



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 finishes 2017 on a high
- Australian wool prices in first half of 2017/18
- New Australian wool production forecast
- ABARES outlook
- Upcoming events



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It was a phenomenal week in the **Australian wool market** as prices surged on the back of intense competition among buyers eager to secure supplies ahead of the Christmas Recess. 1700 cents proved to be no barrier to the **Eastern Market Indicator (EMI)** as it blasted through to finish the week and 2017 at 1760 c/kg, despite some weakness on Thursday. All Merino micron price guides rose strongly, as did finer Crossbred types. Broader Crossbred wool was steady. The Southern Market Indicator was 64 cents higher at 1710 c/kg, the Northern Market Indicator was up by 59 cents to 1841 c/kg and the Western Market Indicator rose 54 cents to 1816c/kg.

The A\$ was more than 1UScent higher over the week, and was also higher against the Renminbi and the Euro. Against each of these currencies, the EMI:

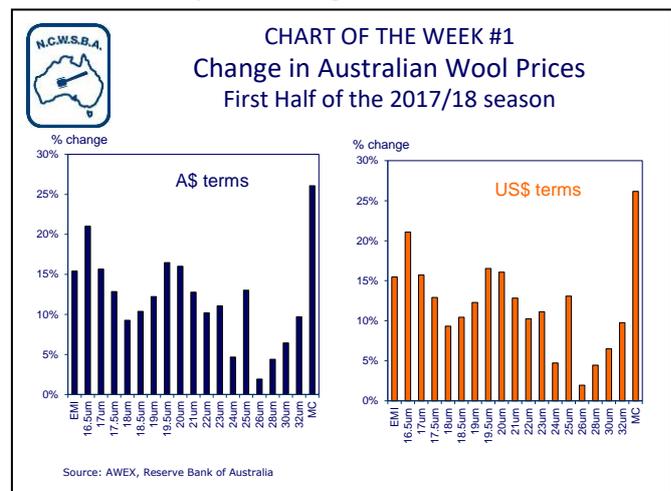
- Lifted by 67 UScents to 1350 USc/kg, the highest level for the EMI in US\$ in over six years (since September 2011).
- Was 54 €cents higher at 1140 €cents/kg, the highest ever level recorded for the EMI in Euros.
- Finished at 8917 RMB/kg, up by 438 RMB, and the highest since June 2011.

It has been a wonderful **first half of the 2017/18 season** for wool prices in Australia, particularly coming after the strong rise over the 2016/17 season. The EMI has risen by 235 Ac/kg in the first six months. In US\$ terms, the EMI is 181 UScents higher. As the first **Chart of the Week** shows, all Micron Price Guides recorded increases in the first six months of the year. The largest increase was for Merino Cardings, increasing by 26% over the six months. And this was from a high starting point!

All Merino wools have recorded very good increases of between 9% and 21%. Crossbred wools have seen more moderate rises, although the 25 micron price guide was up by 13% in both A\$ and US\$.

The Australian Wool Production Forecasting Committee met yesterday (Thursday) and reviewed

its forecast for **Australian shorn wool production** in 2017/18. The national meeting followed state committee meetings which were held in the first week of December. The updated forecast was released earlier today. The Committee has adjusted its forecast of Australian shorn wool production for 2017/17 to

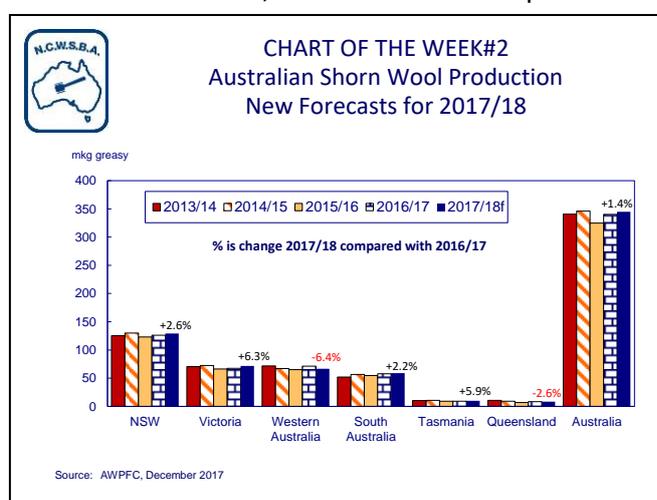


345 mkg greasy, an increase of 1.4% on 2016/17. This compares with the Committee's forecast in August of 340 mkg.

The Committee increased production from the forecast it made in August after considering the industry data for the first five months of the season. In particular, AWTA tests to the end of November were up by 5% for Australia and was higher for all states bar Western Australia. AWEX data on first hand offerings for the season to date was also higher for Australia, up by 6.5%. Some of this increase is the result of producers getting wool to the market as quickly as possible to take advantage of the extraordinary prices. Some state committees reported that some producers are even shearing earlier than usual. It seems that the number of sheep shorn has increased by more than the AWPFC originally expected. This has more than offset a slight easing in average cut per head as a result of drier seasonal conditions in some states. The Committee expects that the growth in the volume of wool tested and offered will slow in the second half of the 2017/18 season, partly due to the drier Winter and Spring this year and partly as clips that usually is delivered in January and February have already been delivered and sold.

The second **Chart of the Week** shows the new forecast of shorn wool production for each state and for Australia, and compares this with previous seasons. As can be seen, the Committee expects wool production to increase in four states this season, led by a 6.3% increase in **Victoria** to 71.7 mkg and a 5.9% lift in **Tasmania** to 9.7 mkg. Shorn wool production in **New South Wales**, the largest producing state, is predicted to increase by 2.6% to 129.4 mkg, while production in **South Australia** is expected to lift by 2.2% to 59.1 mkg. This is the highest production level for South Australia since 2006/07.

The Committee predicts that production in **Western Australia** will fall by 6.4% this season to 66.6 mkg. Shorn wool production in **Queensland** is expected to be down by 2.6% to 8.3 mkg.



I have attached the media release on the latest wool production forecast with the *Newsletter* email for your information.

ABARES, the Australian Government's agricultural commodity forecaster, on Tuesday released its **latest forecasts** for the agricultural industries. For wool, ABARES predicts that the EMI will average 1630 c/kg in 2017/18, a 15% increase on the average in 2016/17. The average for the first half of this season is 1596 c/kg, so this means that the average in the second half will have to be 1660 c/kg for the ABARES forecast to be realised. This seems quite high, except that the EMI has just closed at 1760 c/kg, so the ABARES average is certainly achievable. Who knows in the current market! In my 25 years' experience of analysing the wool market, I have never seen such a sustained upward run in prices.

ABARES expects shorn wool production this season to be 349 mkg, a little higher than the AWPFC's new forecast. It also predicts that the value of Australia's exports of wool will hit \$4.339 billion. This would be the highest level for a season since the 1988/89 season when it hit \$5.774 billion. Of course, in 1988/89 Australia produced much more wool – a record level of 1030 mkg greasy. For details, click [here](#).

INDUSTRY EVENTS

IWTO 2018 Congress will be held in Hong Kong on 14th to 16th May 2018.

THE AUSTRALIAN WOOL MARKET IS IN RECESS FOR THREE WEEKS OVER CHRISTMAS.
SALES RESUME IN THE WEEK BEGINNING 8TH JANUARY 2018.



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