



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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### From the desk of Chris Wilcox, Executive Director

- Prices in Australian wool market kick again
- 2017 Congress of the International Wool Textile Organisation
  - Opening Session
  - Dumfries House Wool Declaration – available for signing
  - Market Intelligence session
- Upcoming events

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It was an excellent week for the **Australian wool market** with prices for Merino wool kicking again. The **Eastern Market Indicator (EMI)** lifted by 43 cents to finish at 1544 c/kg, only slightly lower than the 29-year high reached in mid-March. There were large gains in prices for all Merino micron categories, with the 19 Micron Price Guide registering the largest lift of 78 cents. Crossbred wool prices were generally a little higher. The Western Market Indicator recorded the largest lift, up by 52 cents for the week to 1560 c/kg, although there were a few wobbles on Thursday. The Southern Market Indicator lifted by 39 cents to 1491 c/kg and the Northern Market Indicator was up by 42 cents to 1639 c/kg. The A\$ fell against both the US\$ and the Euro to 74.2 UScents and 68.0 €cents. The EMI lifted by 22 UScents to 1146 c/kg and by 19 €cents to 1050 €c/kg.

The **2016 IWTO Congress** was held this week (3<sup>rd</sup> to 5<sup>th</sup> May) in Harrogate in Yorkshire, United Kingdom. The Congress was attended by around 270 or so registrants including 45 Australians. Two of the Australians were Dale Bruns of AWN and Rob Calvert of Roberts Wool, the two Finalists in the NCWSBA's 2016 Wool Broker Award.

**Peter Ackroyd, the IWTO President, opened the Congress** and gave an overview of the history of the Yorkshire wool textile industry, which was centred on Bradford, near Harrogate. He explained that the Yorkshire wool textile industry was critical to the development of the Australian wool industry. He also noted that for the wool industry "bulk is no longer our game", and it is important to maintain and strengthen the high-value, niche market in which wool operates in both apparel and interior textiles, as well as other developing areas. Peter outlined the **Dumfries House Wool Declaration** (I have attached a copy of the Declaration to this week's *Weekly Newsletter* email) and asked that delegates sign the Declaration. If you want to support this important initiative, **you can electronically sign the Declaration to register your support by [clicking here](#)**.

Mr Brian Wilson, the Chairman of **Harris Tweed Hebrides** (the main producer of Harris Tweed), explained how the company had changed and redirected its energies in response to the changing market requirements. He noted that Harris Tweed is under the protection of its own Act of Parliament and that men's jackets now only account for 50% of their production, with an increased share taken by women's wear and upholstery fabrics.

I chaired the Market Intelligence session, which followed the opening session. **Dr Christian Schindler** (Director General of the International Textile Manufacturers' Federation) began the session and provided a wide-ranging assessment of the global textile industry environment in which wool operates. Among other things, Dr Schindler noted the decline in shipments of long-staple spinning machinery (used to spin wool and other long-staple fibres) and of short-staple spinning machinery (used to spin cotton and other short staple fibres). While he doesn't believe that this poses a threat to future investment in R&D by machinery

manufacturers, it confirms the ‘fact of life’ that wool is a niche fibre and that cotton is becoming a niche fibre in the face of the inexorable increase in production of synthetics, notably filaments.

I gave a presentation focusing on the **diverging trends in the markets and prices for Merino wool and for broader, Crossbred wool**. As the **Chart of the Week** shows, in the past year there have been large gains in prices for Merino wool (particularly prices for superfine wool) but large falls in prices for Crossbred wool from New Zealand, Uruguay and the United Kingdom. Supply does not seem to have had much of a role in these diverging trends, which appears to be due in part a strong lift in demand for raw Merino wool on the one hand and a sharp decline in demand for raw Crossbred wool. What is driving these different trends in raw wool demand were explored in the **Panel session** at the end of the presentations.

I have attached a copy of my presentation to the email with this edition of the *Weekly Newsletter*. The presentations of the other speakers will be available on the IWTO website soon.

