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2018/34

From the desk of Chris Wilcox, Executive Director

- Australian wool prices fall sharply
- Wool price relativity with competing fibres
- Wool exports from NZ and Uruguay up sharply
- Broad-based lift in raw wool demand across major processing countries
- Large jump in sheep slaughter predicted by MLA in new forecasts for 2018
- Upcoming industry events



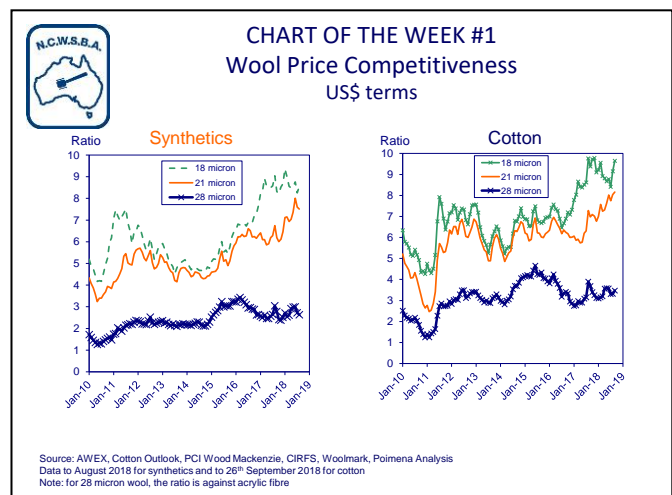
The **Australian wool market** fell this week, with price falls across all microns. The **Eastern Market Indicator** closed at 2013 c/kg, down by 54%. Merino and Crossbred wool prices all fell by around the same in % terms (2%-4%), although the falls were greatest in cents/kg for Merino wool. The Merino Carding Indicator recorded the largest decline, down by 97 cents/kg or 6% for the week. All three selling centres were affected by the drop fall. The Western Market Indicator was again down the most, by 81 cents to 2141 c/kg. The Northern Market Indicator was 66 cents lower to close at 2074 c/kg and the Southern Market Indicator fell by 47 cents to 1975 c/kg. The A\$ was steady against the US\$ and the Renminbi, and a little lower against the Euro. The EMI was 39 UScents lower at 1461 USc/kg, down by 40 €cents to 1244 €cents/kg and 268 RMB lower at 10,090 RMB/kg.

In last week's edition of the *Weekly Newsletter* I noted that while Merino wool prices have risen throughout 2018, prices for competing fibres have been more variable, with prices for cotton and viscose falling but polyester and acrylic prices on the rise. This has changed the **price relativity for wool prices** against these other fibres. The first **Chart of the Week** shows the trends in wool's prices relativity with synthetic fibres and with cotton.

The data for **cotton** is to 26th September and shows the steady lift in the ratio for 21 micron wool against cotton to a record level of 8.16. For 18 micron wool, the price ratio against cotton has risen to 9.68, just shy of the record of 9.78 set on November last year. For cross-bred wool (as represented by the 28 micron indicator), the ratio is at 3.47, well below the levels seen in 2015.

For **synthetic fibres**, the data is only to August. As can be seen in the chart, the price ratio for 21 micron wool has slipped back in the past two months from the record level of 8.01 as synthetic fibre prices have lifted on the back of higher oil prices. The price ratio for 18 micron wool has fallen well back since the peak in January, but remains historically high. Crossbred wool is also lower in recent months.

The latest available **export data for the major wool producing and exporting countries** for the 2018 calendar year to date makes for very interesting reading. Of the exporting countries, export volumes this year have jumped sharply for New Zealand, Uruguay and Argentina. Exports in calendar year 2018 from New Zealand are up by 17%, exports from Uruguay are up 18% and exports from Argentina are up by 17%. Exports from South Africa are also higher, up by 6% on the same period in 2017. In contrast, exports from



