



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

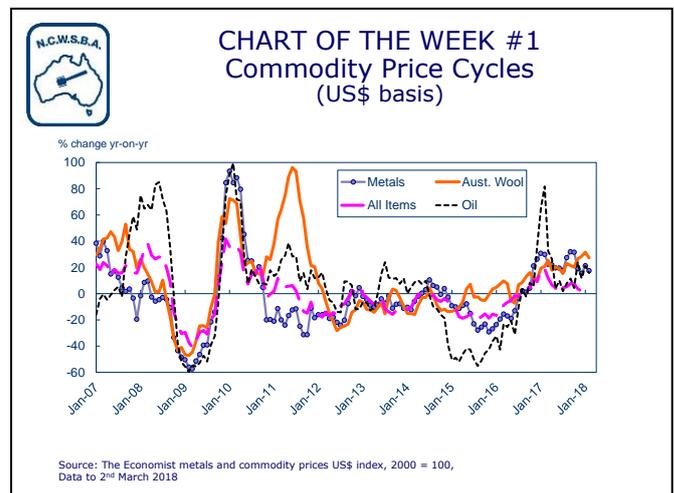
- Merino wool prices lift again, but signs of weakness emerge?
- Upturn in commodity price cycle continues
- Wool test volumes fall in February
- Review of Australian Wool Innovation announced
- Seasonal conditions over summer
- Upcoming events



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The seemingly unstoppable rise in prices for Merino wool continued this week in the **Australian wool market**, with prices leaping on Wednesday. Prices faltered for the 19-20 micron wools and for broad Crossbred wools on Thursday. The **Eastern Market Indicator** hit 1834 c/kg on Wednesday (easily beating the previous within-week record of 1822 c/kg) before easing on Thursday to close the week at 1830 c/kg, up by 10 cents for the week and yet another new week-ending record of 1820 c/kg. Of course, this does not allow for inflation. As I pointed out in the *Weekly Newsletter* on 10th November, once you take inflation into account, the current price levels are still well below the peak of 3200 c/kg (current \$ terms) recorded in mid-1988. The Southern Market Indicator rose by 16 cents to 1785 c/kg, the Western Market Indicator was 10 cents higher at 1905 c/kg, but the Northern Market Indicator fell 2 cents at 1900c/kg. The A\$ was lower against the US\$ and the Renminbi and was slightly lower against the Euro. As a result, the EMI was down by 5 UScents to 1415 USc/kg and by 490 RMB to 8970 RMB/kg. It was 3€cents higher at 1160 €cents/kg.

The rise in wool prices in Australia has been driven in part by the coordinated acceleration in economic growth in the US, Europe and Asia. This has helped push the **prices for industrial commodities** steadily higher, including wool. The first **Chart of the Week** shows the ten-year trends in prices for selected commodities. In general, the trends for each commodity follows the overall ebbs and flows. The current price rise for Australian wool is following the general rising trend in prices for industrial commodities such as metals and oil. No doubt the constrained supply of Merino wool has helped boost the price upturn for Australian wool, but the fundamental driver is the improvement in world economic growth.



The latest data on **Australian wool tests** were released yesterday by AWTA. The data shows that the weight of wool tested by AWTA in February fell by 4.1% compared with February 2017. This continues the recent volatile pattern in monthly wool test volumes, after the 14% jump in January. State-by-state on a Wool Statistical Area basis, Victoria and WA both recorded increases in wool test volumes in February, up by 3% and 5% respectively. All other states recorded declines for the month compared with February 2017. The largest state, NSW, saw volumes drop by 8%. South Australia's wool test volumes fell by 11%, while the two smallest producing states, Tasmania and Queensland, saw volumes fall by 20% and 41% respectively in February.

