



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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

- Wool prices fall back after strong start to 2018
- Cotton prices soar
- Australian wool exports continue to rise
- 2017/18 International Woolmark Prize Winners
- IWTO 2018 Congress in Hong Kong – Calling for Young Professionals
- Upcoming events

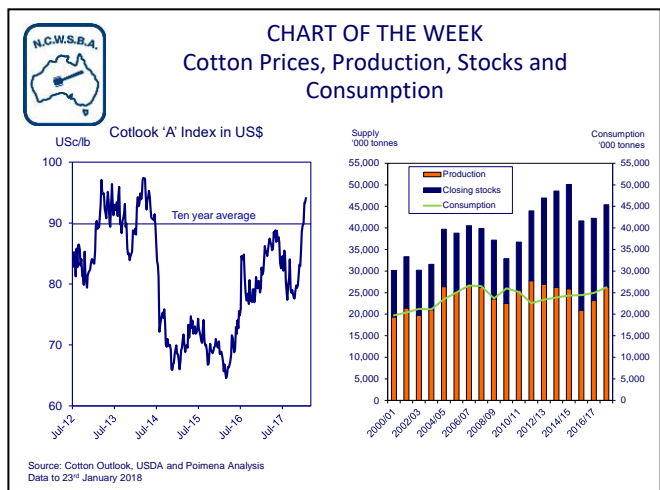


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After a stellar start to 2018, the **Australian wool market** saw a significant reversal this week with prices dropping. The Oddments market was particularly hard hit on Wednesday, with AWEX reporting almost no bids for lots in some regions. The **Eastern Market Indicator** finished the week at 1744 c/kg, down by 57 cents for the week. While this is a sharp decline (AWEX says that it is the largest weekly fall since July 2015), the current level of the EMI is 315 cents higher than a year ago (on the same 2017/18 basis). The Merino Carding Indicator fell by 205 cents for the week, a massive fall. At 1303 c/kg it is back to the level at the start of November and 150 cents above the level at the start of the season. It was probably overdue for a decline. The Western Market Indicator did the best, falling by 39 cents to 1821c/kg. The Northern Market Indicator was down by 56 cents to 1845 c/kg and the Southern Market Indicator fell 62 cents to 1677 c/kg. The A\$ rose against the US\$ and the Renminbi, but eased against the Euro. Given these exchange rate movements, the EMI fell by 34 UScents to 1400 USc/kg, was down 43 €cents to 1134 €cents/kg and was 286 RMB lower at 8936 RMB/kg.

There has been a lot happening on the global economic and fibre price front as well as in the wool industry since the previous edition of the *Weekly Newsletter* on 5<sup>th</sup> January. On the global economic front, both the World Bank and the International Monetary Fund have lifted their forecasts for world economic growth in 2018, boosted by the Trump Administration's company tax cuts. On the fibre price side, cotton prices have surged in recent weeks. Trade data from Australia, China, South Africa, Argentina, Uruguay and New Zealand has been released. As well, there is news from the IWTO about the 2018 Congress to be held in Hong Kong in May and AWI announced the winners of the International Woolmark Prize. Finally, there is new data showing the impact of the rising prices for wool and lambs on the financial performance of sheep and wool enterprises in Australia. I will cover these in editions over the next 2-3 weeks.

First of all is the surge in cotton prices in recent weeks. Cotton prices, as judged by the CotLook A Index (a global benchmark indicator for cotton), have jumped by 18% since mid-November to 94.1 USc/lb (or 207.5 USc/kg). This is the highest level in almost four years (May 2014). The jump has caught observers and analysts by surprise because there are still large stocks held around the world, mainly in China. At the end of the 2016/17 season, stocks were equal to 76% of the annual consumption of cotton (this is down from a peak of 99% in 2014/15). The presence of these stocks was expected to hold prices back. For example, as recently as October, the International Cotton Advisory Committee expected the CotLook A Index to average



just 69 US cents/lb for the 2017/18 season (the cotton season is from October to September). To date, the average is 84.4 USc/lb. Rabobank says that the unexpected lift in prices is due to a squeeze on mill supply positions in the short-term, which has been exacerbated by near-record speculator long positions in the futures market. The surge in cotton prices may mean that mills lift their usage of synthetic fibres in response, causing cotton prices to retreat. The **Chart of the Week** shows the trends in cotton prices since July 2012, including the recent surge, as well as the trends in production, stocks and mill consumption for cotton since 2000/01. As can be seen, cotton availability is expected to increase in 2017/18, as is mill consumption.

