



The National Council of Wool Selling Brokers of Australia Inc

Gate 4
29 Frederick Rd
Tottenham Vic 3012

NEWSLETTER

Phone: +61(0)419344259
E-mail: info@newsba.org
Twitter: @woolbrokersaus
Instagram: newsba



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From the desk of Chris Wilcox, Executive Director

- Wool prices bounce back
- Premiums for non-mulesed Merino wool jump to record levels
- Cotton prices remain under pressure
- Upcoming industry events



Cotton prices remain low as production outstrips demand

Cotton prices, as judged by the CotLook A Index (a global benchmark indicator for cotton), have fallen sharply since mid-2018, despite a brief respite at the start of 2019. From a high of 101.5 USc/lb (or 223.7 USc/kg) in June 2018, the CotLook A Index fell by 31% to a low of 70.4 USc/lb (or 155.1 USc/kg) in August. Prices have since recovered a little to 75.2 USc/b (165.8 USc/kg). The fall in prices over the past 15 months is the result of the rise in cotton production outstripping the growth in consumption combined with weak demand and prices for polyester (the major competitor fibre to cotton). This close link to the polyester sector is seen by the lift in cotton prices in mid-September immediately in the wake of the attack on Saudi Arabian oil fields and petrochemical installations.

However, the lift in cotton prices is likely to be short-lived given the supply-demand balance for cotton. The latest estimates and forecasts from the US Department of Agriculture (USDA) show that global cotton production is expected to increase by 4.8% in 2019/20, rebounding after a sharp decline in 2018/19. At the same time, the USDA predicts that global cotton mill consumption will only rise by 1.2% in 2019/20 (after having fallen in 2018/19). As a result, global cotton stocks are expected to rise in 2019/20. In total, stocks at the end of 2019/20 will be equal to 69% of the annual mill consumption. A rule of thumb among commodity analysts is that if stocks are about a third of consumption, then prices are likely to be steady, but if the stocks:use ratio is higher than a third, then there is downward pressure on prices.

Therefore, a sustainable rise in cotton prices seems unlikely. That means that Merino wool's price relativity against cotton will remain high – it is currently sitting at 7.21:1, compared with the average since 2010 of 6.11:1 and the average of 4.57:1 between 2000 and 2010.

Further details, including charts showing the trends in cotton prices and the trends in production, consumption and stocks, are given in the full edition of the NCWSBA *Weekly Newsletter*. Available to NCWSBA members.

INDUSTRY EVENTS

The **2019 IWTO Round Table** will be held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **NCWBA Centenary Auction and Cocktail Reception** will be held in Melbourne on Thursday, 20th February 2020.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

WOOL SALES WEEK BEGINNING 28th OCT 2019 – week 18 (roster as at 25/10/2019)

<u>Sydney</u>	Wed, 30 th Oct; Thurs, 31 st Oct	9,577 bales
<u>Melbourne</u>	Wed, 30 th Oct; Thurs, 31 st Oct	21,461 bales
<u>Fremantle</u>	Wed, 30 th Oct; Thurs, 31 st Oct	8.408 bales

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