The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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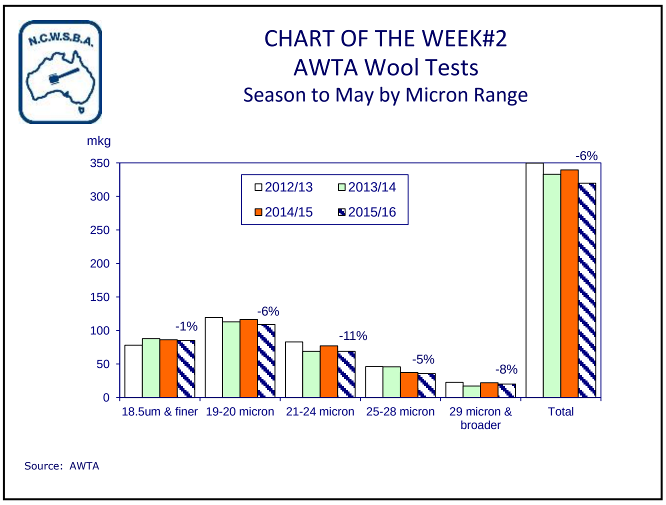
From the desk of Chris Wilcox, Executive Director

- Australian wool market starting to flag?
- Wool supplies dry up - AWTA wool test volumes down in May
- Australian wool export volumes fall in April but values up
- Tracing wool in the event of an Emergency Animal Disease
- Upcoming events

The **Australian wool market** faltered this week, with a softening in demand and prices for fine Merino fleece wool, although there were better prices for broader Merino wool, Crossbred wool and for Merino cardings. Prices for Merino wools of 20 microns and finer eased back this week, by between 2 cents and 10 cents. There were modest gains for broader Merino wool as well as for some Crossbred wools. The Merino Cardings Indicator lifted again, by 10 cents. As a result of these various moves, the **Eastern Market Indicator** (EMI) slipped by just 1 cent to 1296 Ac/kg. There were differences between the regions, with the Northern Market Indicator sliding by 4 cents to 1323 Ac/kg, the Southern Market Indicator closing unchanged at 1278 Ac/kg and the Western Market Indicator at 1370 Ac/kg, down by 5 cents on the level a fortnight ago. The A$ lifted a little this week to 72.5 UScents and to 64.6€cents. As a result, the EMI rose by 4 UScents to 939 USc/kg and by 1€cents to 838 €cents/kg.

After an unexpectedly strong result in April, the volume of **wool tested by AWTA** dropped sharply in May according to the latest data released on Wednesday. The total weight of wool tested by AWTA in May fell by 13.3% compared with May 2015. This drop pushed the season-to-date decline to 5.9%. This compares with the Australian Wool Production Forecasting Committee's forecast of a 7% fall in production in 2015/16. Most states recorded significant drops in the weight of wool tested in May, led by a 27% decline in Queensland, a 21% drop in Tasmania and a 20% fall for Western Australia. After the strong 17% year-on-year lift in April, the volumes tested for New South Wales went into reverse in May, down by 15%. Victoria recorded a 10% fall in wool volumes tested. South Australia was the only state to record an increase, up by 3% in May.

