



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

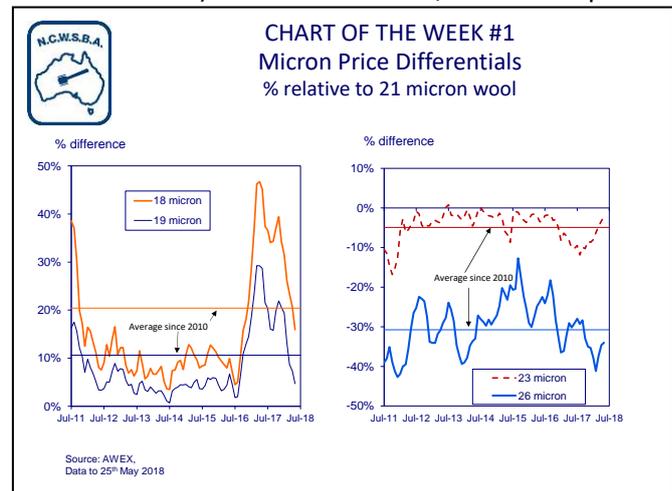
- Australian EMI leaps again as it closes in on \$20, micron price differentials close
- US pulls back from trade war with China
- China wool imports lift, wool product exports fall
- NCWSBA 2017 Woolbroker Award Winner in Hong Kong
- NCWSBA Woolbroker Award 2018
- Upcoming events



What more is there to say about this astonishing market for wool, particularly Merino wool? Everybody is running out of superlatives. Prices rose again this week, with Merino wool prices rising by between 45 and 75 cents in the Melbourne and Sydney. Merino cardings were also higher. Fine Crossbred wools also lifted substantially, but broader Crossbreds (28 micron and broader) eased back. The **Eastern Market Indicator (EMI)** rose by 40c/kg to finish the week at 1983 c/kg, closing in fast on the \$20/kg level. The EMI is 470 c/kg (31%) higher than a year ago and 671 c/kg (51%) higher than two years ago. Wool supplies remain low, with just 30,053 bales on offer this week, although it is not unusual for this time of the year. The A\$ rose by 0.4 UScents and the EMI lifted by 39 UScents to 1501 USc/kg, the highest since July 2011. The A\$ also lifted against the Euro and the Renminbi. The EMI increased by 43 €cents to 1281 €cents/kg (yet another new record) and by 268 RMB to 9584 RMB/kg.

While all Merino wools have enjoyed a lift in prices in the past few months, the largest gains have been seen for medium and broad Merino wool. Since the start of 2018, prices for wool between 20 microns and 23 microns have risen by between 310 and 550 cents/kg (between 16% and 35%). At the same time, fine and superfine wool prices have lifted by between 140 and 420 cents/kg (between 6% and 16%). For fine Crossbred wool, prices have lifted by around 30% while broad Crossbred wools prices have lifted more moderately.

As a result of these different degrees of increases, the **price differentials between microns** have changed significantly in the past few months. As the first **Chart of the Week** shows, the premium for fine and superfine wool over medium Merino wool has dropped sharply in recent months and is now below the average of this decade. For 23 micron wool, the price discount against 21 micron wool has fallen, as has the discount for 26 micron wool.



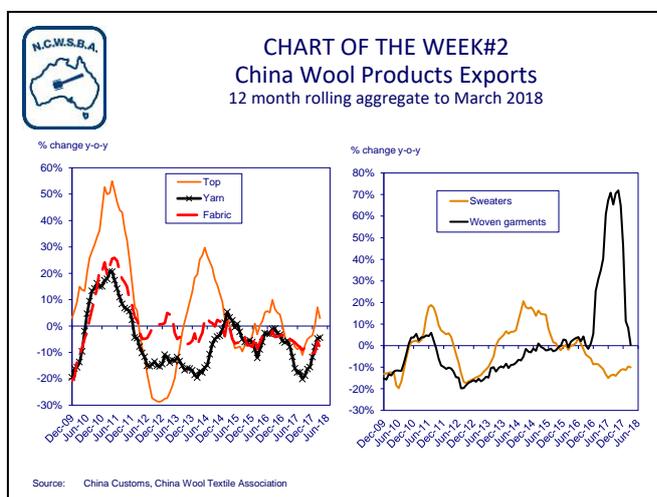
There was good news this week on the **trade front** with the Trump Administration announcing that it has **withdrawn its threat to impose punitive tariffs** on imported goods from China. As I commented in the 23rd March edition of the *Weekly Newsletter*, I saw the threat of a trade war between the world's two largest economies as a major risk for the wool market. It was possible that this might have caused a turn-down in the current Supercycle for Merino wool. I reiterated that point in my presentation at the IWTO Congress last week. It is a relief to see that sanity has prevailed.

