



27th April 2018

2018/14

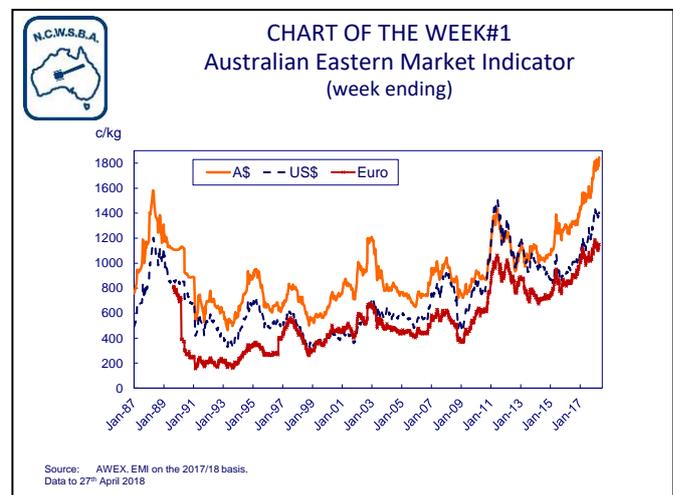
From the desk of Chris Wilcox, Executive Director

- Lower A\$ pushes wool prices higher
- Sheep slaughterings 25% higher, lamb slaughterings on par
- FAWO General Meeting and Technical Committee meeting
- Detailed report from AWPFC now available
- Upcoming events



The **Australian wool market** lifted again this week, spurred on by a sharp fall in the Australian dollar. The announcement by the Australian Wool Production Forecasting Committee last Friday that Australian shorn wool production is likely to fall in 2018/19 may have also been a factor. Buyers responded by bidding up prices for both Merino and Crossbred wool, notably on the first selling day on Tuesday, before prices eased on Thursday. The **Eastern Market Indicator (EMI)** increased by 21 Acents to close at 1846 Ac/kg, a new record (at least in nominal terms). Sydney fared best, with the Northern Market Indicator 27 cents higher at 1908 Ac/kg. The Southern Market Indicator lifted by 18 cents to 1807 c/kg. Fremantle saw significant falls on Thursday, but the Western Market Indicator was still 15 cents higher at 1949 c/kg. The A\$ was more than 2 US cents lower and was also lower against the Euro and the Renminbi. As a result, the EMI fell by 27 UScents to 1398 USc/kg, by 850 Renminbi to 8842 RMB/kg and by 3 €cents to 1148 €cents/kg.

The closing EMI this week in A\$ was a new record, however, the fall in the **EMI in US\$ terms and Euro terms** means that the EMI in these two currencies are below the historical peaks. Even so, wool prices in Australia seem to be on an inexorable rise in all three currencies, as can be seen in the first **Chart of the Week**. This chart shows the trends in the Eastern Market Indicator since 1987 on the same 2017/18 basis in A\$, US\$ and Euro. The current Euro price is only a little off the peak seen in January. In US\$, the EMI has pulled back from the recent peak of 1439 USc/kg recorded in February, but it is still below the heights recorded in mid-2011 when the EMI hit 1512 US/kg. At the time the A\$ was trading at 106 UScents compared with the current 75-76 UScents.

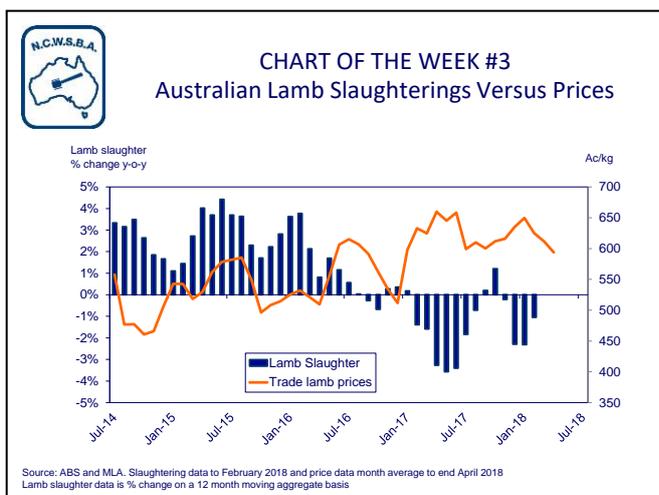
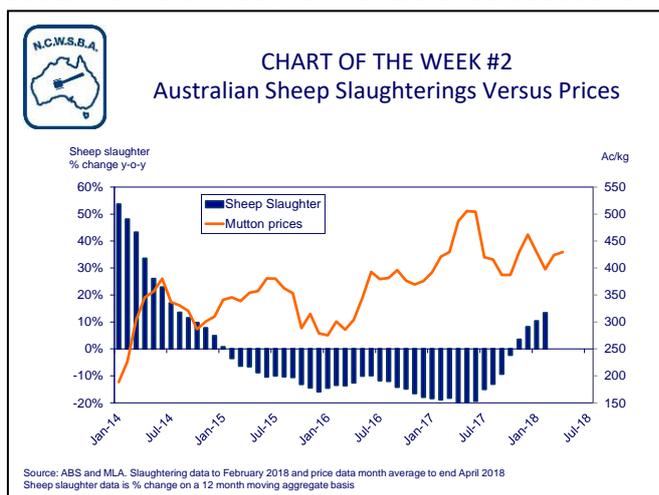


