



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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2018/18

From the desk of Chris Wilcox, Executive Director

- Australian EMI rises again and hits new records in A\$, US\$, Euro and Renminbi
- Inflation-adjusted EMI in April 1988 was 1600 cents above current level
- AWTA wool tests up in May
- Seasonal conditions and outlook
- Upcoming events

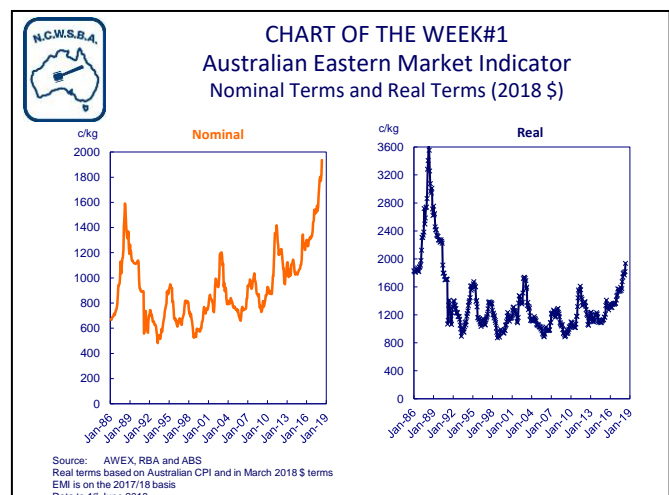


Applications for the **NCWSBA Wool Broker Award for 2018** close on **22nd June**. Sponsored by Fairfax Agricultural Media and AWTA, the Award recognises excellence in wool broking by a younger member of our industry. This year's Award winner will be granted an **all-expenses paid trip Venice, Italy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

This market keeps on giving to woolgrowers. Another record week in the Australian wool market as the **Eastern Market Indicator** burst through the 2000 c/kg level and kept rising, finishing the week at 2027 c/kg, up by 44 cents. Prices for Merino wool lifted by between 26 and 81 cents in the eastern states, while fine Crossbred wools also gained 24 to 57 cents. Broader Crossbred wools (30 micron and broader) were up a little. In the past month, the EMI has lifted by 191 c/kg or 9.4%, a phenomenal growth rate particularly given that the EMI was already at record levels. The EMI lifted to new records in US\$, Euro and Renminbi this week. It was up by 32 UScents to 1533 USc/kg, which beats the previous record set in 2011 when the A\$ was worth US\$1.10. The EMI increased by 32 €cents to 1313 €cents/kg, beating last week's record level. It rose by 235 RMB to 9819 RMB/kg, also a new record beating the previous record set in June 2011.

The sharp rise in the EMI in the past 12 months and particularly in the past month has been terrific news for Australian woolgrowers who grow Merino wool and all growers around the world who have Merino sheep. The move above the \$20/kg mark is indeed momentous. However, as I said in the *Weekly Newsletter* last November, the record nominal level is illusory as it does not allow for **inflation**: \$1 now is worth less than it was 5 years ago, 10 years ago, 30 years ago. It is worth looking again at prices in real terms (i.e. adjusted for inflation).

The first **Chart of the Week** shows the current EMI in nominal terms and in real terms. The prices in real terms are in current (i.e. 2018) \$ terms. The chart on the left shows the surge in prices over the past 2 years and how far current prices are above the previous peak in 1988. The current EMI is 445 cents above the peak EMI of 1582 c/kg in April 1988. However, once inflation is taken into account, the current level is dwarfed by the real terms EMI in April 1988 (the right hand chart). **In real terms, the EMI in April 1988 was 3638 c/kg, 1600 c/kg higher than the current EMI of 2027 c/kg.** This is a massive difference and is pause for thought amidst the acclamations, excitement and amazement about the current market. The 1986-88 Supercycle was truly a monster that will take a lot of beating. While the current Supercycle has broken new ground, having run for a record 114 weeks and counting (above the 111 weeks for the Supercycle in 1986-88), it is still dwarfed by the extent of the rise in prices in the 1986-88 Supercycle.

