# The National Council of Wool Selling Brokers of Australia Inc

# NEWSLETTER



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

- Merino wool prices lift again after lull
- Wool test volumes up in the first quarter of 2017/18
- Australian wool exports continue to rise
- Volumes of Non-Mulesed wool up by 33% in July-September
- Dry and drought conditions for the start of Spring in large parts of Australia
- Upcoming events

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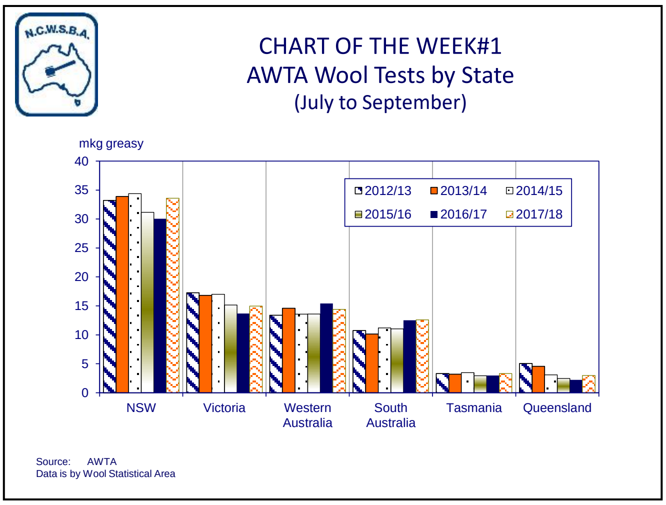
After several weeks edging lower, prices for Merino wool lifted strongly this week as competition between buyers ramped up. The Australian **Eastern Market Indicator** (EMI) rose by 28 cents to finish at 1550 c/kg. While prices for Merino wool and Oddments rose strongly, prices for Crossbred wool fell. The Northern Market Indicator rose by 30 cents to 1629 c/kg, while the Southern Market Indicator lifted by 7 cents to 1499 c/kg and the Western Market Indicator was 38 cents higher to 1608 c/kg. While the volumes of wool offered at auction this year to date is almost 10% higher than at the same time in 2016, the four-week offering forecast from AWEX isn't yet showing a ramp up in weekly volumes to 50,000 bales plus that we would expect at this time of the year.

After the drop last week, the A$ steadied this week at 78.3 USc, and the EMI rose by 23 UScents to 1214 USc/kg. The A$ was also steady against both the Euro and the Chinese Renminbi, and the EMI lifted by 18 €cents to 1032 €cents/kg and by 147 RMB to 8076 RMB/kg.

As usual for the first week of the month, there was a crop of industry data released this week, including the wool test statistics for September, the latest wool export data, and the Mulesing Status data for September.

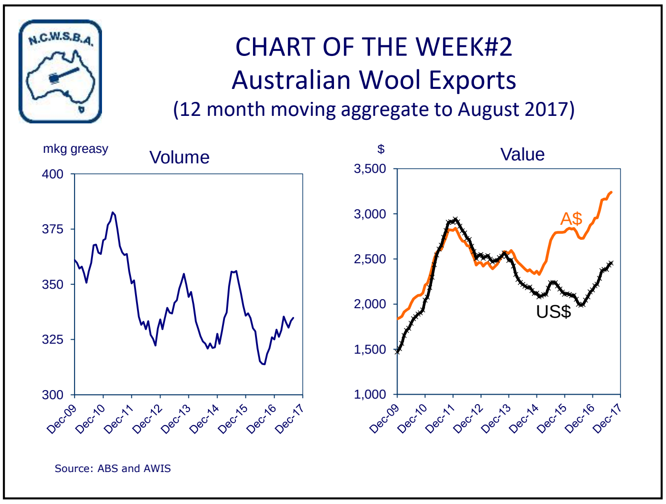
On Monday, AWTA released the **data on the volume of wool tested** in September. It shows that the weight of wool tested across Australia in September was 9.2% higher than for September 2016. This brought the total weight of wool tested in the first quarter of 2017/18 to 82 mkg greasy, up 6.6% on the July-September 2016 period. This increase compares with the Australian Wool Production Forecasting Committee's forecast for the full season of no change year-on-year. Of course, there is a lot of water to go under the bridge yet, as much of the wool tested this season to date would have enjoyed excellent growing conditions. As noted later in this *Newsletter*, seasonal conditions in large parts of the country have been very dry to drought conditions in the past 3-4 months. This will knock wool production later in the season.




