



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Unit 9
42-46 Vella Drive
Sunshine West Vic 3020

Phone: 03 9311 0152
Fax: 03 9311 0138
E-mail: newsba@woolindustries.org
Twitter: @woolbrokersaus

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From the desk of Chris Wilcox, Executive Director

- Australian wool market steadies - or does it?
- EMI surges to records against other fibres
- Value of Australian wool exports up strongly in July
- Seasonal conditions and outlook in Australia
- Last call: NCWSBA Wall Chart for 2017 available
- Upcoming events



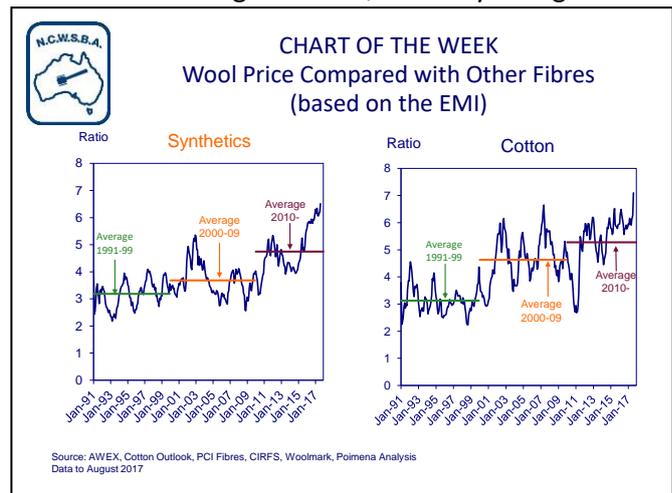
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At first glance, the **Australian wool market** steadied this week after the tumultuous ups, downs and ups of recent weeks. AWEX reports that the **Eastern Market Indicator** slid by 2 cents to 1556 c/kg. However, when you look a little more closely, the market wasn't as steady as it seems. In Sydney, prices for superfine Merino wool (18.5 micron & finer) fell by 20 to 50 cents but broader Merino wools and Crossbred wools were generally up a little. Superfine wool prices also dropped in Melbourne (by around 20 cents. All Merino wool on offer in Fremantle fell by 20-40 cents with virtually all the declines recorded on Thursday. The Northern Market Indicator slid by 8 cents to 1628 c/kg and the Southern Market Indicator rose by 1 cent to 1510 c/kg. Despite the large weekly falls for most Micron Price Guides in Fremantle, AWEX reports that the Western Market Indicator was only down by 9 cents to 1600 c/kg.

The A\$ was almost a cent higher against the US\$ and half a €cent against the Euro over the week. As a result, the EMI was 12 UScents higher at 1243 USc/kg and up 6 €cents to 1046 €c/kg.

With the recent lift in prices for Merino wool and a higher A\$ against the US\$, the EMI has risen by 75 UScents or almost 7% since the start of the season. The EMI is 22% higher in US\$ than a year ago. **Prices for other fibres** have been much less volatile than the prices for wool. Cotton prices have slid since July and remain a little below year earlier levels. Synthetic fibre prices have eased higher since June, although they are 11% higher than a year earlier.

As a result of these changes, the **ratio of the EMI compared with the major competing fibres** has risen to record levels. The **Chart of the Week** shows the trends in the price ratio of the EMI compared with synthetics and compared with cotton, beginning in January 1991 to August 2017. The charts also show the average levels for each of the past three decades.



As can be seen from the left-hand chart, the current EMI compared with **synthetics** has risen steadily to be 6.51 in August, the highest recorded since the start of the series in January 1991. The current level is also well above the average ratio since 2010 (which is 4.74). Furthermore, the decade averages have lifted steadily, with the average in the 1990s at 3.19 and in the 2000s at 3.68.

