **Australian wool market** caught fire on Thursday, with prices for fine and superfine wool rising sharply. However, with Melbourne not selling on Thursday due to the public holiday today, the weekly change in the **Eastern Market Indicator** does not fully reflect Thursday's lift. The EMI finished the week at 1290 c/kg, up by just 3 cents for the week. There was also a significant difference in the price trends for fine and superfine (19 microns and finer) Merino wool compared with trends for medium and broad (20 to 23 microns) Merino wool. Prices for the fine wool lifted sharply due to strong buyer interest while prices for broader Merino wool slid.

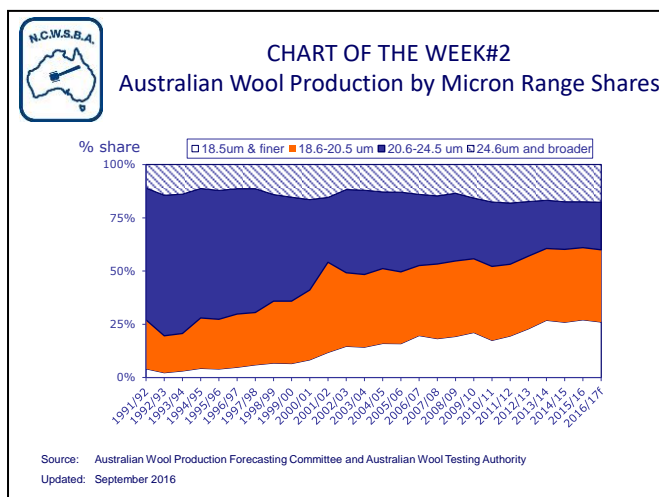
As a result of both the timing of auctions and the types of wool in offer, the results for each selling centre varied. Sydney, which hosted a designated superfine sale and sold on Wednesday and Thursday, saw the Northern Market Indicator rise by 17 cents this week to 1333 c/kg. Prices for wool of 19 microns and finer lifted by 35-45 cents over the week, with a significant improvement in prices on Thursday. Melbourne, which hosted auctions on Tuesday and Wednesday, did not benefit from the lift in prices on Thursday and had a greater proportion of medium and broader Merino wool. As a result, the Southern Market Indicator eased by 3 cents over the week to 1263 c/kg. The Western Market Indicator was unchanged over the week at 1363 c/kg due to the lower proportion of fine and superfine wool in its selection.

The A\$ lifted a little against the major currencies this week. As a result, the EMI rose by 8 UScents to 993 USc/kg and by 5 €cents to 883 €cents/kg.

The recent divergence in prices for superfine wool compared with medium Merino wool has resulted in a sharp lift in the price difference between 18 micron and 21 micron wool. As can be seen in the first **Chart of the Week**, the average price differential for 18 micron wool in September jumped to over 10%. Taking the closing prices for 18 and 21 micron wool in Sydney this week, the price differential is 15%. This is vastly different to the recent low of just 4.5% in July and 5% in August. The chart also shows the trends in the price differentials for 19, 23 and 28 micron wool compared with 21 micron wool.



However, in spite of the recent improvement in the price premium for 18 micron wool, the differentials remain well below the 10 year average. This is due to the relative abundance of 18 micron wool and the relative scarcity of 21 micron wool. The second **Chart of the Week** shows the trends in the proportion of the Australian clip made up by the different micron categories since 1991/92. As can be seen, the proportion of superfine wool (18.5 micron and finer) has risen steadily and substantially from 4% in 1991/92 to 27% in 2015/16. At the same time, the proportion of medium and broader Merino wool (20.6 to 24.5 micron) has fallen from 62% in 1991/92 to just 22% in 2015/16. Even in the past 10 years the change is quite startling. Superfine is up from 18% in 2007/08 and medium/broad Merino wool is down from 32%.



As I said in last week's *Newsletter*, I attended the **Nanjing Wool Market Conference** last weekend. There were a number of other Australians attending the Conference, including Robert Ryan (Schute-Bell and Chairman of FAWO), Ben Litchfield (Monaro Wool and President of PTWMA), Bianca Heaney (Executive Office of FAWO), Richard Halliday (President of WoolProducers), Matthew Thomas (Landmark and winner of the 2015 NCWSBA Broker Award), Peter Morgan (Executive Director, ACWEP), Michael Jackson (MD, AWTA, Mark Grave (CEO, AWEX) and Robert Wang (AWTA).

The mood amongst the Chinese wool textile mills at the Conference was rather mixed. A number commented on how difficult conditions have been. This is reflected in the decline in raw wool purchases by China in the past 12 months (as I reported in last week's *Newsletter*). You needed to read between the lines a little, but there seem to be some bright spots and reasons for being optimistic that this decline in raw wool purchases will turn around very soon. One of these is that there have been new orders for uniforms from the Chinese Government agencies. These uniforms are for the railways, schools and corporate uniforms, among others. There appears to be a requirement that these uniforms are better quality, which may increase the demand for wool of around 19 microns, rather than the medium Merino wools typically used. The uniform market in China is a large and important user of Australian wool, so these orders are welcome. Furthermore, stocks of wool and semi-processed wool products appear to have been run-down, with a few exceptions, as a result of the sharp drop in raw wool purchases. These stocks will need to be replenished soon. Demand for good quality cardings continues, due to demand for good quality double-faced woollen fabric, although the frenzy seen last year has died down. Another factor in Australian wool's favour is that the Chinese Government has ceased the preferential policies for Uruguayan and South African wool, according to Madam Yang Xiaoxiong of Nanjing Wool Market. Finally, a number of speakers noted that while there will be some continued restructuring of the wool textile industry in China to reduce overcapacity, the intention is to focus on brand-building and increasing quality and value. This will also favour Australian wool.

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 3rd OCT 2016 – week 14 (roster as at 29/9/2016)

<u>Sydney</u>	Wed, 5 th Oct; Thurs, 6 th Oct	8,055 bales
<u>Melbourne</u>	Wed, 5 th Oct, Wed, 6 th Oct	21,448 bales
<u>Fremantle</u>	Wed, 5 th Oct; Thurs, 6 th Oct	9,694 bales