The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Correction in the Australian wool market
- Wool price relativity with competing fibres
- AWTA test data down in October
- Seasonal conditions and outlook
- AWI launches "The Yarn" podcast
- Upcoming events

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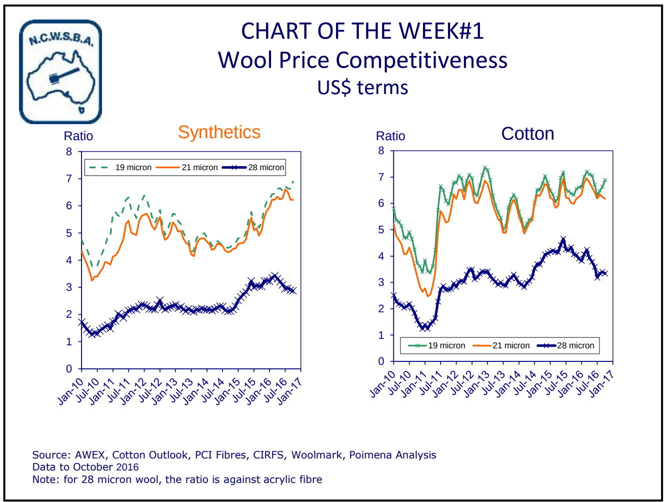
Increased auction offerings this week and rostered for next week put the **Australian wool market** under pressure and prices fell. The cause was not helped by an increase in the A$ against the US$. As a result, the **Eastern Market Indicator** suffered a correction, falling by 28 cents to 1303 c/kg. The A$ rose by 0.3 UScents to 76.6 but was a 1 €cents lower at 69 €cents. The EMI was 18 cents lower at 998 USc/kg and fell 33 €cents to 899 €cents/kg.

After an unusually low period of offerings through most of October as a result of delays caused by extensive rains through most of eastern and southern Australia, weekly auction offerings ramped up this week. A total of 47,220 bales were offered, including 1,244 bales of NZ wool. There are over 51,000 bales rostered for sale next week.

The largest falls for the week were for fine Crossbred wool, with the 26 micron indicator dropping by 60 cents. Prices for other Crossbred wool fell by 20-30 cents. Medium and broad Merino wool prices were down by 30-40 cents. Fine Merino wool prices fared better, down by 20-30 cents for the week, helped by continued buyer interest in Best and Spinners style types. Merino Cardings held up well despite a larger offering, falling by around 10 cents.

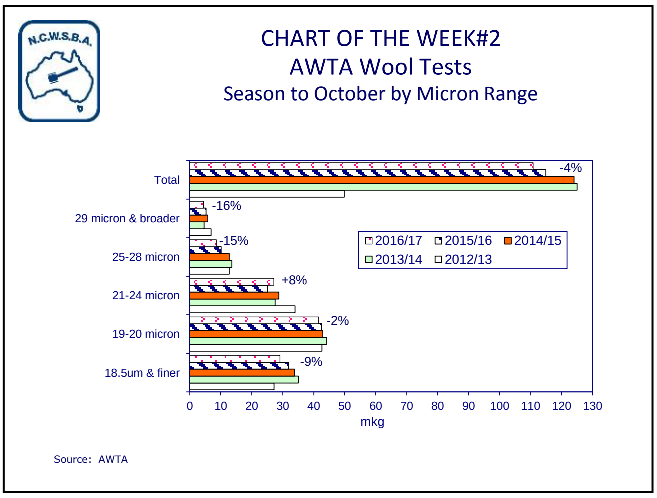
While fine Merino wool prices have, until this week, been rising in the past three months, **prices for competing fibres** such as cotton, acrylic and viscose have also lifted or at least remained steady. Polyester staple fibre prices have continued to decline. The net result is that the price relativity for fine Merino wool against synthetic fibres was at record levels at the end of October, at 6.90 (see the first **Chart of the Week**). Against cotton, the price relativity for fine Merino wool bounced up in October after dipping in July.



