



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Australian wool market falls back from the heights
- Australian superfine wool outperforms broader wool from South Africa, New Zealand and the UK
- Commodity prices on the up
- IWTO 2016 Market Information Report
- NCWSBA 2017 Wool Broker Award
- Upcoming events



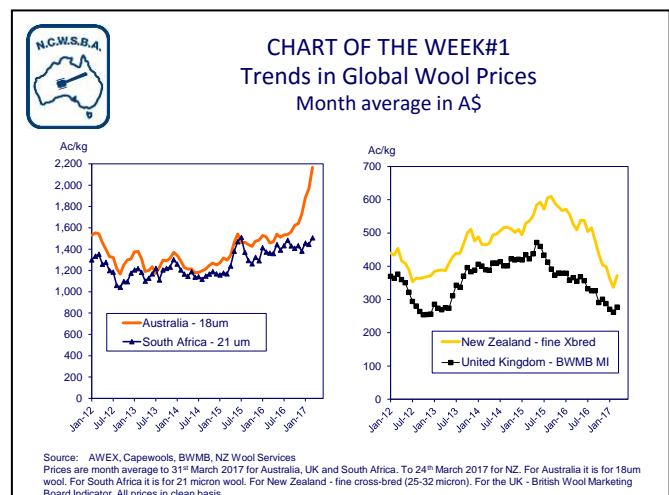
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The weakness seen in Melbourne and Fremantle last Thursday proved to be a portent for this week, with Merino wool prices falling back sharply in the **Australian wool market**. The **Eastern Market Indicator (EMI)** fell on both days to finish the week at 1502 c/kg, giving up 44 cents of the 191 cents in gains it had made since the Christmas recess. The largest declines were for Merino wool of 22 microns and finer, which fell by between 67 and 82 cents. Even with these falls, the 21 micron and finer Micron Price Guides are all at the 91st percentile or better, with the 18, 18.5, 19 and 19.5 MPGs all at the 99th percentile level. Crossbred prices also eased back, although the declines were much smaller than for Merino wool. Of the regions, the Northern Market Indicator fell most, down by 54 cents to 1587 c/kg. Both the Southern Market Indicator and the Western Market Indicator fell by less after sliding last week, down by 38 cents and by 46 cents to 1447 c/kg and 1488 c/kg respectively. The A\$ was relatively steady against both the US\$ and the Euro. As a result, the EMI was down by 33 UScents to 1151 USc/kg and by 28 €cents to 1070 €cents/kg.

Merino wool prices in Australia have risen sharply in recent months, despite this week's decline. What has happened to **wool prices** in some of the other **major wool producing countries**? The first **Chart of the Week** shows the trends in selected wool prices in New Zealand, South Africa and the United Kingdom. The NZ price is for fine Crossbred, which is 25 to 32 micron, while the UK price is the British Wool Marketing Board's Market Indicator.

The contrast between superfine wool prices in Australia with prices for other wool's is stark, particularly for broader wool from NZ and the UK. Keep in mind that 80% of the UK's wool production is 32.6 micron & broader, with the remaining 20% being 25 to 32 micron wool. The prices for these wools have dropped sharply in the past 18 months, as they have in Australia.

Prices for South Africa's wool and for Australia's wool tend to move in lock-step. So, as has happened in Australia, the gap between prices superfine wool and 21 micron wool has widened dramatically.



While the rise in Merino wool prices has been remarkable, it seems to be part of an underlying lift in commodity prices in general. Metals prices have lifted strongly and so, too, have oil prices, although oil prices have dipped in recent weeks. The second **Chart of the Week** shows the % change year-on-year in prices for **all commodity items** (i.e. food, non-food agriculture, metals and oil), in metals prices, oil prices and for Australian wool (as measured by the EMI) over the past decade. All prices are in US\$ terms.

