



30th November 2018

2018/43

From the desk of Chris Wilcox, Executive Director

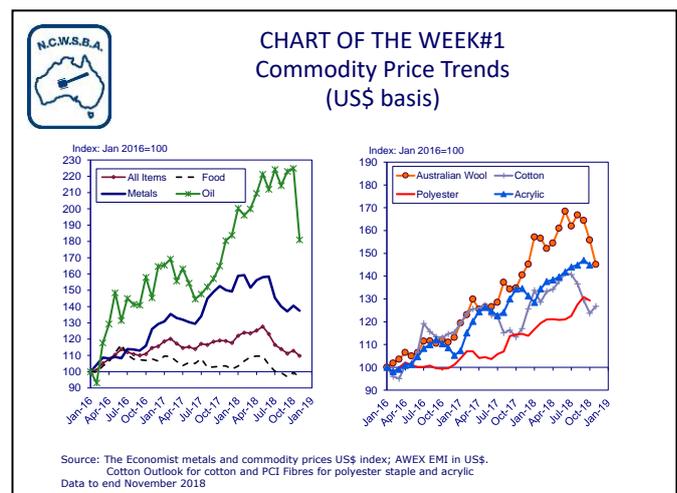
- Fine balance between supply and demand in the Australian wool market
- Commodity prices on the slide
- Imports by the major wool processing countries start to decline
- Cape Wools SA launches online analytical tool
- AWEX 2018 Annual General Meeting
- WoolProducers Australia AGM – new President and Vice-President
- Applications - Young Professionals Programme at IWTO 2019 Congress
- Upcoming industry events



There seems to be a fine balance between the low auction supplies and weak demand sentiment in the **Australian wool market** at the moment. There were only 34,513 bales offered this week and only around 39,000 bales and 41,500 bales currently rostered for the last two weeks of auctions before the Christmas recess. This is well below the levels seen typically for this time of year. At the same time, buyer sentiment seems to be rather soft. A result of this fine balance is that Merino wool prices in Melbourne and Fremantle eased back this week, while prices were more mixed in Sydney which hosted a designated superfine sale. Crossbred wool prices lifted strongly. Overall, the **Eastern Market Indicator (EMI)** rose slightly by 2 cents to close the week at 1860 c/kg. The Northern Market Indicator was 7 cents higher at 1905 c/kg, the Southern Market Indicator eased by 1 cent to 1831 c/kg and the Western Market Indicator slid by 7 cents to 2008 c/kg. The A\$ was stronger against the US\$, the Euro and the Chinese Renminbi. The increase in the EMI in these currencies lifted by more than it did in A\$. The EMI was 13 USc higher at 1361 USc/kg, up 12 €cents to 1195 €cents/kg, and 105 RMB higher at 9441 RMB/kg.

Wool prices have fallen back from the record levels seen in August. At the same time, prices for other fibres have also pulled back, as have prices for other industrial commodities such as metals and oil. The first **Chart of the Week** shows the trends in prices for selected commodities as well as wool (using the EMI). As can be seen, all commodities have pulled back in recent months, with the sharpest declines seen for oil, wool and cotton.

While each market has its own characteristics and drivers, there are wider forces causing a general decline in commodity prices. This includes the slow-down in economic growth in China, the ongoing trade tensions between the US and China, and a mounting sense that the US economy has peaked. The latter is best reflected in the falls in the US share market over the past couple of months.



Imports by the major wool processing countries show some interesting trends. For the first three months of the 2018/19 season, total wool imports by these countries fell by 4%, mainly due to an 8% drop in purchases by China, a 16% fall in imports by Italy and a 9% decline in imports by the Czech Republic. There has been a rising trend in imports ever since mid-2016, but the decline in the past few months has tipped this rising trend over, as can be seen in the second **Chart of the Week**. This chart shows the trends in wool imports (by volume) by the major wool processing countries. Note that this data is for imports from the five major wool producing and exporting countries (listed in last week's edition).