Source: AWEX, Cotton Outlook, PCI Fibres, CIRFS, Woolmark, Poimena Analysis
Data to October 2016
Note: for 28 micron wool, the ratio is against acrylic fibre

The price relativity for 21 micron wool has dipped against both synthetics and cotton in the past3-5 months, after hitting a record level against synthetics in July. While the price relativity for Merino wool remains at high levels, 28 micron wool has seen a significant fall in price relativity against both synthetics and cotton in 2016.

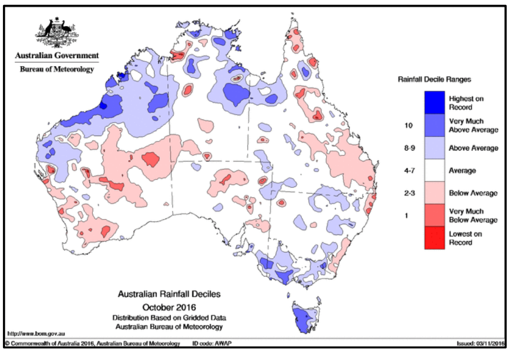
AWTA released the **wool test data statistics** for October on Wednesday. Reflecting the reported delays due to the wet weather, the volume of wool tested was 12% lower in October compared with a year earlier. All states recorded a drop on a Wool Statistical Area basis, except for Queensland which lifted by 55%. Given the reports of rain and flooding in NSW, I was a little surprised to see that wool test volumes for NSW were down by only 8%, whereas the other four states recorded double-digit declines – Tasmania (-24%), South Australia (-22%), Victoria (-17%) and Western Australia (-10%).



For the first four months of the season to October, total volumes of wool tested were down by 3.6%. I expect that this will rebound in November as rains ease and growers can get their wool to market.

The decline in the volume of wool tested isn't even across the various micron categories (see the second **Chart of the Week**). There has been a large decline of around 15% in the volumes of Crossbred wool (25-28 micron) and broader wool (29 micron and broader). There has also been a 9% drop in the volumes of superfine wool (18.5 microns and finer). The volumes of fine Merino wool (19-20 micron) has slipped by just 2%, while the volumes of medium and broad Merino wool (21-24 microns) has increased by 8%.

Rain continued to fall in October in southern Australia and parts of New South Wales, as the map shows. It was drier in Western Australia and parts of Queensland and South Australia. The Bureau of Meteorology expects that **November to January rainfall** will be above average across large parts of WA, but below average in some areas of southeast Queensland. Elsewhere, rainfall is likely to be around average for the three months.



AWI has just launched a new fortnightly **podcast service** called **The Yarn**. It will have reports from AWIS's staff from around the world, featuring the various aspects of AWI's work ranging from on-farm R&D through to product development to working with Woolmark licensees and to AWI's marketing programs. AWI says that the podcast is designed to be listened to on a smartphone for people on the go and is targeted at Australian woolgrowers. There are two podcasts available now. The first covers news from retailers in Europe and tips on attracting the best shearers. The second podcast features reports on the International Woolmark prize and on genomic research to counter the blowfly. You can hear the podcasts by viewing in the iTunes store (click here) or by going to the AWI website at https://www.wool.com/about-awi/the-yarn-podcast/.

INDUSTRY EVENTS

The **AWEX AGM** will be held in Sydney on 9th November.

The **AWI AGM** will be held in Sydney on 18th November.

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

The **IWTO 2017 Congress** will be held on 3 to 5 May 2017 in Harrogate, North Yorkshire, UK.

WOOL SALES WEEK BEGINNING 7th NOV 2016 – week 19 (roster as at 3/11/2016)

Sydney
Wed, 9nd Nov; Thurs, 10th Nov — 15,085 bales

Melbourne
Wed, 9th Nov, Wed, 10th Nov — 24,604 bales

Fremantle
Wed, 9th Nov; Thurs, 10th Nov — 11,420 bales

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