The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

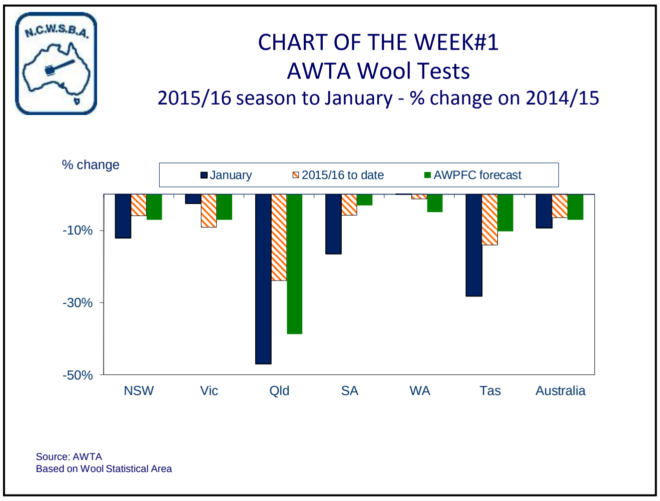
- Wool prices fall back as A$ lifts again
- Wool tests fall in January
- Latest statistics from the National Wool Declaration
- Final report from the Wool Selling Systems Review released
- Australian welfare standards and guidelines for sheep has been released
- Good rainfall in January and seasonal outlook improves
- Upcoming events

The **Australian wool market** saw further falls this week as the US$ continued to weaken against the A$. Most of the falls came on the first day of sales in each selling centre, before prices steadied on Thursday. The big news this week was the lift in the A$ against the US$ over the week in response to a rebound in commodity prices and signs that the US Federal Reserve may wait before raising interest rates in the US. The A$ gained 2.15 USc over the week to the highest level for 2016. This lift in the A$ put pressure on Australian wool prices in A$ terms, with the Eastern Market Indicator (EMI) falling by 15 Acents to 1265 Ac/kg. The Western Market Indicator (WMI) fell by 23 cents to 1328 Ac/kg. In US$ terms, the EMI increased by 7 USc to 909 USc/kg. In contrast to the lift against the US$, the A$ was slightly lower against the Euro. As a result, the EMI fell by 11 €c to close at 818 €c/kg.

Southern Aurora reports that prices on the **forward markets** held up reasonably well this week, notably for the near months, with only minor discounts to spot over the next few months. There was almost 30 tonnes traded on the forward market for May to July.

AWTA on Monday released the **statistics on the volume of wool tested** in January. After being unchanged year-on-year for the month in December, the volume of wool tested dropped by 9.3% in January, with some very large year-on-year falls in Queensland and Tasmania, as well as a significant fall in South Australia. In contrast, the weight of wool tested in Western Australia was unchanged compared with January 2015.

The first **Chart of the Week** shows the year-on-year changes in wool test volumes for January and the 2015/16 season to January, by state and for Australia, and a comparison with the latest forecasts for the 2015/16 season from the Australian Wool Production Forecasting Committee. For Australia, the wool volume tested for the 2015/16 season to date is tracking in line with the latest production forecast. There are some differences state-by-state, although this is likely to change in coming months.

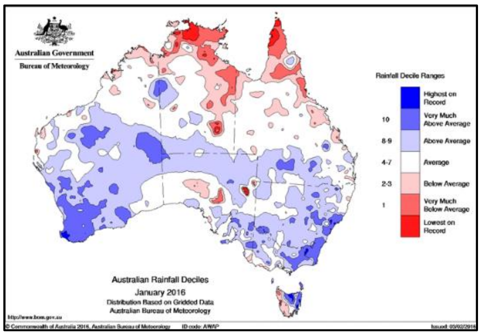


As well, it is likely that wool test volumes in the next five months will be lower partly due to the release of wool on to the market from on-farm stocks in April-June 2015 in response to the spike in prices at the time. Those stocks won't be available this year. Therefore the year-on-year change in wool tested in coming months will, for some states, overstate the change in actual wool production.