In its Media Release last Friday the Australian Wool Production Forecasting Committee noted that the dry seasonal conditions across the country and high mutton prices are compelling growers to **off-load adult sheep**. This is despite the incentive provided by the extended run of high Merino wool prices to rebuild flocks and boost wool production. Growers are keen to retain and increase breeding ewe numbers, according to the results of the latest AWI-MLA Lamb and Wool Survey which was conducted in February. The results show that 62% of Survey respondents want to maintain their ewe breeding flock numbers, while 29% want to increase flock numbers. Of those that wish to increase breeding ewe numbers, 47% say that they will do that retaining more replacement ewes than normal, 29% will retain more older ewes than normal and only 27% say that they will buy more additional ewes than normal.

Despite these positive intentions, the latest available data from the Australian Bureau of Statistics shows that the **number of sheep slaughtered** was 25% higher in the eight months of this season to February 2018 compared with the same period last season. At the same time, saleyard prices for sheep for slaughter remain at high levels despite the added supply. The second **Chart of the Week** shows the trends in saleyard prices for sheep in Australia and the year-on-year % change in the number of sheep slaughtered on a rolling 12-month basis. As can be seen, after remaining below year-earlier levels for more than 2½ years between February 2015 and October 2018, sheep slaughter numbers have risen. Current price levels are at around the 83rd percentile of historical prices.

While sheep slaughterings are 25% higher so far this season, the **number of lambs slaughtered** in the July-February period was virtually the same as a year earlier. It was around 1% higher than the same eight months last season. Saleyard prices for lambs have pulled back since the peak in January and are currently at the 73rd percentile.

The third **Chart of the Week** shows the trends in saleyard prices for trade lambs and the year-on-year % change in the number of lambs slaughtered on a rolling 12-month basis.



The **Federation of Australian Wool Organisations** holds a General Meeting every year prior to the International Wool Textile Organisation's Congress. This year's meeting is next Tuesday, 1st May. The General Meeting will appoint the voting delegates from Australia and the agenda items for the IWTO Heads of Delegation. FAWO will also discuss its position on a number of technical papers that will be presented at the IWTO Congress, including a paper on the equivalence of the results from the Almeter-2000 (Windows) machine with the results from the Almeter 100. This has been an on-going debate at IWTO since 2013 as there have been doubts raised about the equivalence which potentially has commercial implications. The existing IWTO standard (IWTO-17) only includes the Almeter 100. These technical papers was considered by the FAWO Technical Committee today (Friday). I attended the Technical Committee meeting and will be at the FAWO General meeting representing NCWSBA.

The **detailed report from the Australian Wool Production Forecasting Committee** is now available on the AWI website. I have attached it to the email with this edition of the *Weekly Newsletter*.

INDUSTRY EVENTS

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

The **2018 AWIS Wool Week** will be held in Melbourne on 23rd & 24th August. The NCWSBA AGM will be held on Thursday, 23rd August 2018.

The **Nanjing Wool Market Conference** will be held on 11th to 13th September 2018 in Nanjing.

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

WOOL SALES WEEK BEGINNING 30th APRIL 2018 – week 44 (roster as at 26/4/2018)

<u>Sydney</u>	Wed, 2 nd May; Thurs, 3 rd May	11,486 bales
<u>Melbourne</u>	Wed, 2 nd May; Thurs, 3 rd May	23,651 bales
<u>Fremantle</u>	Wed, 2 nd May; Thurs, 3 rd May	8,178 bales

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