



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Mixed week for the Australian wool market
- US wool product imports fall to decade lows
- AWTA's Annual General Meeting and its financial results for 2016/17
- Graziers' Investment Corporation to be wound up
- Forecast for New Zealand's wool industry in 2017/18
- Upcoming events



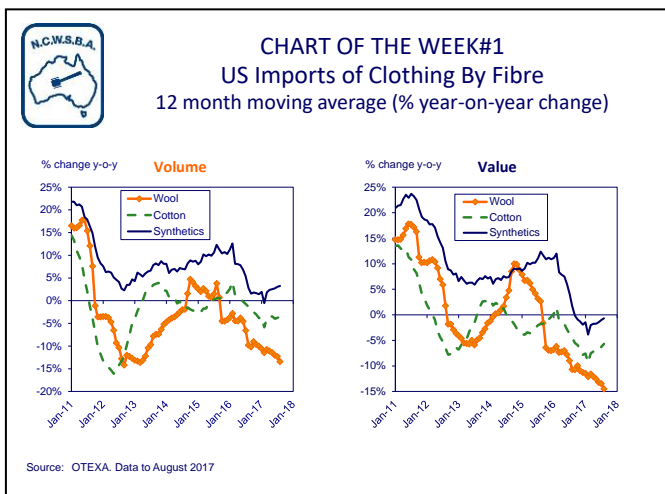
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It was a very mixed week in the **Australian wool market**, with superfine wools and cardings doing very well but prices for broader Merino wool and Crossbred wools falling back. Overall, the **Eastern Market Indicator (EMI)** rose by 2 cents to 1568 c/kg. The Northern Market Indicator and Southern Market Indicator both rose by 1 cent to 1657 c/kg and 1511 c/kg respectively while the Western Market Indicator, with its higher proportion of fine and medium Merino wool, slid by 7 cents to 1614 c/kg. The A\$ lifted against the major currencies. As a result, the EMI rose by 7 UScents to 1231 USc/kg, by 12 €cents to 1043 €cents/kg and by 97 RMB to 8164 RMB/kg.

In last week's edition, I reported on the latest data on retail sales of clothing in the key wool consuming countries and noted that this data was relatively positive. However, the data is for retail sales of clothing of all fibres and so doesn't help us understand what is happening by fibre type. The only way to get an indication of this is by looking at trade data for a country that relies almost entirely on imports for the supply of their clothing. The US is the prime example. The US data is the most up-to-date of the major clothing importers and is readily available by fibre type, both in volume terms and in value terms.

According to the latest available data from the US Office of Textiles and Apparel (OTEXA), **US imports of wool clothing** have continued to decline. In the first eight months of 2017, US imports of wool clothing was 13% lower than a year earlier in both volume and value. At a total of 99.1 million square metres, it is the lowest for the eight month period since 1993. The total import value for the eight months in 2017 was US\$1.76 billion, the lowest total since 2009 when the Global Financial Crisis crunched US imports of clothing. These results are very disappointing and worrying. The US is one of the world's largest importers of wool clothing and is China's second largest export market for wool clothing.

The first **Chart of the Week** shows the trends in US imports of clothing by fibre type in both volume and value terms. As can be seen, the year-on-year decline in US imports of wool clothing began in October 2015 and has continued to gather pace since then. It is interesting to see that a similar, though less dramatic, decline can also be seen for imports of synthetics and for cotton clothing. The value of cotton clothing imports has been quite significant, although there are signs in the past few months that this is turning around. Imports of synthetic fibre clothing has performed best. Synthetic fibre clothing is the cheapest of the three fibres, averaging \$2.54/square metre in the 12 months to August 2017. This compares with an average value of \$3.23/square metre for cotton and \$16.99/square metre for wool clothing.



