



# 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 the Australian wool market helped by lower A\$
- ABARES' bullish forecasts for Australian wool in 2017/18
- Lamb and sheep slaughterings start to rise as prices pull back
- Upcoming events



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The Australian **Eastern Market Indicator (EMI)** eased back this week, supported by a lower A\$. The EMI closed at 1522 c/kg, down by 3 cents, although there were some striking differences in the performance of different microns. Superfine Merino wool rose by between 5 and 15 cents over the week, but prices for 21 micron wool fell by 16 cents, while Crossbred wool prices also declined, particularly at the broad end. AWEX reports that there was an unusually large proportion of Merino lots with a high % mid-break, which held the market back. The Northern Market Indicator rose by 3 cents to 1599 c/kg, while the Southern Market Indicator fell by 7 cents to 1473 c/kg and the Western Market Indicator slid by 2 cents to 1570 c/kg.

The A\$ dropped by 1.8 USc to 78.2 USc, the lowest since early July. As a result, the EMI fell by 30 UScents to 1190 USc/kg. The A\$ slid a more modest 0.4 €cent and the EMI fell by 8 €cents to 1014 €cents/kg.

On 19<sup>th</sup> September, **ABARES released its latest forecasts** for Australia's agricultural industries in 2017/18 and its forecasts were bullish for the **Australian wool industry**. It predicts that the value of Australia's wool exports will lift by 13% to \$4.09 billion. If achieved, this will be the largest annual export value for wool since 1994/95. This sharp rise in the forecast export value of Australia's wool exports compares with ABARES' downbeat forecast for **Australian wheat industry**. ABARES predicts that the value of Australia's wheat exports will fall by 16% to \$5.11 billion due to forecast 38% drop in the volume of wheat production in Australia. ABARES also predicts that the value of **exports of beef and veal** (Australia's largest agricultural export earner) will ease by 1% to \$7.03 billion.

ABARES attributes the sharp increase in the value of Australia's wool exports to a 3% lift in the volume of wool exports and a 10% increase in the average price paid for wool in 2017/18 compared with 2016/17. ABARES predicts that the season average EMI will lift by 9.5% to 1550 c/kg. If the forecast is achieved, this average would be the highest seasonal average ever recorded on the same 2017/18 basis (the average EMI in 2016/17 of 1423 c/kg was the previous highest). ABARES also predicts that shorn wool production in 2017/18 will lift by 3.8% to 353 mkg greasy. This is higher than the Australian Wool Production Forecasting Committee's current forecast of 340 mkg greasy.

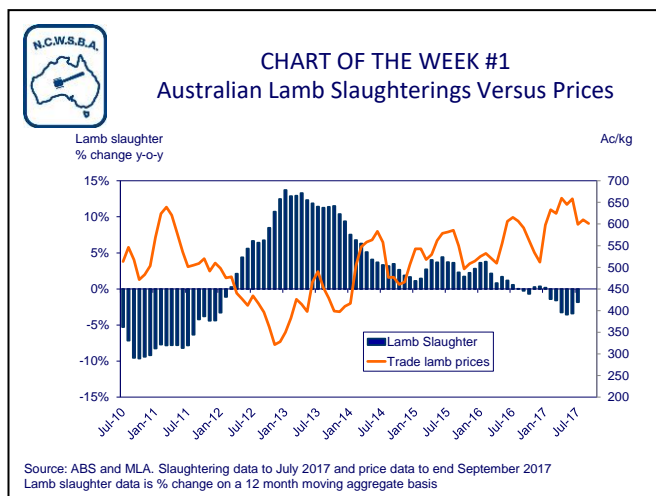
In addition to these bullish forecasts for the Australian wool industry, ABARES' forecasts for the **Australian sheep and lamb industry** are also positive. It predicts that the value of Australia's exports of lamb will increase by 2% to \$1.98 billion, offset a little by a 1% decline in the value of mutton exports to \$0.71 billion. ABARES forecasts that the average annual saleyard prices of lamb will lift by 5.6% in 2017/18 and the average annual saleyard prices of sheep will lift by 6%. It expects that the volume of lamb meat production and exports will lift by 1.2% but the production of mutton will decline by 1.2%. You can read full details of ABARES' forecasts by [clicking here](#).