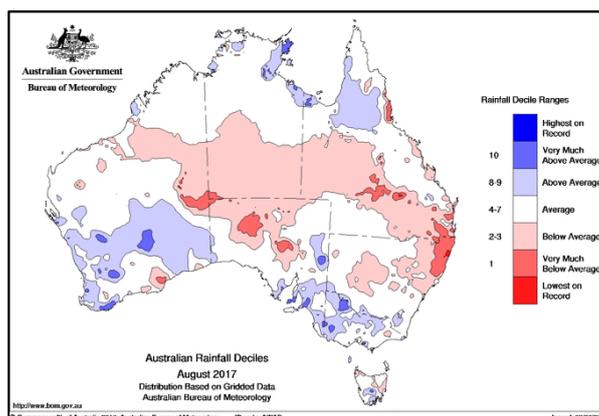
As the right-hand chart shows, the EMI is now at 7.1 times the price of **cotton**, after a very sharp rise in the past two months, to a record level. The average ratio since 2010 is 5.28, which is substantially higher than

the average of 3.13 in the 1990s and also higher than the 2000s average of 4.63. The question is how long these extreme price ratios for the EMI can be sustained?

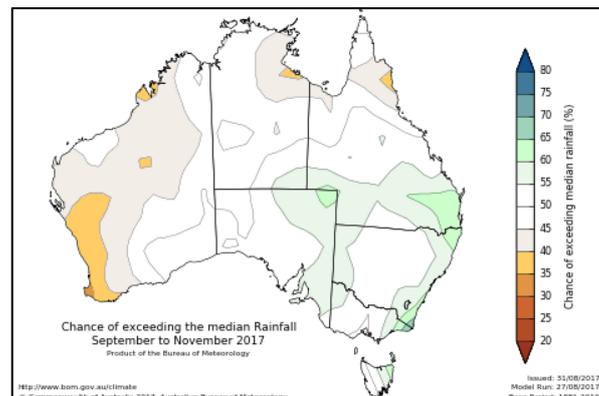
The ABS yesterday released the statistics on **Australia's wool exports for July**, the first month of the new season. The volume of exports jumped by 13% while the value of exports leapt by an amazing 27%. By volume, the most significant increases for the month compared with July 2016 were recorded for Italy (+41%), the Czech Republic (+30%) and India (+24%). Exports to Malaysia were also 31% higher, while exports to China were up 8% for the month. China accounted for 70.5% of Australia's wool export volumes in July, followed by India with 9.4%, Italy with 6.6% and the Czech Republic with 6.3%.

The value of wool exports to Italy jumped by 94% and exports to India were 44% higher. The value of exports to China lifted by 16% year-on-year and to Czech Republic they were up by 30%. In value terms, China accounted for 65% of exports, Italy was at 10.5%, India was 10.4% and the Czech Republic was at 5.1%.

Rainfall data from the Bureau of Meteorology (BoM) shows that in August there was above average rainfall through significant parts of Western Australia, the western half of Victoria, the south-east of South Australia and parts of Tasmania. It was a bit dry through parts of NSW, with below average rainfall for the month, although other parts recorded average rainfall. Swathes of Queensland recorded below average rainfall, continuing the recent run of dry conditions. The first map shows the rainfall declines for August across Australia. The red shows below average rainfall, the blue shows above average rain and the white areas show average rainfall.



The Bureau says that the **outlook for Spring** in Australia is that rainfall is likely to be below average in southwest Australia, above average in parts of southeast Queensland, and has a roughly equal chance of being above or below average elsewhere (see the second map). It is likely to be below average in the key wool growing regions in Western Australia. This is better than the forecast the BoM released in July which suggested much drier conditions in the August-October period. Daytime temperatures are likely to be warmer than average for northern and south-eastern Australia.



LAST CALL: The 2017 Wall Chart from the National Council of Wool Selling Brokers is now available. Free to NCWSBA members, this A2 printed Wall Chart has graphs showing auction volumes and prices, market indicators, and Australian wool production and exports as far back as the 1979/80 season. It provides an interesting discussion point for broker staff and clients. **Send me an email at chris.wilcox@woolindustries.org stating how many you would like and the delivery address.**

INDUSTRY EVENTS

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

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 20th October 2017.

IWTO Roundtable in Cape Town, South Africa, 6-9 December 2017

WOOL SALES WEEK BEGINNING 11th SEPT 2017 – week 11 (roster as at 7/09/2017)

<u>Sydney</u>	Wed, 13 th Sep; Thurs, 14 th Sep	13,476 bales
<u>Melbourne</u>	Wed, 13 th Sep; Thurs, 14 th Sep	22,609 bales
<u>Fremantle</u>	Wed, 13 th Sep; Thurs, 14 th Sep	8,196 bales

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