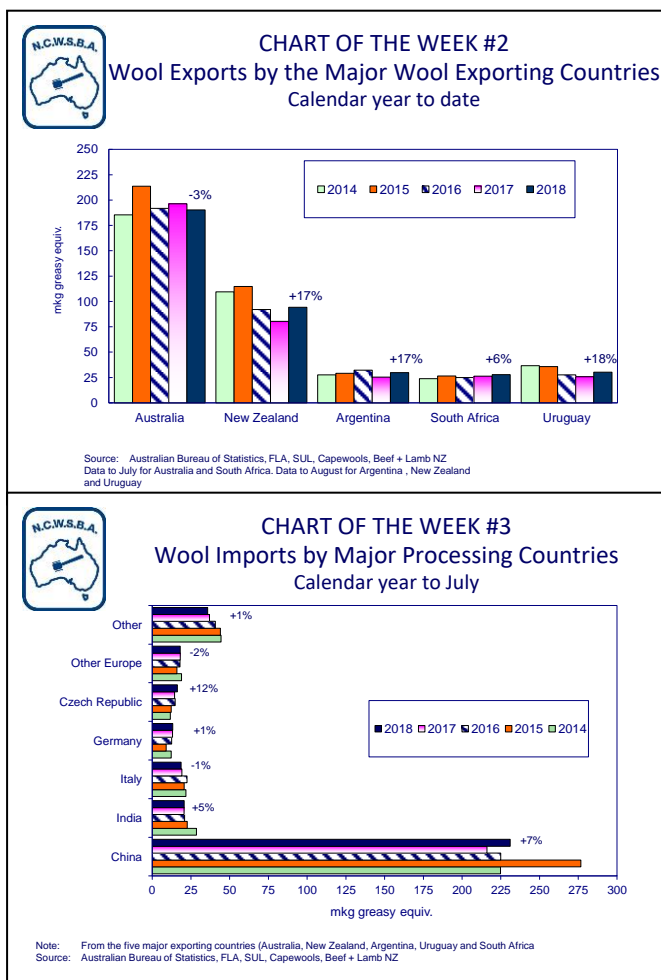
Australia for the 2018 year to date are down by 3% compared with the level in 2017. This is due almost entirely to lower supplies from Australia in 2018, rather than weaker demand.

The second **Chart of the Week** shows the volume of wool exported by the six major exporting countries in 2018 compared with the levels in each of the past four years. As can be seen, the volume of wool exports from Australia this year to date is the lowest since 2014. For New Zealand, Uruguay and Argentina, the lift this year compared with 2017 simply takes exports back to 2016 levels following the drop in exports in 2017.

In total, wool exports by the five major wool exporting countries was 5% higher in 2018 than in 2017. This increase is due to strong lifts in purchases by China, the Czech Republic and India (as shown in the third **Chart of the Week**). There has also been a small lift in purchases by Germany and by 'other' countries, which includes Egypt, Taiwan, Japan, Korea, Taiwan and Malaysia. At the same time, exports to Italy and 'other' Europe (mainly the UK and Bulgaria). Nevertheless, this broad-based lift in demand for raw wool is encouraging.

Meat & Livestock Australia (MLA) this week released its **new forecasts for the Australian sheep industry** for 2018 and beyond. The major change in the MLA's forecasts which will affect the wool industry is the sharp increase in its predictions for sheep slaughter in 2018. MLA now predicts that there will be 9.3 million head of sheep slaughtered in Australia in 2018. This is 1.5 million more sheep slaughtered in 2018 than MLA predicted in May. This level of sheep slaughter is the highest since 2014 and reflects the extremely dry seasonal conditions in key parts of Australia, notably in New South Wales, parts of Victoria and parts of South Australia. At 9.3 million head, this is 23% higher than in 2017 and comes despite record prices for both lambs and for wool.

At the same time, MLA predicts that live sheep exports from Australia will drop by 39% to 1.15 million head. This is the direct result of the Australian Government-imposed sanctions on some live sheep exporters. MLA also predicts that the number of lambs slaughtered will rise by 2%. Overall, MLA predicts that sheep and lamb turn-off in Australia will increase by 1.5 million head, leading to a fall in sheep numbers. However, MLA expects that sheep slaughter will drop sharply in 2019 on the back of better seasonal conditions, which will help start the rebuilding of the national sheep flock. You can see full details by downloading the report by clicking [here](#).



INDUSTRY EVENTS

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 19th October 2018.

The **IWTO 2018 Roundtable** will be held in Buenos Aires on 3rd to 4th December 2018.

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

WOOL SALES WEEK BEGINNING 1st COT 2018 – week 14 (roster as at 27/9/2018)

<u>Sydney</u>	Wed, 3 rd Oct; Thurs, 4 th Oct	10,488 bales
<u>Melbourne</u>	Wed, 3 rd Oct; Thurs, 4 th Oct	24,268 bales
<u>Fremantle</u>	Wed, 3 rd Oct; Thurs, 4 th Oct	7,790 bales

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