



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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4th March 2016

2016/09

From the desk of Chris Wilcox, Executive Director


- Stronger A\$ leads to easing wool prices
- ABARES five year Outlook for wool and sheep in Australia
- Wool test statistics by micron category to February
- Seasonal conditions and outlook in Australia
- Upcoming events



The A\$ strengthened through the week against all currencies, bearing down on the **Australian wool market**. According to the Reserve Bank of Australia, the A\$ lifted by 1.3 UScents to reach 73.08 UScents. It also lifted by 2.3€cents to 67.3 €cents. The current level of the A\$ against both the US\$ and the Euro is the highest since early December. The Eastern Market Indicator (EMI) closed at 1258 Ac/kg, down by 10 cents for the week. The Northern Market Indicator was 13 cents down (to 1283 Ac/kg), the Southern Market Indicator fell by 8 cents to 1241 Ac/kg and the Western Market Indicator declined by 9 cents to 1315 Ac/kg. There were 39,850 bales offered in the three centres and, even though prices eased back, the pass-in rate improved on last week to 7.4%. With the strong rise in the A\$, the EMI lifted in both US\$ and Euros, to 919 USc/kg (up (UScents) and to 854 €c/kg (up by 29 €cents).

The annual **ABARES Outlook Conference** was held earlier this week in Canberra. ABARES, the Australian Government's agricultural forecasting and research agency, released its new five year forecasts for Australia's agricultural industries during the Conference. ABARES' new **forecasts for wool** and some of the other broad-acre industries are shown in the first **Chart of the Week**. Its assumptions underlying the forecasts include: world economic growth will be at 3.2% in 2016 and 3.4% in 2017 (compared with 3.4% in 2014 and 3.1% in 2015); the A\$ will average 0.71 UScents in 2016/17 and 0.72 UScents in 2017/18 and lift slightly beyond that.

As the table shows, ABARES predicts that the EMI will rise steadily from an average of 1,240 cents/kg this season to 1,370 c/kg in 2020/21. This increase in the nominal wool price comes even though ABARES also predicts that shorn wool production will lift next season to 332 mkg greasy and then continue to increase to 360 mkg greasy by 2020/21. The increased shorn wool production in 2016/17 and beyond is the result of a forecast increase in sheep numbers in Australia. With higher prices and production, ABARES predicts that Australian wool exports will rise to above \$4.1 billion by 2020/21.

 **CHART OF THE WEEK#1**
ABARES Forecasts for wool, sheep, cotton & wheat

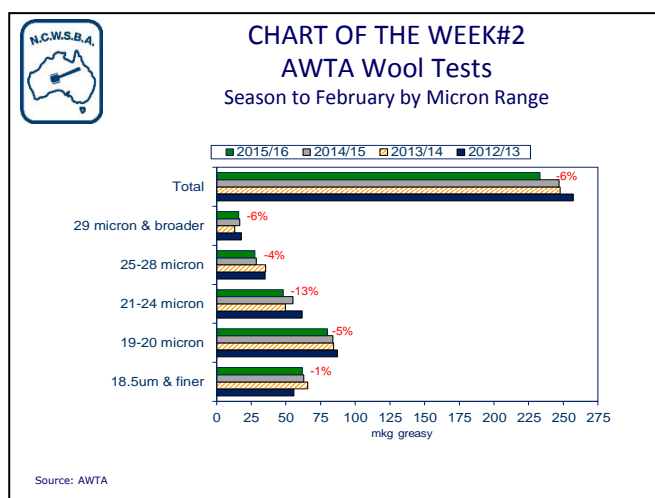
| | 13/14 | 14/15 | 15/16e | 16/17f | 17/18f | 18/19f | 19/20f | 20/21f |
|--------------------------|-------|-------|--------|--------|--------|--------|--------|--------|
| EMI (Ac/kg) | 1,070 | 1,102 | 1,240 | 1,300 | 1,350 | 1390 | 1,380 | 1,370 |
| Shorn wool prod (mkg) | 341 | 346 | 322 | 332 | 339 | 345 | 352 | 360 |
| Sheep numbers (mill) | 72.6 | 69.9 | 70.1 | 71.4 | 72.7 | 73.9 | 75.4 | 77.0 |
| Wool exports (\$mill) | 2,877 | 3,154 | 3,440 | 3,669 | 3,853 | 4,020 | 4,071 | 4,120 |
| Lamb price (Ac/kg) | 476 | 518 | 550 | 600 | 650 | 640 | 630 | 620 |
| Sheep price (Ac/kg) | 262 | 332 | 350 | 385 | 430 | 420 | 410 | 400 |
| Beef price (Ac/kg) | 287 | 358 | 505 | 530 | 530 | 520 | 510 | 500 |
| CotLook A index (USc/lb) | 90.6 | 70.8 | 70.0 | 68.0 | 71.0 | 73.0 | 76.0 | 80.0 |
| Wheat price (A\$/tonne) | 334 | 326 | 316 | 300 | 296 | 296 | 295 | 297 |

Source: ABARES
Note: Prices are annual averages and saleyard price. Production is annual total. Sheep numbers is at 30th June.