**Madam Yang Xiaoxiong** (Chairman of the Nanjing Wool Market) gave a presentation on **China’s wool textile industry**. She noted that mills in China had cut their raw wool purchases in 2015/16 and in 2016/17 to date to run down excess stocks, but this has turned around recently with increased purchases of Merino wool. She also noted that China is seeing a large penetration of consumer use of the internet for purchases and that this is being extended down the wool textile chain back to wool textile processors, including combers. **Joe Farren** (CEO of the British Wool Marketing Board) provided an overview of the current market situation and outlook for the **British wool industry**. He noted that 55% of UK wool went to carpets, 23% to knitting and hand-knitting, 8% to clothing, 8% to bedding and 6% to ‘other’. Joe also confirmed the downturn in demand and prices within the British wool industry, as well as the potential negative impact of Brexit on the UK sheep industry (including the cessation of the Single Farm Payment Subsidy from the EU).

A **Panel discussion** concluded the Market Intelligence session. The three speakers were joined on the Panel by Chris Kelly of Australian Merino Exports and Peter Whiteman of Segard Masurel NZ. From the Panel discussion, the driver of increased demand and prices for **Merino wool** appears to be a combination of increased demand for wool for next-to-skin wear and shearling products used in ‘fake fur’ in China, plus a cyclical increase as pipeline stocks are rebuilt. The latter driver may wane in the next few months. There was less consensus about the driver of the decline for **Crossbred wool** (28 micron and broader), with conflicting views amongst Panel members about whether it was due to a cyclical downturn after a build-up in stocks (mainly in China after the boom and bust of the double-faced fabrics in the past 2 years) OR a structural decline with a shift away from the use of Crossbred wool and increased use of synthetic fibres in products such as carpets and heavier outer coats in addition to a decline in demand for tweed-type fabrics in Japan. If it is cyclical, the cycle could turn up in coming months as stocks are wound back.

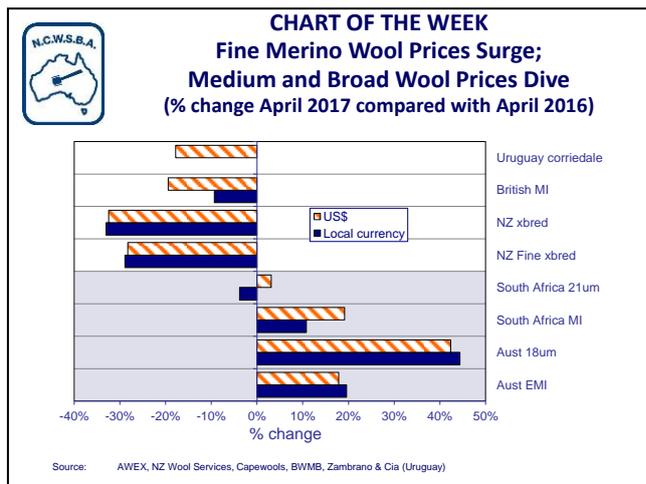
I will continue the report on the **IWTO 2017 Congress** in the next edition of the *Weekly Newsletter*.

#### OTHER INDUSTRY EVENTS

The **NCWSBA Annual General Meeting** will be held in Melbourne on 24<sup>th</sup> August 2017

**Wool Week** will be held at the Crowne Plaza Hotel, Melbourne on 24<sup>th</sup> to 25<sup>th</sup> August 2017.

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



#### WOOL SALES WEEK BEGINNING 8<sup>th</sup> MAY 2017 – week 44 (roster as at 04/05/2017)

<u>Sydney</u>	Wed, 10 <sup>th</sup> May; Thurs, 11 <sup>th</sup> May	9,971 bales
<u>Melbourne</u>	Wed, 10 <sup>th</sup> May; Thurs, 11 <sup>th</sup> May	18,692 bales
<u>Fremantle</u>	Wed, 10 <sup>th</sup> May; Thurs, 11 <sup>th</sup> May	10,590 bales