The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Fine wool prices bounce back
- Price differential for superfine wool over medium Merino wool rises
- Industry data - AWTA test data and AWEX mulesing status data
- Seasonal conditions around Australia
- ABC Landline special on China this Sunday
- Other upcoming events

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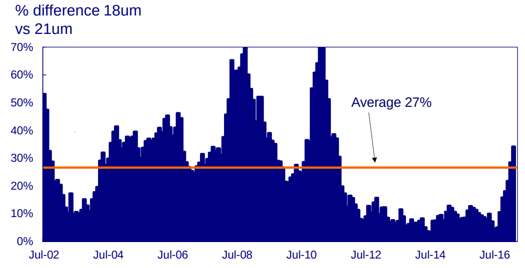
It was another good week for fine Merino wool in the Australian wool market, with prices bouncing back this week. The **Eastern Market Indicator** lifted by 10 cents to 1422 c/kg, with the most significant gains seen for superfine Merino wool of 18.5 micron and finer. Prices for most medium and broad Merino wool also rose, but more modestly. The exception was the 22 Micron Price Guide in Western Australia, which fell by 25 cents. Crossbred wool prices fell again, continuing the declines seen over the past five months.

The Northern and Southern Market Indicators both lifted by 12 cents and 9 cents to 1499 c/kg and 1373 c/kg respectively. The Western Market Indicator fell by 1 cent to 1456 c/kg, which was a little surprising as the Micron Price Guides between 18 to 20 microns all lifted by as much as 20 cents. However, AWEX reported the 22 Micron Price Guide down by 25 cents, which must have outweighed the increases in the other MPGs.

Wool prices increased despite the A$ rising again against both the US$ and the Euro. The A$ rise was due in part to investor worries about the recent policy announcements by the Trump Administration, which pushed the US$ down. As well, the news yesterday that Australia recorded a record monthly trade surplus in December of $3.5 billion boosted the A$. The A$ rose by 1 UScent to 76.38 USc and by 0.5 €cents to 70.82€cents. As a result of these moves, the EMI lifted by 22 UScents to 1087 USc/kg and by 15 €cents to 1007 €cents/kg.

Superfine wool prices (18.5 micron & finer) have risen strongly over the past few months due to a combination of continued robust demand and lower supplies. At the same time, prices for medium Merino wool (such as 21 micron) have slipped a little, although they remain at historically good levels. As a result, the **price premium for superfine wool** over medium Merino wool has lifted sharply. The first **Chart of the Week** shows the price differential between 18 micron and 21 micron wool. The premium currently sits at 34%, the highest since August 2011 and above the long term average premium.

Chart of the Week #1
Price Premium for Superfine wool over Medium Merino Wool

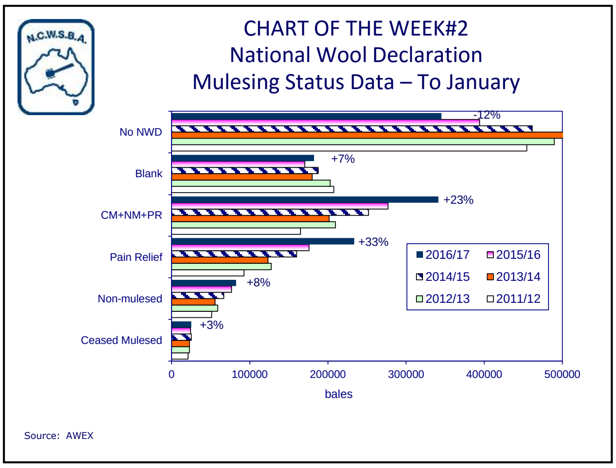


Source: WI, AWEX, Poimena Analysis
Data to 3rd February 2017. Long run average is from July 2002.

