



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

26th May 2017

2017/18

From the desk of Chris Wilcox, Executive Director

- Australian Merino wool prices: Have we passed the peak?
- Competing fibre prices higher in 2017 to date
- Superfine wool price relativity against other fibres near record levels
- Cotton production to lift in 2017/18, stocks remain high
- Upcoming events



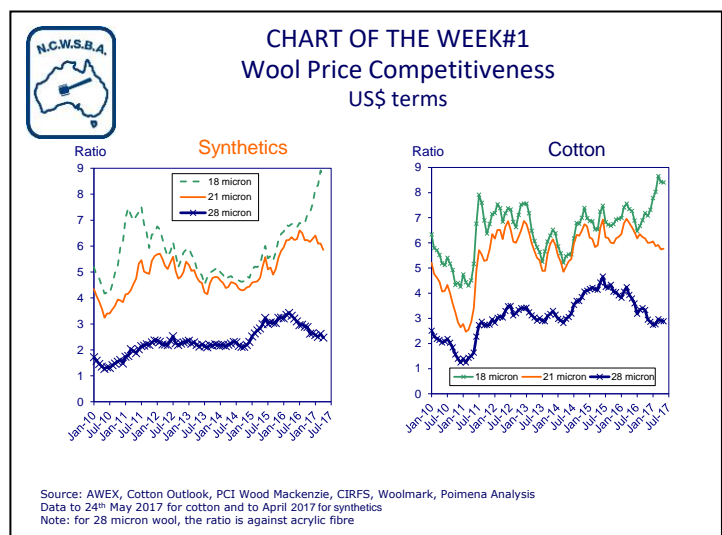
Follow NCWSBA on Twitter - [@woolbrokersaus](https://twitter.com/woolbrokersaus)

It seems that we may have seen the peak in Merino prices in the **Australian wool market**. Prices fell back again this week despite a relatively small offering and prospects of seasonally small offerings in coming weeks. The **Eastern Market Indicator (EMI)** fell by 27 cents to 1495 c/kg, the lowest in two months but still historically high. It was superfine wool prices (18.5 micron and finer) that recorded the more significant falls, down by 60 to 90 cents in the East Coast selling centres. While this may in part be due to an offering of lesser quality wool, as is typical for this time of the year, it may be heralding that the peak has past. Nevertheless, prices for these wools remain historically high. The Northern Market Indicator fell the most, down by 32 cents to 1580 c/kg, while the Southern Market Indicator was down by 25 cents to 1445 c/kg. The Western Market Indicator fared best, falling by 15 cents to 1520 c/kg. The A\$ strengthened a little against the US\$ but was down slightly against the Euro. The EMI fell by 13 UScents to 1122 USc/kg and . by 20 €cents to 998 €cents/kg.

Despite this week's falls, Merino wool prices have enjoyed a magical run so far in 2017, particularly wool of 18.5 microns and finer. Since the start of the calendar year to date, the EMI has risen by 10% in A\$ and 12% in US\$, while the 18 Micron Price Guide (MPG) has risen by 23% and 25% respectively and the 16.5 MPG is up by 30% in both A\$ and US\$. In contrast, medium Merino prices have risen by smaller amounts, with the 21 MPG lifting by 5% and 6% respectively so far in 2017.

It is interesting to see how **prices for other fibres** have fared in the same period. Prices for the major textile fibres which compete with wool have risen in 2017, albeit at a slower rate than superfine wool prices. **Cotton** prices have done well, lifting by 12% so far in 2017, and prices for **acrylic** have also lifted solidly, up by 18%. **Polyester staple fibre** and **viscose** prices have both risen by 3%. In terms of other animal fibres, **cashmere** prices are 7% higher so far in 2017, although they have weakened a little in recent weeks. **Angora** prices are up by 6%. So, while textile fibre prices have increased in 2017, superfine wool has been the star performer.

The sharp rise in prices for superfine wool has meant that the **price relativity** between superfine wool and the main competing fibres of cotton and synthetics has lifted sharply. As the first **Chart of the Week** shows, the price relativity of 18 micron wool against both synthetics and cotton hit record levels in



March of 8.59 times the price of synthetics and 8.66 times the price of cotton. The price relativity has fallen back slightly since then.