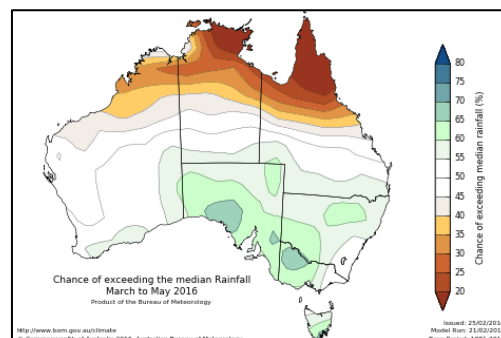
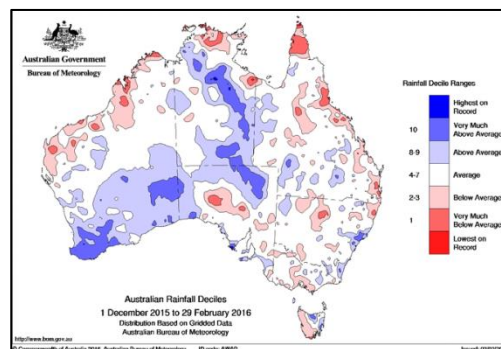
These forecasts are far more positive for the wool industry than ABARES' forecasts of a year ago when it last made five year forecasts. In 2015, ABARES predicted that the EMI would struggle to get to 1200 c/kg by the end of the five year forecast and that shorn wool production would rise more slowly, with the value of exports only rising to \$3.2 billion.

In terms of **other broadacre commodities**, ABARES is optimistic about lambmeat, predicting that lamb prices will lift even further following the high estimated average this season (550 c/kg) to reach 650 c/kg in 2017/18, before pulling back a little. It also expects that sheep meat prices will lift until 2017/18 before easing back. ABARES predicts that beef prices will remain higher than in 2013/14 and 2014/15. In contrast, the forecasts for broadacre cropping are much more subdued than for livestock.

AWTA on Tuesday released the statistics on **wool test volumes** in February earlier in the week. The weight of wool tested in Australia in February was 0.8% higher than in February 2015, which was a welcome bounce-back after the 9.4% drop in January. For the year to date, the weight of wool tested for Australia was 6% lower. As the second **Chart of the Week** shows, there is considerable differences in the micron categories. Superfine wool (18.5 micron & finer) is only slightly lower than in 2015/16 but 21-24 micron wool was down by 13%. This category was the largest sector in the 1990s, accounting for as much as 65% of the clip. It is a shadow of its former self, accounting for only 20%.



The three months of summer in Australia was very mixed in terms of **rainfall** in the major sheep regions across the country, according to the data from the Bureau of Meteorology. The first map shows the rainfall in the December to February period by decile. As can be seen, summer rainfall in much of the southern half of Western Australia (the third largest wool producing state) was above to well above average, particularly in the south-west of the state. In southern Victoria (the second largest wool producing state), rainfall tended to be drier than average, as it was for a significant part of Tasmania. In New South Wales (the largest wool producing state), it was wet on the coast around Sydney (no sheep there, though) and mostly average to dry in the rest of the state. South Australia saw very mixed conditions. The good news is that, after an extended period of drought conditions, the main sheep growing regions in Queensland recorded average or above average rainfall.



The Bureau's **outlook** points to a good chance of a wet Autumn (March to May 2016) for most of Victoria, South Australia and Tasmania, as well as parts of New South Wales (see the second map). Normal autumnal rainfall is expected elsewhere. It is also expected to be a much warmer than usual Autumn for most of Australia. The combination of normal to above normal rainfall and warmer than usual temperatures is good news for pasture growth.

OTHER INDUSTRY EVENTS

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. The NCWSBA AGM will be held on Thursday, 25th August 2016.

WOOL SALES WEEK BEGINNING 29th FEBRUARY 2016 – week 36 (roster as at 3/3/2016)

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|---|--------------|
| <u>Sydney</u> Wed, 9 th Mar; Thurs, 10 th Mar | 9,001 bales |
| <u>Melbourne</u> Wed, 9 th Mar; Thurs, 10 th Mar | 23,769 bales |
| <u>Fremantle</u> Wed, 9 th Mar; Thurs, 10 th Mar | 10,228 bales |

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