While I am on the topic of **lamb and sheep prices and slaughterings**, it is interesting to see how prices are tracking this year and how lamb and sheep slaughter levels are shaping up. This is of particular interest

given that growers are reported to be keen to restock (no surprise given the high wool and lamb prices) but a number of areas are reported to be exceedingly dry, notably in New South Wales and Tasmania.

**Lamb prices** have fallen back by 10% in the past three months after hitting record levels in June. Even so, trade lamb prices are currently at the 87<sup>th</sup> percentile, while Merino lamb prices are at the 79<sup>th</sup> percentile. Slaughter data from the Australian Bureau of Statistics is only available up until July 2017. This shows that **lamb slaughterings** in May to July were above year earlier levels in each of these months, after having previously fallen below year earlier levels. On a rolling 12 month basis, however, lamb slaughterings for the August 2016 to July 2017 period are below the same period on 2015 and 2016.

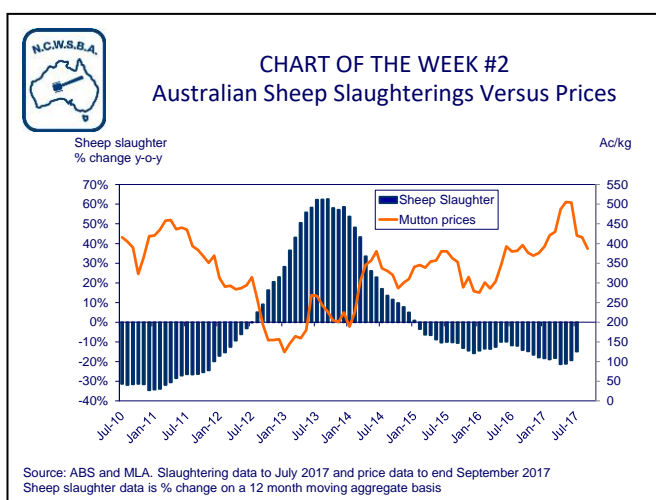
The first **Chart of the Week** shows the trends in month average trade lamb prices since July 2010 and also the % change in lamb slaughterings. Note that the lamb slaughter data is in a 12 month moving aggregate basis.



**Sheep slaughter numbers** also lifted in May, June and July, with the number of sheep slaughtered in July 59% higher than in July 2016 and the number slaughtered in June up by 18% year-on-year. These monthly jumps in slaughter numbers came after 12 consecutive months of year-on-year declines in sheep slaughterings between May 2016 and April 2017. This decline in sheep slaughter coincided with the rising wool prices and good lamb prices, as well as excellent seasonal conditions. This encouraged producers to retain adult sheep to rebuild their flocks. The rise in slaughterings in June and July is likely due to the worsening seasonal conditions in some regions in Australia, and this may have continued since July.

**Sheep prices** have also dropped back sharply in the past few months. Since the recent peak in early June, sheep prices have fallen by 30% under the weight of increased availability. As a result, sheep prices are currently at the 64<sup>th</sup> percentile. The second **Chart of the Week** shows the trends in the month average sheep prices since July 2010 compared with the % change in the 12 month moving aggregate of sheep slaughter.

As can be seen, the aggregate sheep slaughter from August 2016 to July 2017 was below the previous 12 months despite the sharp rise in May and June. If the increase in slaughterings in May and June continued in August and September, this picture will have changed and will continue to worsen unless seasonal conditions improve.



## INDUSTRY EVENTS

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

The **AWI Annual General Meeting** will be held in Sydney on Friday, 17<sup>th</sup> November 2017.

**IWTO Roundtable in Cape Town**, South Africa, 6<sup>th</sup> to 9<sup>th</sup> December 2017.

## WOOL SALES WEEK BEGINNING 2<sup>nd</sup> OCT 2017 – week 14 (roster as at 28/09/2017)

<u>Sydney</u>	Wed, 4 <sup>th</sup> Oct; Thurs, 5 <sup>th</sup> Oct	11,077 bales
<u>Melbourne</u>	Wed, 4 <sup>th</sup> Oct; Thurs, 5 <sup>th</sup> Oct	22,607 bales
<u>Fremantle</u>	Wed, 4 <sup>th</sup> Oct; Thurs, 5 <sup>th</sup> Oct	6,903 bales

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