The price relativity of 21 micron wool has eased back against both synthetics and cotton since it reached a peak in August-September 2016. For broader wool (as measured by 28 micron wool prices), the price relativity has dropped back sharply, particularly against cotton as crossbred wool prices languish.

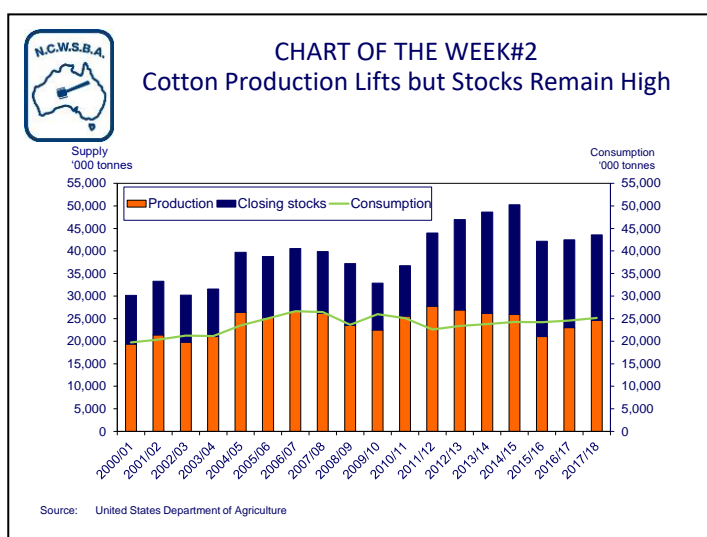
An interesting comparison for superfine wool is to look at a comparison with cashmere, which tends to be a direct competitor to superfine wool. In April, cashmere prices were 6.1 times the price of 18 micron wool, the lowest in my database which goes back to January 2003. It is also down sharply from 9.1 in June 2016. The peak of cashmere's price against 18 micron wool was in November 2005 when it was 13.3 times the price of 18 micron wool.

In its latest forecasts for the **global cotton industry** released earlier this month, the United States Department of Agriculture (USDA) predict that global cotton production will lift by 9% in 2016/17 and another 7% in 2017/18 following the massive 19% drop in 2015/16. The increase in 2016/17 is the first lift in global cotton production since 2011/12. There was a steady decline in global cotton production after cotton prices fell back from the 2011 peaks before a sharp drop in 2014/15. Prices had remained low until the second half of 2016.

The second **Chart of the Week** shows the annual production and mill consumption of cotton globally since 2000/01 as well as the closing stock levels for each season. The low prices for cotton in 2012 to 2016 was the result of a huge stockpile of cotton built up between 2010/11 and 2014/15, mainly in China. In 2014/15, the total volume of global stocks equalled the mill consumption of cotton in that year. There was a massive oversupply, which helped pushed prices down.

Despite the low prices, annual mill consumption of cotton remained lacklustre. After dropping by 10% in 2011/12 (in response to the spike in cotton prices in 2011), consumption only edged higher a little in 2012/13 to 2014/15. This was due to the intense price competition from synthetic fibres, notably polyester staple fibre used in products such as shirting fabrics, as major user of cotton.

The USDA predicts that global cotton consumption will lift by 1.6% in 2016/17 and by 2.3% in 2017/18. This, plus the lower production in recent years, is helping reduce the stock overhang. Stocks fell by 13.1% in 2015.16 and are expected to fall by 7.8% this year and by a further 2.7% in 2017/18. As a result, the USDA figures suggest that the cotton stocks:use ratio will fall from 100% in 2014/15 to 75% in 2017/18. This in part explains the increase in cotton prices recently. The International Cotton Advisory Committee's projects that the annual average of the CotLook A Index (the benchmark price indicator) to lift to 79 USc/lb this year, before slipping back to 71 USc/lb in 2017/18.



INDUSTRY EVENTS

The **NCWSBA Annual General Meeting** will be held in Melbourne on 24th August 2017

Wool Week will be held at the Crowne Plaza Hotel, Melbourne on 24th to 25th August 2017.

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

WOOL SALES WEEK BEGINNING 29th MAY 2017 – week 48 (roster as at 25/05/2017)

<u>Sydney</u>	Wed, 31 st May; Thurs, 1 st June	8,704 bales
<u>Melbourne</u>	Wed, 31 st May; Thurs, 1 st June	16,629 bales
<u>Fremantle</u>	Wed, 31 st May; Thurs, 1 st June	4,819 bales

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