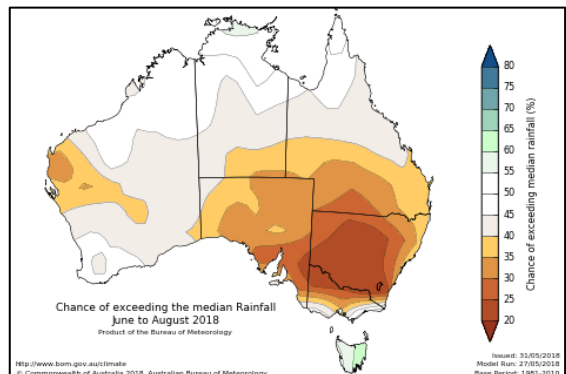
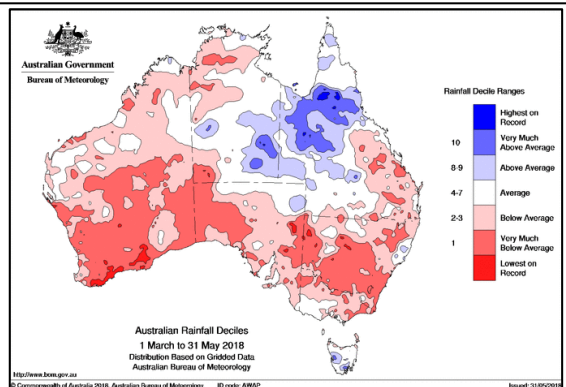
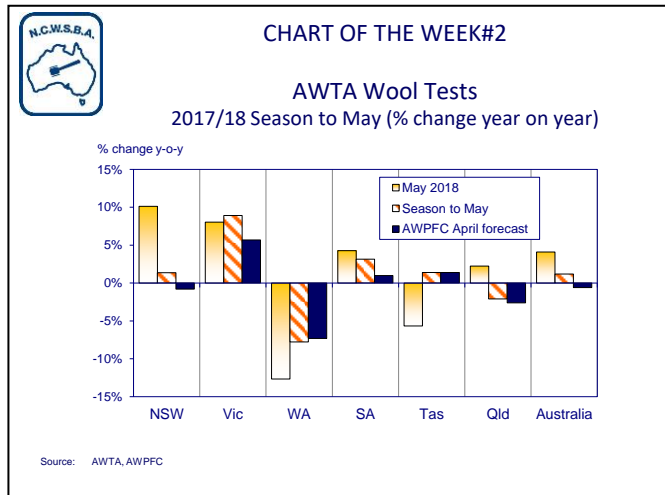


AWTA released the **wool test data** for May this morning. The volume of wool tested in May was 4.1% higher than in May 2017. In fact, the volume of wool tested at 29.7 mkg greasy was the highest May monthly result since 2011/12. Four of the six states recorded higher wool test volumes in May: NSW was 10% higher; Victoria was up 8%; SA was 4% higher and Queensland was 2% up. WA saw wool tests fall by 13% and Tasmania wool tests were down by 6%. This increase has probably surprised a number of people in some states who thought that volumes would be down in May and June due to dry conditions over the past 8-12 months. It is amazing what a record-breaking run of prices can do to encourage growers to get wool into the market. No doubt growers are finding everything they can to send to the market. The dry conditions may have also encouraged early shearing and the extreme prices may have seen growers who may have held wool over to the new financial year change their minds.

For the 2017/18 season to May, the volume of wool tested by AWTA was 1% higher than in 2016/17. Wool test volumes in WA and Queensland were lower than a year earlier (-8% and -2% respectively). All other states had higher volumes: NSW (+1%); Victoria (+9%); SA (+3%); and Tasmania (+1%). The second **Chart of the Week** shows the year-on-year change in wool tests for May and for the season to May, compared with the April forecasts from the Australian Wool Production Forecasting Committee (AWPFC). As can be seen, the Committee's forecasts look a little pessimistic.

According to data from the Bureau of Meteorology, May was **drier to much drier than normal** for the month for large parts of the Australian mainland. NSW, Queensland and WA all experienced very dry conditions, continuing the run of dry months seen for the past 9-12 months. Victoria and Tasmania fared better. For the three months March to April almost all of the major sheep producing regions in Australia experienced dry conditions (see the **first map**). This is making it very difficult for growers across the country and is not great news as we head towards the new season.

Disappointingly, the Bureau says that following this dry autumn, winter is also likely to be drier than average in the southeast mainland of Australia, extending into southern Queensland and across SA. Conversely, eastern Tasmania is slightly more likely to be wetter than average. The Bureau expects that June, July and August will be much drier than normal in significant parts of south-east Australia, as shown in the second map. It also predicts that winter will be warmer than usual for most of the country.



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 4th JUNE 2018 – week 49 (roster as at 31/05/2018)

<u>Sydney</u>	Wed, 6 th June; Thurs, 7 th June	11,802 bales
<u>Melbourne</u>	Wed, 6 th June; Thurs, 7 th June	15,468 bales
<u>Fremantle</u>	NO SALES	

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