# 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: ncwsba@woolindustries.org
Twitter: @woolbrokersaus


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

- Sharp jump in superfine wool prices but medium Merino prices ease
- Wool prices versus competing fibre prices
- AWTA test data for the first six months of 2016/17
- Update on mulesing status statistics and Australian wool exports
- Upcoming events

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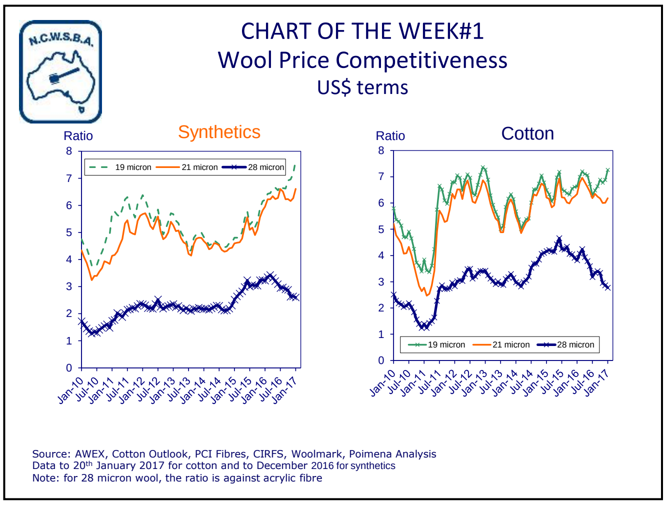
2017 has started very well for the **Australian wool market** with a very strong lift in the EMI last week on the back of a jump in fine and superfine Merino wool prices, then further gains this week helped by a continued lift in superfine prices. There was some weakness in medium Merino wool prices, notably on the last day of sales this week, with the most significant declines reported at the Fremantle sales. Prices for Crossbred wool showed signs of recovery on the last sale day, which is welcome after the extended period of declines. The **Eastern Market Indicator** lifted to 1434 Ac/kg, an increase of 12 cents this week after the stellar 67 cent rise last week. My historical series, which has been adjusted to reflect changes in the basis of the Market Indicator over the years, shows that this week's level is the highest week-ending level since 1988. The Market Indicator between March and May 1988 was higher, reaching 1564 c/kg on the same basis.

By region, the Northern Market Indicator lifted by 16 cents to 1506 c/kg, the Southern Market Indicator rose 10 cents to 1387 c/kg, but the Western Market Indicator fell by 22 cents to 1476 c/kg.

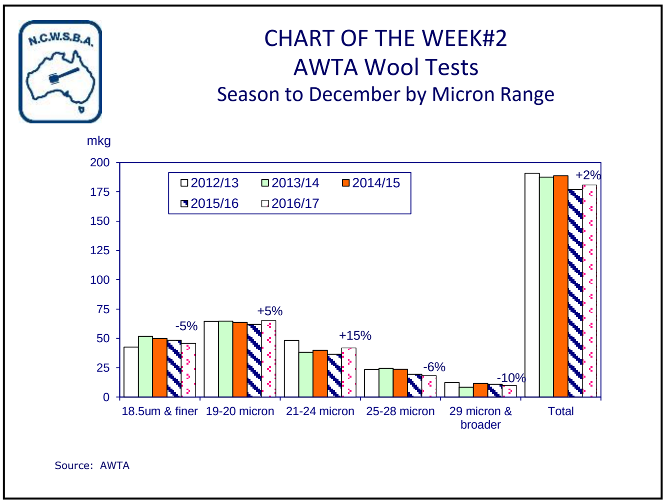
The A$ lifted by 0.6UScents to 75.22 USc and by 0.2 €cents to 70.69€cents. As a result of these currency movements, the EMI rose by 17 UScents to 1079 USc/kg and by 12 €cents to 1014 €cents/kg. In both US$ and Euro terms, the EMI is at the highest level since July 2012.

While Merino wool prices (notably at the fine end) have been rising strongly in the past four months in both A$ and US$ terms, **prices for competing fibres such as cotton, polyester and acrylic** have been relatively steady or even a little lower. As a result, the price relativity between fine Merino wool and these other fibres has increased sharply. The price relativities for 19 micron, 21 micron and 28 micron wool compared with synthetics and with cotton are shown in the first **Chart of the Week**.




As can be seen, compared with synthetic fibres, the current price relativity for 19 micron wool stands at 7.66, the highest ever recorded. Compared with cotton, 19 micron prices are at 7.18, close to but not at record levels. For 21 micron, the price relativity is at 6.61 against synthetic fibres (a record level) and at 6.19 against cotton (below the highs seen at the start of 2016 but still comparatively high). In contrast to these historically high level, the price relativities for Crossbred wool (as indicated by the 28 micron indictor), have fallen steadily since the start of 2016 as prices have languished.

The latest **wool test data** from AWTA shows that the weight of wool tested in December was 1% higher than in December 2015. As a result, the total weight of wool tested in the first six months of the 2016/17 was 2.1% higher year-on-year. By state of origin (as indicated by data based on Wool Statistical Area), the weight of wool tested in December fell by 14.2% in New South Wales (NSW) and by 29.5% in Tasmania. Wool tested in other states increased, led by a 37.9% increase in Queensland, a 23.9% rise in South Australia and a 14.4% increase in Victoria. The weight of wool tested in Western Australia was up by 1.5%. For the season to December, wool tests were higher in Queensland (+19.1%), Western Australia (+7.7%), South Australia (+5.9%) and NSW (+0.2%). Wool test weights were 3% lower in Victoria and 7.1% lower in Tasmania.




One reason given for the recent surge in prices for superfine wool (18.5 micron and finer) is that the availability of this wool is restricted and may get tighter in coming months. The AWTA key test data shows that the volume of **superfine wool** tested has indeed fallen in the first six months of the season. The total volume of this wool was 45.8 mkg greasy, down by 5.3% and the lowest total for the first six months of the season since 2012/13. At the same time, the volume of **fine Merino wool** (19-20 micron) and **medium and broad Merino wool** (21-24 micron) has increased, up by 5.1% and 14.6% respectively. In part this change is due to the much better seasonal conditions, which has reduced the volume of hunger-fine wool. It is likely that this trend will continue in coming months.

The total weight of **Crossbred wool** tested (both fine and broad) has declined. The second **Chart of the Week** shows the weights of wool tested by micron category for the first half of each of the past five seasons.

The highlights of **other industry data** that has been released since the previous edition of the *Weekly Newsletter* a month ago:

- The latest **mulesing status data** from AWEX shows that the volume of wool offered at auction with a Ceased Mulesed (CM), Non-Mulesed (NM) or Pain Relief (PR) declaration increased by 25% in the first half of the season. The share of CM+NM+PR wool was at 39.2%, the largest share ever recorded. PR-declared wool was 27.1% of the total offerings.
- **Australian wool exports** in November increased by 22% in volume and by 27% in value compared with November 2015. For the five months July to November, the volume of exports was up by 10% and the value of exports was 12% higher. This increase was mainly due to sharply higher exports to China.

**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 on 3rd to 5th May 2017 in Harrogate, North Yorkshire, UK.

**WOOL SALES WEEK BEGINNING 23rd JAN 2017 – week 30 (roster as at 19/01/2017)**

Sydney
Tues, 24th Jan, Wed, 25th Jan — 11,237 bales

Melbourne
Tues,24th Jan; Wed, 25th Jan — 26,785 bales

Fremantle
Tues, 24th Jan, Wed, 25th Jan — 9,137 bales

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