



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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9<sup>th</sup> March 2018

2018/08

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

- Merino wool prices pull back from heights
- Call for nominations for the NCWSBA Wool Broker Award 2018
- ABARES' very positive outlook for wool
- Australian wool exports dip in January
- Drought and flooding rain in Queensland
- Upcoming events



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The signs of weakness in the **Australian wool market** that started to appear at the end of sales last week came through strongly for Merino wool this week, with sharp drops in the price for all Merino microns, notably in Melbourne. The **Eastern Market Indicator** fell by 52 cents to 1778 c/kg. Even so, it is still above the level in early February and 238 cents above the EMI of a year ago. While Merino wool prices fell back from the heights of last week, fine Crossbred wool prices continued their recovery.

Prices in Melbourne fell the most, with the Southern Market Indicator down by 65 cents to 1720 c/kg. The Western Market Indicator fell by 46 cents to 1859 c/kg, and the Northern Market Indicator was down by 31 cents to 1869c/kg. The A\$ lifted by 1 UScent and was higher against the Renminbi, but it was a little lower against the Euro. As a result, the EMI was down by 22 UScents to 1393 USc/kg, by 164 RMB to 8807 RMB/kg and by 38€cents to 1122 €cents/kg.

The **NCWSBA Wool Broker Award for 2018 has been launched!** Now in its seventh year and sponsored by Fairfax Agricultural Media and AWTA, the Award recognises excellence in wool broking by a younger member of our industry – be it client servicing, auctioneering, innovation or other aspects of wool broking. This year's Award winner will be granted an **all-expenses paid trip Venice, Italy to attend the 2019 IWTO Congress in April 2019**. Arrangements will also be made for the Award winner to visit the wool textile industry in Italy.

The Finalists for the 2018 Award will be profiled in the Fairfax Agricultural Media newspapers in each state in the lead up to Wool Week and the NCWSBA Annual General Meeting on 23<sup>rd</sup> August. This year's Award winner will be announced at the Wool Week dinner to be held in the Harrison Room, Melbourne Cricket Ground.

Nominations are open for the 2018 NCWSBA Wool Broker Award. Closing date for nominations is Friday, 22<sup>nd</sup> June. Please contact me for an application form – [chris.wilcox@woolindustries.org](mailto:chris.wilcox@woolindustries.org) or call me on (03)93110152.

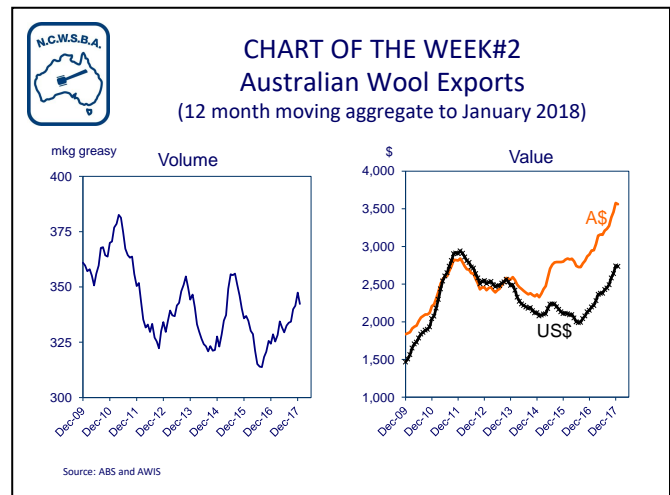
The annual **ABARES Outlook Conference** was held earlier this week in Canberra. ABARES, the Australian Government's agricultural forecasting and research agency, released its new five-year forecasts for Australia's agricultural industries at the Conference. ABARES has become very bullish about **wool** after the price rises in the past 12 months. It now predicts that the EMI will lift from a season average of 1,630 c/kg this season to an average of 1,700 c/kg in 2018/19 and continue to rise to 2,015 c/kg by 2022/23. ABARES says that the predicted lift in the EMI "...reflects strong demand for superfine wool (less than 19.5 micron), but growth in supplies is expected to remain limited" and "...demand for superfine wool is expected to remain strong, supported by income growth in major apparel-consuming regions...".

Despite the continued rise in wool prices, ABARES forecasts that shorn wool production will only increase slowly, from 346 mkg in 2017/18 to 365 mkg in 2022/23. If correct, this will continue the essentially static level of production recorded for Australia since 2008/09, with year-to-year variations largely driven by ups and downs in fleece weights reflecting variable seasonal conditions.