AWTA Ltd held its **Annual General Meeting** today. John Colley, President of NCWSBA, attended as the Member Representative for NCWSBA and I attended as I am the NCWSBA-appointed director on the AWTA Board. The main item on the agenda was the approval of the 2016/17 financial results for AWTA. AWTA Ltd reported a net profit of \$5.164 million in 2016/17, up from \$0.979 million in 2015/16. This improved profit was achieved partly through increased operating level financial results from the four business sectors, notably AWTA Raw Wool and Agrifood Technology. The higher-than expected volume of wool tests in 2016/17 helped the bottom line for AWTA Raw Wool, as did productivity gains. Agrifood has grown its business in food testing steadily. As well as the improved performance in the operating divisions, non-operating income from AWTA's significant asset investments also lifted in 2016/17. Full details can be seen at the AWTA website at www.awta.com.au.

You may have seen in the media that **Graziers' Investment Company (GIC)**, the remnant of the former Australian Wool Services, is to be liquidated and its remaining funds of around \$20 million to be distributed to shareholders. At last week's Annual General Meeting of GIC, shareholders voted overwhelmingly to wind the company up. As a reminder, AWS was established in 2001 as a successor to the Australian Wool Research and Promotion Organisation (AWRAP), which in turn was the principal member of the International Wool Secretariat (IWS). AWS originally comprised two subsidiaries - The Woolmark Company Pty Ltd and Australian Wool Innovation Limited (AWI). AWI was subsequently de-merged from AWS in 2002. The Woolmark Company was sold to AWI in 2007. The shareholders of AWS then voted to change the name to GIC in November 2007. GIC was responsible for cleaning up the legacy issues left after the sale of The Woolmark Company, including reaching agreement with the Trustees of the IWS Pension Fund. Now, 15 years after it was established, it will be wound up. Another tortuous part of the Australian wool industry story of the past 30 years.

Beef + Lamb NZ recently released their **new forecasts** for the **New Zealand wool industry** for the 2017/18 season. Despite the poor prices for broad Crossbred wool over the past 12 months or more, Beef + Lamb NZ predicts that shorn wool production will actually increase by 1.3% in 2017/18 on the low levels seen in 2016/17, to 124.96 mkg greasy. The increase in production is due to a 2% lift in the average cut per head after very good Autumn to Spring rains through most of the country. This will more than offset the 0.9% drop in the opening number of sheep at 27.341 million head. This is the lowest number of sheep in New Zealand for over 50 years. Beef + Lamb NZ expects that slipe wool production will decline by 1.9% due to fewer sheep being slaughtered and therefore total production will lift by 0.9%. While production is expected to only lift a little, Beef + Lamb NZ predict that NZ's exports of wool will jump by 16.4% in 2017/18 due to the release of wool held on farm and in warehouses. These stocks were built up in 2016/17 as producers held their wool back from market in response to a sharp fall in prices. Beef + Lamb NZ also predict that the average auction price will lift by 4.1% in 2017/18. No doubt the added supplies on to the market will hold the price recovery back. This predicted price improvement is some encouragement for Australian producers of Crossbred wool, particularly 32 microns and broader. The table below summaries the key forecasts for NZ wool.

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18f | % change |
|------------------------------------|---------|---------|---------|---------|----------|----------|
| Total sheep (mill) | 30.787 | 29.803 | 29.121 | 27.584 | 27.341 | -0.9% |
| Shorn wool production (mkg greasy) | 140.881 | 136.963 | 135.114 | 123.452 | 124.955 | +1.2% |
| Total wool production (mkg greasy) | 159.223 | 153.353 | 151.446 | 138.576 | 139.787 | +0.9% |
| Auction price (NZ\$/kg) | 5.79 | 5.95 | 6.64 | 5.19 | 5.41 | +4.1% |
| Wool exports (mkg clean) | 116.5 | 118.0 | 103.0 | 84.8 | 98.7 | +16.4% |

INDUSTRY EVENTS

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

The **AWEX Annual General Meeting** will be held in Sydney on Friday, 24th November 2017.

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

WOOL SALES WEEK BEGINNING 23rd OCT 2017 – week 17 (roster as at 19/10/2017)

| | | |
|------------------|--|--------------|
| <u>Sydney</u> | Wed, 25 th Oct; Thurs, 26 th Oct | 12,225 bales |
| <u>Melbourne</u> | Wed, 25 th Oct; Thurs, 26 th Oct | 22,758 bales |
| <u>Fremantle</u> | Wed, 25 th Oct; Thurs, 26 th Oct | 8,781 bales |

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