The latest data from the Australian Bureau of Statistics on **Australia's wool exports** shows that Australian wool exports lifted in November by 5% in volume terms and by 26% in value terms compared with November 2016. The leap was driven by a sharp increase in exports to the Czech Republic and Egypt. Italy also recorded a solid monthly rise. The volume of exports to China eased slightly but the value of exports increased in November. For the 2017/18 season to November, Australia's exports were 10% higher by volume and 26% higher in value terms than for the same five months in 2016/17. The table below provides the % change in exports to the major destinations for November and for the first five months of the 2017/18 season, as well as the total by volume and value for the July to November period.

**Table: Australian wool exports by major destination country**

% change on year earlier	November 2017		Season to November 2017		Total for 2017/18 season to November	
	Volume	Value	Volume	Value	mkg greasy	\$million
<b>Total</b>	<b>+5%</b>	<b>+26%</b>	<b>+10%</b>	<b>+26%</b>	<b>138.1</b>	<b>1,466.4</b>
China	-0.2%	+19%	+10%	+23%	105.8	1,096.8
India	-27%	-14%	-10%	-8%	8.1	79.4
Czech Republic	+162%	+206%	+31%	+47%	7.4	71.4
Italy	+11%	+53%	+11%	+53%	6.9	110.5
South Korea	-20%	-23%	-3%	-3%	2.6	21.5
Malaysia	-44%	-32%	+43%	+86%	1.5	14.8
Egypt	+219%	+255%	+28%	+63%	1.4	19.7
Taiwan	-16%	-9%	+15%	+15%	1.2	10.5
Others	+71%	+62%	+17%	+99%	3.2	47.5

On 10<sup>th</sup> January, Australian Wool Innovation announced the winners of the **2017/18 International Woolmark Prize**. Matthew Miller from the UK was announced as the winner of the Menswear Prize and Bodice from India were selected the winners of the Womenswear Prize. The presentations were held at an event during Pitti Uomo at Stazione Leopolda in Florence. This year the inaugural Innovation Award was also presented, with the USA's DYNE was selected as the winner. More than 65 designers from more than 60 countries were nominated for this year's award. The winners of the International Woolmark Prize each receive A\$200,000 to help support the development of their business, ongoing mentoring support, Woolmark certification and the opportunity to be stocked in prestigious department stores and boutiques around the world.

IWTO has sent out a call for applicants for the **Young Professionals Programme at the IWTO Congress** which will be held in Hong Kong on the 14<sup>th</sup> to 16<sup>th</sup> May. The program is open to members of the wool industry who are 35 years and younger. Successful applicants will be offered a special Congress rate and a dedicated programme at the Congress. *Please contact me for an application form.*

#### INDUSTRY EVENTS

The **World Merino Congress** will be held in Montevideo, Uruguay on 12<sup>th</sup> to 14<sup>th</sup> April 2018. Click [here](#) for details.

The **IWTO 2018 Congress** will be held in Hong Kong on 14<sup>th</sup> to 16<sup>th</sup> May 2018. Click [here](#) for the draft program.

The **IWTO 2018 Round Table** will be held in Buenos Aires on 3<sup>rd</sup> to 4<sup>th</sup> December 2018.

The **IWTO 2019 Congress** will be held in Venice on 9<sup>th</sup> to 11<sup>th</sup> April 2019.

#### WOOL SALES WEEK BEGINNING 29<sup>th</sup> JAN 2018 – week 31 (roster as at 24/1/2018)

##### Sydney

Wed, 31<sup>st</sup> Jan; Thurs, 1<sup>st</sup> Feb 12,249 bales

##### Melbourne

Wed, 31<sup>st</sup> Jan; Thurs, 1<sup>st</sup> Feb 21,457 bales

##### Fremantle

Wed, 31<sup>st</sup> Jan; Thurs, 1<sup>st</sup> Feb 8,538 bales

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