For the season to date, the weight of wool tested by AWTA was 2% higher than for the same period in 2016/17. As the second **Chart of the Week** shows, this is line with, but a little above the December forecast from the

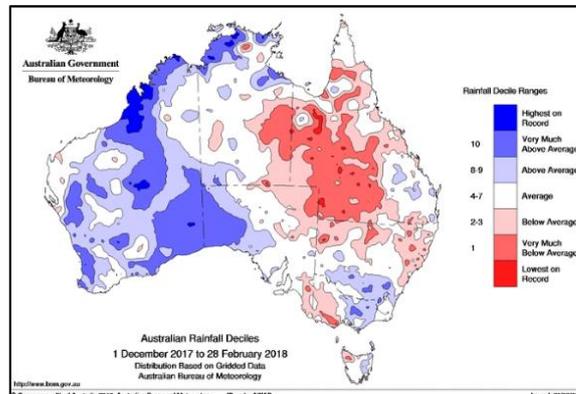
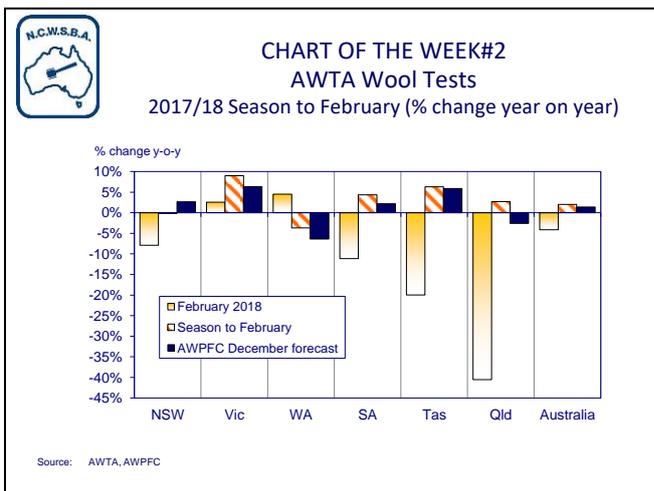
Australian Wool Production Forecasting Committee. The Committee predicted a 1.4% increase in wool production for the full 2017/18 season.

There are some significant differences for some states between the weight of wool tested in the July 2017 to February 2018 period and the Committee's forecast. For example, the Committee predicted a 2.6% increase in production for New South Wales, but the season-to-date test volumes were on par with 2016/17 levels. On the other hand, the Committee predicted a 6.3% lift in production in Victoria but the increase in the weight of wool tested was 9% for the eight months to February.

By micron range, there was a 9% increase in the volume of 18.5 micron & finer wool tested in the July-February period. This increase may have been bolstered by the release of on-farm stocks held over from previous seasons as growers take advantage of the excellent prices for this wool. There has also been a small 1% lift in the volume of 19-20 micron wool tested. However, there has been a 7% drop in the volume of 21-24 micron wool and a 2% fall in the volume of 25-28 micron wool tested. To round out the results, AWTA has tested 23% more wool of 29 microns and broader.

On Tuesday the Federal Minister for Agriculture and Water Resources, David Littleproud, announced that the Department of Agriculture and Water Resources will commission an **independent review of Australian Wool Innovation's performance and governance**. While there is a review of AWI conducted every three years as part of its Statutory Funding Agreement with the Federal Government, these reviews are usually commissioned and managed by AWI itself. They are conducted in the lead up to WoolPoll (the 2018 WoolPoll is due later this year). The Government-commissioned review will be conducted over the next six months by an independent reviewer. The Minister said that AWI stakeholders, including woolgrower representative groups, will be able to participate in the review.

Summer in Australia is normally dry in the southern half of the country and wet in the northern half. As the map shows, over the just-finished **summer of 2017/18**, the north-eastern quarter of the country saw below average rainfall, as did western Victoria and south-eastern South Australia. Rainfall was well above average in the western half of the country and in parts of New South Wales and Victoria. The failed summer rainfall in much of Queensland is a particular concern for any recovery in sheep numbers in that state.



Registrations for the International Wool Textile Organisation's 2018 Congress in Hong Kong are now open. [Click here](#) for details and to register. You will need to log in with your IWTO member log-in. If you have not yet created an account with the IWTO, there are instructions on how to do that. The Early Bird fee for IWTO Members is €1300 (valid until 28th March).

INDUSTRY EVENTS

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

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

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

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

WOOL SALES WEEK BEGINNING 5th MAR 2018 – week 36 (roster as at 1/3/2018)

Sydney	Wed, 7 th Mar; Thurs, 8 th Mar	9,128 bales
Melbourne	Tues, 6 th Mar; Wed, 7 th Mar; Thurs, 8 th Mar	29,297 bales
Fremantle	Wed, 7 th Mar; Thurs, 8 th Mar	8,065 bales