



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Unit 9
42-46 Vella Drive
Sunshine West Vic 3020

Phone: 03 9311 0152
Fax: 03 9311 0138
E-mail: newsba@woolindustries.org
Twitter : @woolbrokersaus

22nd June 2018

2018/21

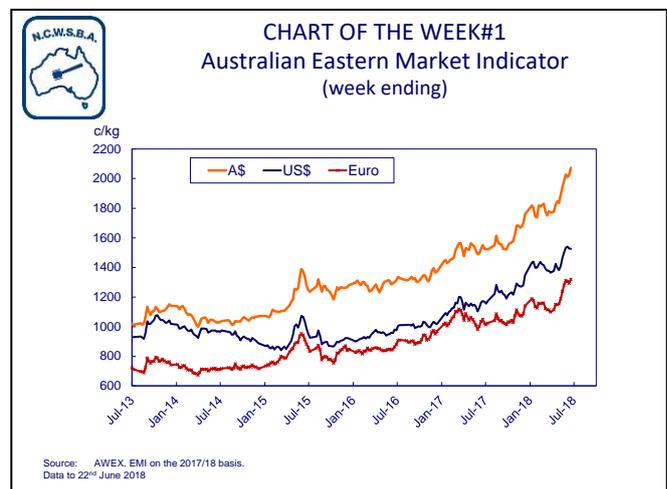
From the desk of Chris Wilcox, Executive Director

- Falling A\$ reignites the wool market
- Trade war fears re-emerge
- ABARES latest outlook – wool outguns the rest
- NCWSBA AGM and Forum
- NCWSBA is moving office
- Upcoming events



Currency movements this week had another big influence in the trends in prices in the **Australian wool market**. The A\$ fell by more than 2 UScents and was also lower against both the Chinese Renminbi and the Euro, although not down by as much against these other currencies. The market was also helped by a low offering of just 20,904 bales, with AWEX reporting it as the lowest national weekly offerings in nine years. Several buyers I spoke to in Melbourne said that they couldn't recall ever seeing such low volumes in Melbourne (there were only 10,811 bales offered). The combination of the sharply lower A\$ and the very low offerings reignited the market and the **Eastern Market Indicator** jumped by 52 cents to a new record of 2073 c/kg. All Merino wools did very well, with the biggest rise seen for the 19.5 MPG, which was up by 93 cents. Prices for Crossbreds 29 micron and finer were around 40 cents higher. Auctions were only held in Sydney and Melbourne, with Fremantle having a week off. The Northern Market Indicator finished at 2110 c/kg (up 51 cents) and the Southern Market Indicator was up 53 cents at 2050 c/kg.

The fall in the A\$ against the US\$ meant that the EMI in US\$ actually eased slightly, down by 3 UScents to 1526 USc/kg. The EMI was higher in both Renminbi and Euro despite the fall in the A\$ against those currencies: it rose by 146 RMB to 9910 RMB/kg; and by 26 €cents to 1319 €cents/kg. The first **Chart of the Week** shows the trends in the EMI in A\$, US\$ and Euro over the past five years. The sharp rise in the EMI in each currency in the past year or more can be seen clearly. You should also note that the start of the current supercycle was around late 2015/early 2016, although the lift since Easter this year has been remarkable.