The China Wool Textile Association released the latest data on **China's trade in wool and wool products** yesterday. **Imports of raw and semi-processed wool** by China increased sharply in March after declining in February. While imports from all sources increased by 39% in March compared with March 2017, the most

significant increases were seen for imports from New Zealand (+88%), Uruguay (+86%) and 'other' countries (+80%). Imports from Australia lifted by 16%. For the 2017/18 season to March, China's imports were 28% higher than for the same period in 2016/17. Imports from Uruguay were 96% higher, while import from 'other' countries were up by 67% and imports from New Zealand were up by 26%. All of these countries had seen hefty falls in 2016/17, so a recovery was due. Note that these countries mostly supply wool broader than 25 micron. China's imports from Australia and South Africa were up more modestly, by 9% and 14% respectively. China's imports from Australia and South Africa increased in 2016/17, so the rise this season is built upon the higher imports to start with.

While China's imports of raw and semi processed wool have increased in the 2017/18 season, the picture is not as positive on the export side. China's **exports of wool top and yarn** lifted in the first nine months of the 2017/18 season, up by 6% and 7% respectively. For wool tops, exports to the European Union was the driver, up by 21%. China's exports of wool fabric, sweaters and woven clothing has fallen so far this financial year. **Exports of wool fabric** were down by 6%, while **exports of wool sweaters** were 8% lower. China's **exports of wool woven clothing** have dropped sharply, down by 29% in 2017/18 to date. This drop comes following the large increase in exports of woven wool clothing in 2016/17, with a huge jump in exports to countries in Africa reportedly due to the Belt and Road Initiative. The surge in exports seems to have been very short-lived. The second **Chart of the Week** shows the % change trends in exports of each product a 12-month rolling aggregate basis. The spike in exports of woven wool clothing can be seen very clearly.

Brett Smith, the 2017 NCWSBA Broker Award winner, attended the IWTO Congress in Hong Kong last week. His attendance was funded with support by the sponsorship of AWTA and Fairfax Agricultural Media. He was one of the more than 20 people involved in the Young Professionals Program. The photo shows Brett on stage giving a brief overview of his role in the wool industry and why he was attending the Congress. The Young Professionals Program is excellent, providing younger members of the wool industry an opportunity to network and develop an understanding of IWTO and sectors outside their experience. Following the Congress, I accompanied Brett and two others from Elders to visit retailers and a fashion hub in Hong Kong, then we visited UPW, a woollen spinning mill in Dongguan, southern China. Alex Lai, Daniel Chan and Brian Tam from the Woolmark Hong Kong arranged the visit.



Applications for the **NCWSBA Wool Broker Award for 2018** close on **22nd June**. Sponsored by Fairfax Agricultural Media and AWTA, the Award recognises excellence in wool broking by a younger member of our industry. This year's Award winner will be granted an **all-expenses paid trip Venice, Italy to attend the 2019 IWTO Congress in April 2019**. Contact me for application forms.

INDUSTRY EVENTS

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 28th MAY 2018 – week 48 (roster as at 24/05/2018)

<u>Sydney</u>	Wed, 30 th May; Thurs, 31 st May	10,489 bales
<u>Melbourne</u>	Wed, 30 th May; Thurs, 31 st May	16,462 bales
<u>Fremantle</u>	Wed, 30 th May; Thurs, 31 st May	4,385 bales

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