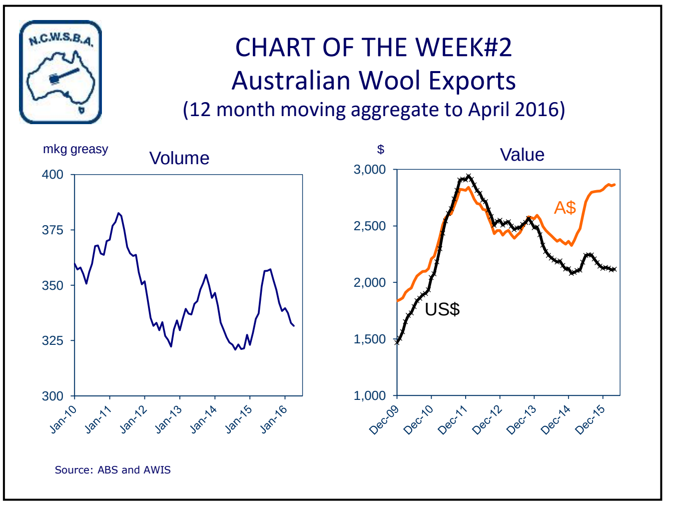


The changes by micron category are interesting. Before the season began most observers probably thought that production of superfine wool (18.5 micron and finer) would pull back after an extended period of low price differentials with fine and medium Merino wool. However, the AWTA data shows that the volume of superfine wool tested to end May only declined by 1% on the levels in 2014/15. They are also not far behind the peak levels seen in 2013/14. In contrast, the volumes of fine (19-20 micron) and broader (21-24 micron) Merino wool has fallen by 6% and 10% so far in 2015/16. As well, the volumes of crossbred wool (25-28 micron and 29 micron and broader) have fallen by 5% and 8% respectively. The first **Chart of the Week** shows the volumes of wool tested for the season to end May over the past four seasons.

Wool supplies in total are really drying up and it hard to see any improvement in June. The weight of wool tested by AWTA in June 2015 jumped by 27% year-on-year due to the spike in wool prices in May-June last year. I would expect that the volumes over the next four weeks will be well down on the levels of June 2015.

Data from the Australian Bureau of Statistics on **Australian wool exports** in April was released this morning by AWIS. It shows that the volume of exports from Australia declined again in April, but the value of exports remained above year-earlier levels. Wool export volumes fell by 5% in April, largely due to a 9% year-on-year fall in exports to China. Exports to India, the Czech Republic, Korea, Italy and Egypt all increased in April. It is no surprise to see the decline in export volumes, given the drop in the volume of wool tested and offered at auction this season. These changes meant that the volume of exports for the ten months of the 2015/16 season to April was down by 9%, with only India and Egypt (of the top seven export destinations) recording an increase.

The value of exports lifted by 4% in April, with exports to the top seven export destinations (including China) increasing compared with April 2015. For the season to April, the value of wool exports was 6% higher than in the same period in 2014/15. The second **Chart of the Week** shows the long term trends in Australia's wool exports in volume and value terms, with the value of exports being shown in both A$ and US$ terms. The charts show the 12 month moving aggregate of volumes and values. While export volumes have declined and the US$ value of exports has been flat in recent months, the value of exports in A$ terms continues to rise.



The Federation of Australian Wool Organisations (of which NCWSBA is a member) has been working actively over the past 2 years to prepare the Australian wool industry for an outbreak of an **Emergency Animal Disease**, such as Foot and Mouth Disease. There are a number of projects currently underway, with funding support from AWI. One project (which I am involved in) aims to develop protocols to use to **trace wool from affected properties** through the wool supply chain to shipside or Australian processor door. It also aims to identify gaps in the identification of affected wool within the supply chain. A simulation to test and refine the protocols was conducted in Victoria in April. Two more simulations, one in New South Wales and one in Western Australia, will be conducted over the next fortnight. The final protocols and recommendations will be available in July.

Don't forget to follow NCWSBA on Twitter! **@woolbrokersaus**.

OTHER INDUSTRY EVENTS

The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25th & 26th August. The **NCWSBA AGM** will be held on Thursday, 25th August 2016.

The **Nanjing Wool Market Conference** will be held in Wuxi on 23rd-27th September. Click here for details.

The **IWTO Wool Roundtable** will be held in Biella, Italy on 28th-29th November.

WOOL SALES WEEK BEGINNING 6th JUNE 2016 – week 50 (roster as at 2/6/2016)

Sydney
Wed, 8th June; Thurs, 9th June — 12,454 bales

Melbourne
Wed, 8th June; Thurs, 9th June — 16,041 bales

Fremantle
No sale

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