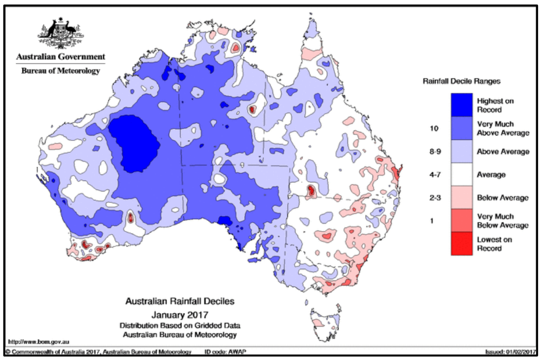
In my view, this recent improvement in the price differential for superfine wool is largely due to lower supplies of superfine wool and increased supplies of medium Merino wool. For much of the period between 2012 and 2016 production of superfine wool was at historically high levels while production of medium Merino wool was historically low. This is changing this season.

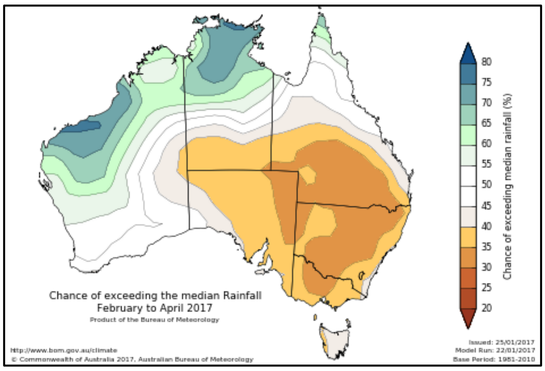
The latest **AWTA test data** for January, which was released earlier in the week, shows that the volume of 18.5 micron and finer wool tested in January was down by 6% year-on-year, with the year-to-date volume down by 5.4%. In contrast, the volume of wool between 21 and 24 micron tested was up by 32% in January and by 17% for the seven months July to January. The total weight of wool tested in January for Australia was up by 9.9% and for the year to date it was 3% higher.

The other piece of Australian wool industry data released in the past week was **AWEX data** for January on the **mulesing status of wool offered at auction**. This data shows that the volume of wool declared as Pain Relief (PR) lifted by 22% in January, while wool declared as Non Mulesed (NM) lifted by 11% compared with January 2016. At the same time, the total number of bales offered at auction in January was down by 5%. The second **Chart of the Week** shows the total number of bales offered for the season to January by the various mulesing status declarations for the past six seasons. As can be seen, there has been a vast increase in the volume declared as PR and a smaller, but still significant, increase in the volume of NM wool. In contrast, the volume of wool with no National Wool Declaration (NWD) has fallen sharply since 2013/14.



The improvement in rainfall in Queensland continued in January, according to the **rainfall data from the Bureau of Meteorology**. This time of the year is the wet season in Northern Australia and is important for Queensland. As the first map shows, rainfall across the state was mostly average or a little better. South Australia continued to see above average rainfall, as did the western half of Victoria and the northern sheep producing regions of Western Australia. Elsewhere, rainfall was average or, in some cases, below average. The **Bureau's outlook for February to April** points to a high chance of below average rainfall for most of the main sheep growing areas in eastern and central Australia, while rainfall is expected to be normal in Western Australia (see the second map).





The **ABC's Landline TV program** this coming Sunday at 12 noon will have a focus on China and Australia's trade with China. One part of the show will, of course, be on wool. It will be good to watch if you are able (or record it!).

OTHER INDUSTRY EVENTS

The next meeting of the **Australian Wool Production Forecasting Committee** will be on 19th April 2017 in Melbourne.

The IWTO 2017 Congress will be held in Harrogate, UK on 3rd to 5th May.

The **2017 Nanjing Wool Market Conference** will be held in Tongxiang, China on 17th to 18th September 2017.

WOOL SALES WEEK BEGINNING 6th FEB 2017 – week 32 (roster as at 2/02/2017)

Sydney	
Wed, 8th Feb; Thurs, 9th Feb	13,094 bales
Melbourne	
Wed, 8th Feb; Thurs, 9th Feb	22,554 bales
Fremantle	
Wed, 8th Feb; Thurs, 9th Feb	10,213 bales

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