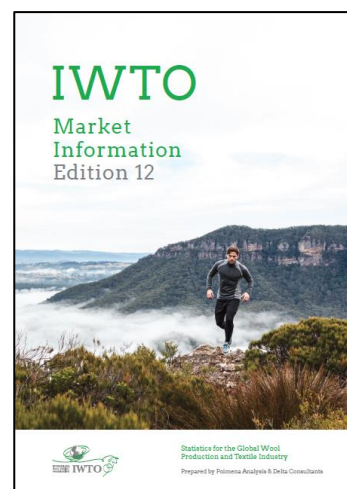
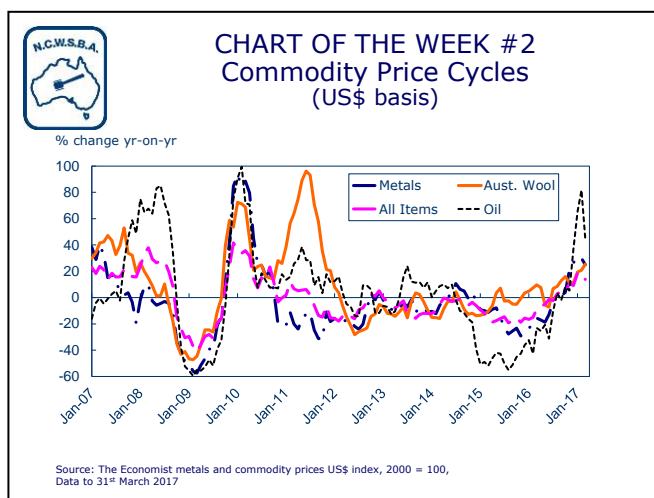
As can be seen, there are clear cycles in the prices for commodities which have often moved in concert. There was an extended period from 2013 and 2016 where the trends were subdued, with no clear cycles for any commodity, perhaps other than oil. This has changed in the past 6-8 months, with strong lifts in prices. The year-on-year rise for the Australian EMI in March is a strong 25.4%, but this is little different to the 25.0% lift in the metals price index. It is also below the 44.4% lift in oil prices. However, 18 micron wool has increased by 51.3%, a stronger rise than the commodities shown in the Chart.

One further feature of the chart is that oil prices tend to be more volatile than are prices for other commodities.

For the record, the Australian EMI has seen stronger year-on-year increases than the gains for in prices for synthetic fibres (e.g. polyester has only lifted by 7.1%), but not compared with cotton (up by 32%).

REMINDER: Please contact me [at chris.wilcox@woolindustries.org](mailto:chris.wilcox@woolindustries.org) or **0419344259** if you would like to obtain a copy of Edition 12 of the **International Wool Textile Organisation's Market Information Report**. It is free to IWTO Members and available to non-members at €500. Note that NCWSBA is a member of the IWTO through its membership of the Federation of Australian Wool Organisations.

Don't forget that nominations for the **NCWSBA Broker Award for 2017** are now open. Sponsored by Fairfax Agricultural Media and AWTA, the Award recognises excellence in wool broking by a younger member of our industry – be it client servicing, auctioneering, innovation or other aspects of wool broking. The Award winner this year will be granted an all-expenses paid trip Hong Kong to attend the 2018 IWTO Congress in April-May 2018. Arrangements will also be made for the Award winner to visit the wool textile industry and retailers in Hong Kong and southern China. **Please contact me for an application form – chris.wilcox@woolindustries.org or call me on (03)93110152.**



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 2017.

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

WOOL SALES WEEK BEGINNING 3rd APRIL 2017 – week 40 (roster as at 30/03/2017)

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|------------------|----------------------------------------------------------|--------------|
| <u>Sydney</u> | Wed, 5 th April; Thurs, 6 th April | 10,445 bales |
| <u>Melbourne</u> | Wed, 5 th April; Thurs, 6 th April | 26,973 bales |
| <u>Fremantle</u> | Wed, 5 th April; Thurs, 6 th April | 11,971 bales |

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