As can be seen, the trend in China's imports have turned down but the 12-month aggregate of imports by China remains well above the level of a year ago. Interestingly, the trend in imports by India and Western Europe continues to be up, rather than down, even though imports in the past 2-3 months have been weaker.

A couple of weeks ago I received an email from **Cape Wools South Africa** announcing that they have launched an **online analytical tool**. I held over this piece of news as I had plenty of other items to include in the *Weekly Newsletter* in the past fortnight. Cape Wools say that the tool is designed to assist wool producers in South Africa to analyse the performance of their wool clip. It is a web-based tool that allows producers to see how their clip has tracked over recent seasons. There is a subscription fee of Rand2399.99 (around A\$240).

I attended the **AWEX Annual General Meeting** this afternoon. AWEX reported an operating profit of \$115,398 for the 2017/18 financial year, down slightly on the profit of \$124,800 in 2016/17. The AWEX Chair, Robyn Clubb, commented that this was consistent with AWEX's not-for-profit status. Operating revenue was at \$4.8 million, up from \$4.1 million in 2016/17, helped by higher number of bale label sales with 2 million bale labels sold and a \$1/label increase in the label price. Operating costs totalled \$4.67 million (\$3.98 million in 2016/17), including \$0.6 million spent on software development. AWEX remains in a relatively healthy financial position, with total reserves at 30th June 2018 of \$6.6 million, of which \$5.96 million is retained surpluses. The remaining \$640,000 are Members Reserves. Mark Grave (CEO) noted the soft launch of WoolClip (AWEX's electronic classer's speci) during the year and said that at this early stage over 5,500 classers had registered to use WoolClip, with 5000+ bales from 110 specs delivered so far. You can download the full annual report from <http://awex.com.au/members/annual-report/>.

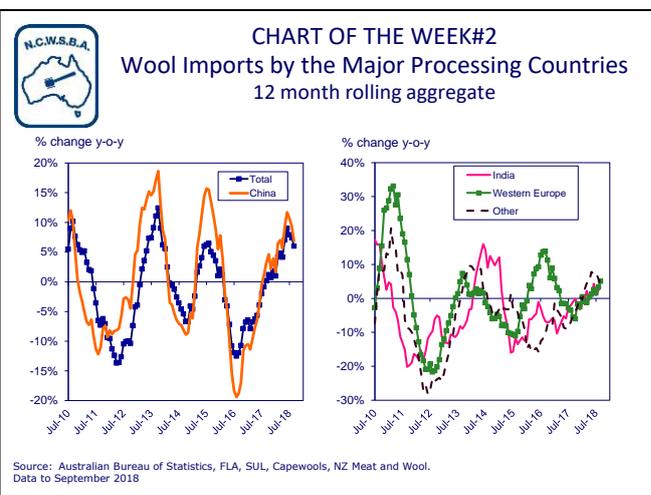
Woolproducers Australia held its Annual General Meeting in Sydney last week. WPA announced that Ed Storey (President), Steven Harrison (Senior Vice-President) were elected. Richard Halliday's term as President has come to an end and he stepped down from the President's position.

REMINDER: The International Wool Textile Organisation has opened **applications for the Young Professional Programme for the 2019 Congress in Venice** in April. Applications close on 4th February 2019. Details including application forms can be seen at <https://www.iwto.org/events/2019-congress>.

OTHER INDUSTRY EVENTS

The **IWTO 2018 Roundtable** will be held in Buenos Aires on 3rd to 4th December 2018.

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019. Details at the website shown above.



WOOL SALES WEEK BEGINNING 3rd DEC 2018 – week 23 (roster as at 29/11/2018)

<u>Sydney</u>	
Wed, 5 th Dec, Thurs, 6 th Dec	9,728 bales
<u>Melbourne</u>	
Wed, 5 th Dec, Thurs, 6 th Dec	20,672 bales
<u>Fremantle</u>	
Wed, 5 th Dec, Thurs, 6 th Dec	9,110 bales

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