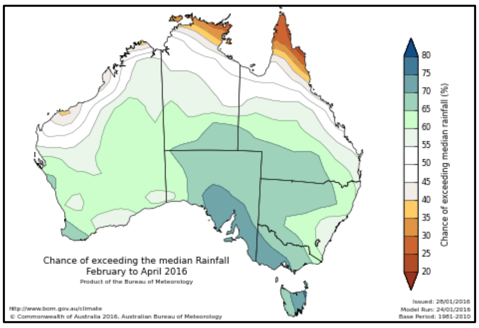
Continuing the pattern seen throughout the 2015/16 season to date, over 50% of the bales offered at auction in January had a **National Wool Declaration (NWD)**. Data from AWEX shows that 54.2% of wool offered at auction in January had an NWD. For the seven months to January, 53.2% of the 841,476 bales offered at auction had an NWD. A total of 32.9% of all bales offered in the season to January were declared as either Pain Relief, Non-Mulesed or Ceased Mulesed.

AWI on Monday released the final report from the **Wool Selling Systems Review Panel**. The Panel's cornerstone recommendation remains the development of a Wool Exchange Portal (WEP). It now recommends that *"a Steering Committee consisting of AWI, AWTA and AWEX take responsibility for guiding the development of the WEP assisted by R&D backing from AWI."* The Panel recommends that the WEP be owned by AWI but be operated by AWEX/AWTA. The Panel also lists what it sees as the benefits of the WEP and provides an indicative cost to establish the WEP based on an initial costing by NZX Limited. This suggests that the establishment cost of the WEP would be in a range of $0.9 million to $1.55 million (these are high level estimates and a firm costing needs to be developed). Among other things, the WSSR Panel encourages *"greater visibility of [broker] charges, particularly via the Wool Exchange Portal (WEP)"* and recommends that *"the respective Boards [of AWTA and AWEX} reactivate talks on a possible merger of the two organisations."* Both these points were given some prominence in the AWI Media Release. The NCWSBA Board will discuss the report from the WSSR Panel at its meeting on Monday, 15th February. You can download the final report from http://www.wool.com/about-awi/how-we-consult/wool-selling-systems-review/.

After a long period of consultation and development, Animal Health Australia has released the final endorsed version of the **Australian Animal Welfare Standards and Guidelines – Sheep**. They are designed to provide a basis for consistent legislation across Australia and provide guidance for everybody responsible for sheep. They apply to all sheep farming enterprises and also apply where applicable during transport and at saleyards and abattoirs. Among other things, the standards and guidelines cover feed and water, handling, husbandry, tail docking and castration, mulesing, breeding management and weather extremes. You can download the guidelines from http://www.animalwelfarestandards.net.au/sheep/. I can also send you an electronic copy.



Many parts of Australia recorded above or well above average **rainfall** in January, particularly in the south-west of Western Australia and the south-east of Australia. Elsewhere, rainfall was generally around average. This certainly brought desperately needed relief for the major sheep growing regions in Queensland, as well as parts of Victoria and Tasmania. The first map shows the rainfall for January. The **latest outlook** from the Bureau of Meteorology for the three months February to April suggests that it will be wetter than normal (see second map) and, for New South Wales, South Australia and Queensland, cooler than normal. It is expected to be warmer than normal in southern Victoria and in Tasmania.



INDUSTRY EVENTS

The **ABARES Outlook 2016 Conference** will be held in Canberra on 1-2 March 2016.
The **Australian Wool Production Forecasting Committee** will meet on 30th March 2016 in Melbourne.
The **2016 IWTO Congress** will be held in Sydney on 4-6 April. Register at http://www.iwto.org/events/upcoming-events/45/
The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25th & 26th August.

WOOL SALES WEEK BEGINNING 8th FEBRUARY 2016 – week 33 (roster as at 4/2/2016)

Sydney	
Wed, 10th Feb; Thurs, 11th Feb	9,374 bales
Launceston	
Tues, 9th Feb	5,273 bales
Melbourne	
Wed, 10th Feb; Thurs, 11th Feb	17,418 bales
Fremantle	
Wed, 10th Feb; Thurs, 11th Feb	8,594 bales

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