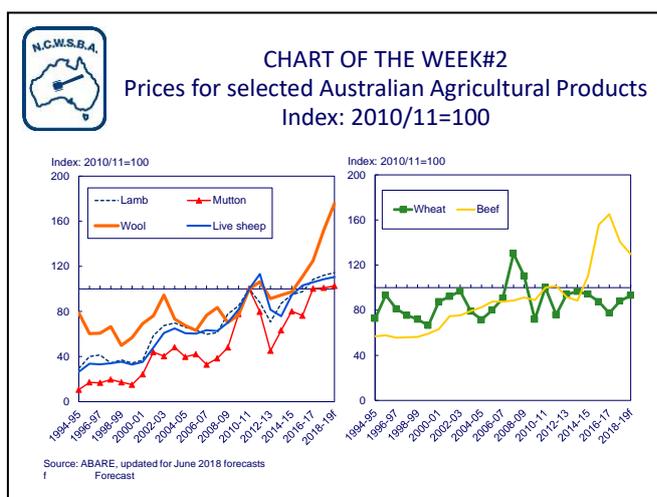


The prime reason for the drop in the A\$ this week against the US\$ is due to the re-emergence of fears about a **trade war between the US and China**. Late last week, the Trump Administration announced that it was imposing high tariffs on US\$50 billion worth of imports from China. The Chinese Government responded quickly, announcing high tariffs on \$50 billion worth of imports from the US, including on beef, tobacco, cars and chicken meat. In response, President Trump said that the US would impose high tariffs on more imports from China. This latest escalation comes after the US imposed new tariffs on imports on steel and aluminium from the European Union, Canada and Mexico. These three trading partners have threatened retaliatory tariffs on US goods. And, so it will go on, with each country ratcheting up the coverage of high tariffs, unless sanity prevails. Escalation will be bad for the global economy and commodity prices in general.

On Tuesday, ABARES (the Australian Government's agricultural commodity forecaster) released its **latest forecasts for 2018/19**. Its March forecasts were bullish for wool price, and now the June forecasts have been lifted even further. ABARES predicts that the EMI will average 1990 c/kg in 2018/19, up 15.5% from an average of 1723 c/kg in 2017/18. In March 2018, ABARES predicted that the EMI would average 1700 c/kg in 2018/19. So, the forecast annual average has been lifted by 290 c/kg. This is an amazing lift in a mere 3 months and a phenomenal average for a full season. When looked at through the lens of the current EMI (2073 c/kg), the 1990 c/kg average in 2018/19 looks perfectly reasonable. But, looking from an historical perspective, it looks a little optimistic.

ABARES predicts that shorn wool production in 2018/19 will increase to 350 mkg, up from their forecast 343 mkg in 2017/18. Both of these forecasts are higher than the Australian Wool Production Forecasting Committee's forecasts in April (which were 338 mkg in 2017/18 and 33 mkg in 2018/19). Interestingly, ABARES' forecast of a 2% increase in shorn wool production in 2018/19 comes from an implied increase in average fleece weights, as they only predict a minor 0.1% increase in sheep shorn numbers. Given the dry conditions seen in many areas of Australia, it is hard to see where this increased average wool cuts per head will come from.

Wool is the star performer from ABARES' latest forecast, with such a 16% strong rise in wool prices in 2018/19. ABARES predicts that prices for lamb, mutton and live sheep will increase by around 2% and that wheat prices will lift by 6%. It predicts that beef prices will drop by 8%. The second **Chart of the Week** shows a comparison of the prices for these agricultural products, based on an index with 2010/11 set at 100. The wool price is clearly the best performer.



The **Annual General Meeting and Forum for the National Council of Wool Selling Brokers of Australia** will be held on Thursday, 23rd August at the Crowne Plaza Hotel. In addition to the AGM, Brett Smith (Winner of the 2017 Wool Broker Award) will give a presentation on his experiences at the 2018 IWTO Congress in Hong Kong. The Finalists for the 2018 Broker Award will also give presentations in support of their applications. Finally, we will have invited speakers – I will let you know who they are in coming editions.

The **NCWSBA Board will hold a meeting** following the AGM - NCWSBA members are invited to attend as observers. The AWIS Wool Week dinner will be held at the MCG that evening. The winner of the **NCWSBA Wool Broker Award** will be announced at the dinner and this year's recipients of the **Australian Wool Industry Medal** will also be presented. I sent out details for Wool Week, including the NCWSBA AGM, earlier this week. Contact me if you would like details. I look forward to seeing you there!

NCWSBA is moving office. From 2nd July the office will be located at the **AWH Wool Selling Centre in Tottenham**, here in Melbourne. Our address will be Gate 4, 29 Frederick Rd, Tottenham, 3012. Our email address will also change: it will be info@ncwsba.org. I will be contactable on chris.wilcox@ncwsba.org.

INDUSTRY EVENTS

The **NCWSBA AGM and Forum** will be held on Thursday, 23rd August 2018 in Melbourne as part of the **2018 AWIS Wool Week**.

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 25th JUNE 2018 – week 52 (roster as at 21/06/2018)

<u>Sydney</u>	Wed, 27 th June; Thurs, 28 th June	10,619 bales
<u>Melbourne</u>	Wed, 27 th June; Thurs, 28 th June	16,915 bales
<u>Fremantle</u>	Wed, 27 th June; Thurs, 28 th June	4,994 bales

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