



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Higher offerings, stronger A\$ bear down on Merino prices
- Strong lift in Merino prices in 2016/17 season
- EMI and Regional Market Indicators change next week
- Emergency Animal Disease Response for the wool industry
- Review of the Code of Practice
- Upcoming events



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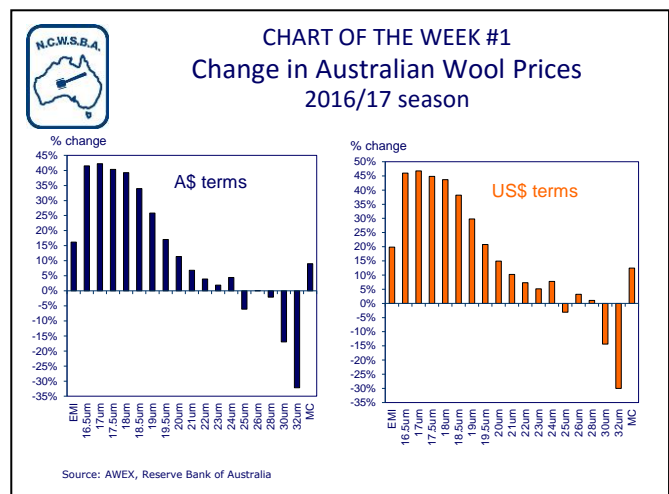
The **Australian wool market** closed the 2016/17 season on a downbeat note, as a substantially higher offering (and prospects of more than 50,000 bales being offered next week) combined with a stronger A\$ to bear down on Merino wool prices. The **Eastern Market Indicator (EMI)** slipped back 26 cents, but still closed the 2016/17 season above the 1500 c/kg mark at 1507 c/kg. According to my database, it is the highest ever closing level for the EMI, ahead of 2010/11 when the EMI closed at 1417 c/kg and 1987/88 when it closed at 1376 c/kg (my database is on a like-for-like basis, with the historical EMIs adjusted to the 2014/15 basis). Merino prices were most affected by the decline in prices, down by as much as 76 cents in Melbourne. The Southern Market Indicator fell by 30 cents to close the season at 1461 c/kg, the Northern Market Indicator was 21 cents lower at 1578 c/kg and the Western Market Indicator closed at 1552 c/kg, down 15 cents.

The offering was the highest since mid-May at almost 37,000 bales and the latest roster is for 51,718 bales to be offered next week. These higher volumes probably contributed to the price slide. As well, the A\$ rose against the US\$ following reports this week that Reserve Bank of Australia could ratchet up interest rates steadily over the next year or so. It lifted 1 UScent to 76.55 UScents, but slipped by 0.4 €cents against the Euro to 67.2 €cents. The EMI fell by 4 UScents to 1154 USc/kg and by 24 €cents to 1012 €cents/kg.

With the close of the 2016/17 season, it is time to take stock of how the market fared over the season. As the first **Chart of the Week** shows, the EMI and prices for Merino wool rose strongly over the 2016/17 season in both A\$ and US\$ terms. The largest gain was seen for superfine wool, 18.5 micron and finer. The 17 Micron Price Guide did best, lifting by 42% in A\$ terms and the 16.5 MPG gained 41%. In contrast, the broader wools saw prices fall, with a 30% drop in the 32 MPG between the start and end of the 2016/17 season.

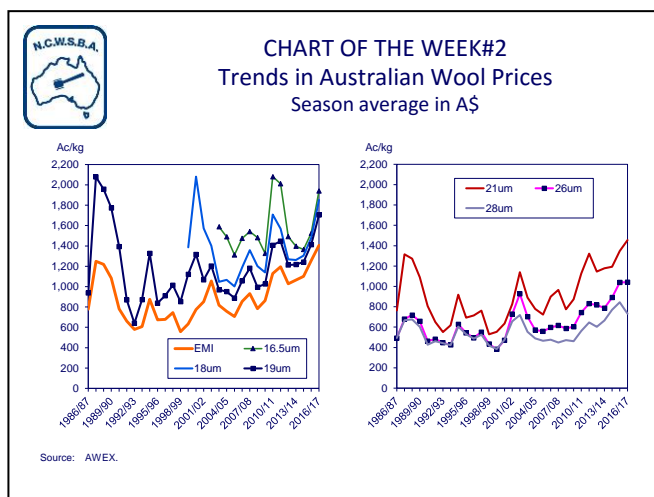
The second graph in the Chart shows the change in US\$ prices. The A\$ lifted by 2 UScents against the US\$ between the start and end of the 2016/17, so the % change in the US\$ prices were a little greater than the % change seen in A\$.

As I noted previously, the closing level of the EMI was the highest on record, but it is also interesting to see how the annual average prices in 2016/17 stack up against previous years. The second **Chart**



of the Week shows the annual average levels for the EMI and selected Micron Price Guides since 1986/87 in A\$. A few things to note:

- At 1406 c/kg, the average EMI in 2016/17 was 151 cents higher than the average in 2015/16 and was the highest ever annual average.
- Even though superfine wool prices lifted the most in 2016/17, the annual average was below the peak seen in 2010/11 (for 16.5 micron) and 2000/01 (for 18 micron).
- The average annual price for 19 micron wool rose sharply in 2016/17 but it was below the peak in 1987/88.
- The 2016/17 average for 21 micron wool, at 1455 c/kg, was the highest ever annual average recorded for this micron.
- Despite the at time weaker levels for 26 micron wool during the season, the annual average actually increased for the season and was the highest ever.
- The average for 28 micron wool fell back in 2016/17, but that was off the peak level seen in 2015/16.



A reminder that the **Eastern Market Indicator** and the three **Regional Market Indicators** will be on the new, higher basis beginning next week. AWEX has made the adjustments to reflect changes in the micron profile of the clip.

FAWO's **Emergency Animal Diseases Working Group** met last Friday to discuss development in several projects. The Working Group aims to prepare the Australian wool industry if ever there was an outbreak of an Emergency Animal Disease such as Foot and Mouth Disease. One issue that was discussed at the meeting was the need to have the **Property Identification Code (PIC)** for each property included on the Classer's Specification with each wool delivery and then recorded in wool broker and handler's databases. As the representatives from the Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR – responsible for agriculture) said, Government agencies will use the PIC to identify farms affected by an outbreak. This will be vital to the tracing of wool from those properties.

I urge all wool broking companies to ensure that space to include the PIC is included on the printed classer specis that they provide to their grower clients; that they also encourage growers and classers include the PIC on the specis; and, finally, that the PICs are recorded in their broking/wool handling systems.

AWEX is calling for submissions to its triennial review of the **wool classing Code of Practice (CoP)**. The review will be undertaken by the Industry Services Advisory Committee (ISAC) and submissions are now being sought. NCWSBA will provide a submission and a Working Group met yesterday to discuss the key elements of the NCWSBA submission. A draft will be prepared and provided to the NCWSBA Board for approval before submission by the 28th July deadline.

INDUSTRY EVENTS

The **NCWSBA Annual General Meeting and Forum** 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 3rd JULY 2017 – week 1 (roster as at 29/06/2017)

<u>Sydney</u>	
Wed, 5 th July; Thurs, 6 th July	17,878 bales
<u>Melbourne</u>	
Wed, 5 th July; Thurs, 6 th July	22,919 bales
<u>Fremantle</u>	
Wed, 5 th July; Thurs, 6 th July	10,921 bales

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