One reason for this only small increase in shorn wool production is that ABARES expects the Australian sheep flock to rise only moderately, to 83 million head by the end of 2022/23. This is up from 73.6 million head at the end of 2017/18. But, more particularly, ABARES expects there to be more Crossbred and meat-breed sheep added, rather than Merino sheep. As a result, ABARES has forecast that the number of sheep shorn in 2019/20 and beyond will be LESS than the number of sheep, presumably because of the rise in sheep that are never shorn. This has never occurred, at least since 1981/82 (which is as far back my database go). I doubt it has ever occurred in Australia. With higher prices and a small increase in production, ABARES predicts that Australian wool exports will rise to \$4.62 billion in 2018/19, then lift further to \$5.74 billion by 2022/23, up from \$3.62 billion in 2016/17.

For **other broadacre livestock industries**, ABARES predicts that lamb prices will lift to an average of 645 c/kg next season, up from 625 c/kg this season before easing a little due to higher lamb slaughterings. It also expects that sheep meat prices will lift throughout the five year forecast period. ABARES forecasts that beef prices will average 439 c/kg in 2018/19, a drop on the average this season and well down on the average in 2016/17. It expects some recovery by 2022/23, but prices will remain below the 2016/17 levels. The detailed forecasts are provided in the first **Chart of the Week** on page 3. You can download the full report from [here](#).

The ABS released the latest data on **wool exports from Australia** yesterday. The volume of exports from Australia dropped by 23% in January compared with January 2017. Despite the much higher wool prices this year compared with a year ago, the value of exports in January was lower than January 2017, down by 8%. Exports to China, Italy and the Czech Republic were all lower. Despite the dip, exports for the season to date remain above year-earlier levels in both volume and value. As the second **Chart of the Week** shows, it hasn't put much of a dint in the exorable rise in Australian wool exports on a 12 month rolling aggregate basis.



In last week's edition I commented that **Queensland** had seen another year of **failed summer rains** (which are critical for native pasture growth and water supplies). What a difference a week makes! Large areas of sheep country in Queensland have had massive amounts of rain this week and several areas are flooded. From what I hear, though, not many people are complaining after many years of drought. Hopefully this will encourage a rebuild of the Queensland sheep flock and producers can start to get a return on the large financial investment that they have made in dog-proof fences.

#### 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](#) to register.  
 The **Nanjing Wool Market Conference** will be held on 11<sup>th</sup> to 13<sup>th</sup> September 2018 in Nanjing.  
 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 12<sup>th</sup> MAR 2018 – week 37 (roster as at 8/3/2018)

<u>Sydney</u>	Wed, 14 <sup>th</sup> Mar; Thurs, 15 <sup>th</sup> Mar	10,546 bales
<u>Melbourne</u>	Wed, 14 <sup>th</sup> Mar; Thurs, 15 <sup>th</sup> Mar	23,591 bales
<u>Fremantle</u>	Wed, 14 <sup>th</sup> Mar; Thurs, 15 <sup>th</sup> Mar	9,757 bales

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



## CHART OF THE WEEK#1

### ABARES Forecasts for wool, sheep, cotton & wheat

	15/16	16/17	17/18e	18/19f	19/20f	20/21f	21/22f	22/23f
EMI (Ac/kg)	1,256	1,415	1,630	1,700	1,785	1,874	1,949	2,015
Shorn wool prod (mkg)	325	340	346	350	355	360	363	365
Sheep numbers (mill)	70.9	68.7	73.6	76.6	78.6	80.4	81.8	83.0
Sheep shorn (mill)	73.4	74.3	76.0	76.9	78.4	79.5	80.1	80.5
Wool exports (\$mill)	3,283	3,617	4,331	4,620	4,932	5,208	5,489	5,743
Lamb price (Ac/kg)	533	592	625	645	665	660	655	650
Sheep price (Ac/kg)	316	415	440	459	477	479	480	481
Beef price (Ac/kg)	505	535	455	439	434	429	461	490
CotLook A index (USc/lb)	70.4	82.8	81.0	85.0	79.0	81.0	85.0	94.0
Wheat price (Ac/tonne)	303	268	309	317	346	350	344	343

Source: ABARES

Note: Prices are annual averages and saleyard price. Production is annual total. Sheep numbers is at 30<sup>th</sup> June unadjusted for the new EVAO cut-off used by the ABS.