The first **Chart of the Week** shows the volumes of wool tested by state for the first three months for 2017/18 and compared with the previous five seasons. As can be seen, the most significant increases in the total weight of wool tested were recorded in the two largest wool producing states: New South Wales (+12%) and Victoria (+9%). The year-on-year increase for Victoria was from a low base in 2016. There was also a 34% increase in the wool test volumes in Queensland and a 12% lift for Tasmania. In contrast, the weight of wool tested in Western Australia fell by 7%, while wool test volumes in South Australia were essentially flat.

**Australian wool exports** have continued to rise strongly in the first two months of 2017/18, according to data from the Australian Bureau of Statistics which was released yesterday. The volume of wool exported was 11% higher in the July-August period compared with the same period in 2016 and the value of exports jumped by 21% year-on-year. Almost all of the major export destinations recorded strong lifts, with the exception of South Korea with exports declining. The largest increases in the volume of exports were seen for the Czech Republic (+20%), Malaysia (+72%), Bulgaria (+463%), Thailand (+19%) and China (+10%).

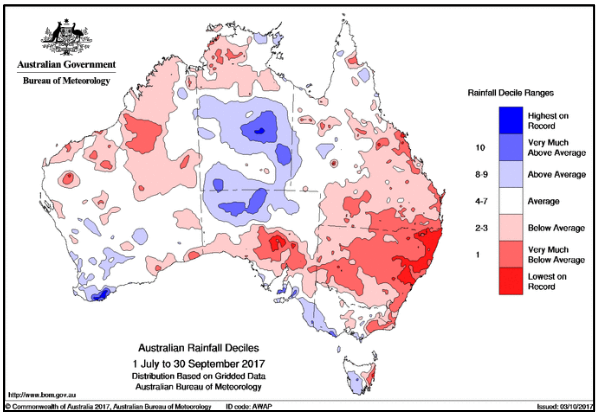
The increase in the first two months has pushed the exports on a 12 month rolling basis higher, continuing the trend seen since August 2016. The first **Chart of the Week** shows the long-term trends in the volume and value (in both A$ and US$) of wool exports from Australia, on a 12-month moving aggregate basis. The volume of exports has lifted over the past 12 months after hitting a low point, but this will be held back by the availability of wool this season as it will need to be fed almost entirely by new production.




The trends in the export value are a better guide to the strength of demand. As the chart shows, the value of exports in both A$ and US$ has risen strongly over the past year or more, reflecting the strength in the market. Of note is the rise in the export value in A$ terms. In the 12 months to August 2017, the A$ value of wool exports from Australia totalled A$3.24 billion, the highest 12-month total since June 2003. In US$ terms, the total value of Australia's wool exports for the 12 months to August was US$2.26 billion (it was higher in calendar year 2013 when the A$ was over US$1).

Earlier this week AWEX released the statistics on **mulesing status** from the National Wool Declaration (NWD) for September. The data shows a 21% increase in the volume of wool with an NWD. A highlight is the 33% jump in the volume of wool declared as Non-Mulesed (NM). There was also a 28% increase for the season to date in the volume of wool declared as Pain Relief (PR). The proportion of wool declared as PR, NM or Ceased Mulesed was 65.4% for first three months of the 2017/18 season.

It has been a **very dry start to Spring** across large parts of eastern Australia. All of New South Wales and Queensland as well as significant porions of South Australia, Victoria and Tasmania recorded well below average rainfall, with some regions reporting the lowest on record. This continued the dry conditions over Winter, as the map shows.The better news is that the Bureau of Meteorology predicts that there is an equal chance of wetter or drier than average conditions across Australia in the October to December period. Hopefully we will see at least average rainfall from here on.




**INDUSTRY EVENTS**

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

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

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

**WOOL SALES WEEK BEGINNING 9th OCT 2017 – week 15 (roster as at 05/10/2017)**

<u>Sydney</u>
Wed,11th Oct; Thurs, 12th Oct 10,671 bales

<u>Melbourne</u>
Wed, 11th Oct; Thurs, 12th Oct 21,540 bales

<u>Fremantle</u>
Wed, 11th Oct; Thurs, 12th Oct 7,505 bales