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 bursts out the blocks
- Competitive fibre prices
- Mulesing status data for 2015/16
- A new review of the National Wool Declaration
- Australian wool exports down in May
- New AWEX Chairperson announced
- Upcoming events

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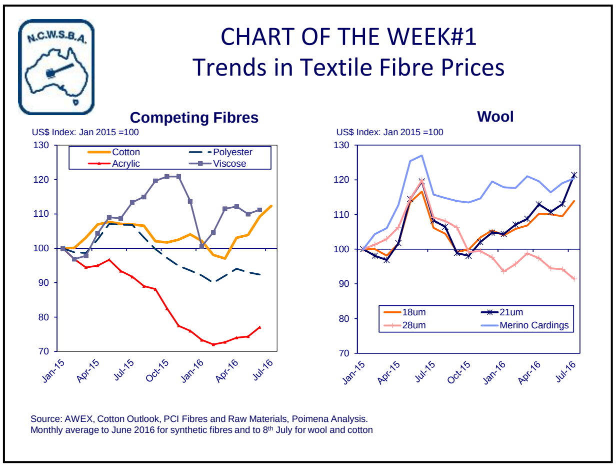
The **Australian wool market** burst out of the blocks for the start of the 2016/17 wool selling season. Prices for Merino wool rose and the clearance rate jumped even though the A$ was higher against the US$ and the Euro. The **Eastern Market Indicator** lifted by 33 cents to open the 2016/17 season at 1,320 cents/kg. Over the week, the A$ recovered from last week's fall against the US$ to 75.2 UScents and lifted against the Euro to 67.8 €cents. The EMI rose by 28 UScents to 993 USc/kg and by 26 €cents to 895 €cents/kg. The EMI in each A$, US$ and Euro is the highest level since the price spike in June 2015.

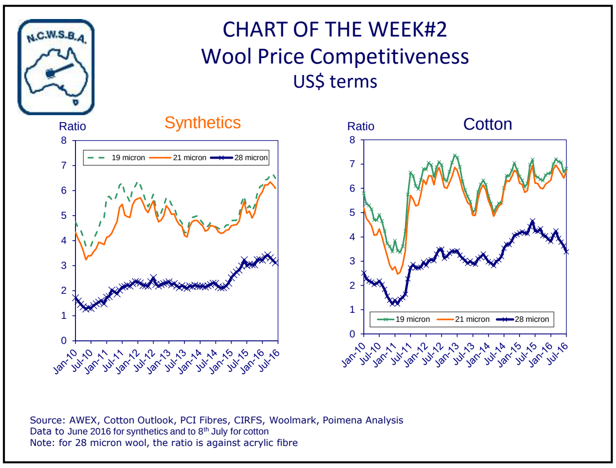
Demand for **Merino fleece wool** was strong with all Micron Price Guides lifting by between 26 and 49 cents in all three selling centres for the week. In contrast, demand for Crossbred wool was lacklustre and prices continued their downward slide, particularly for wool broader than 26 microns. The Merino Cardings Indicator seems to be tracking sideways at the moment. By region, the Northern Market Indicator rose by 24 cents to 1341 Ac/kg, the Southern Market Indicator rose by 23 cents to 1306 Ac/kg and the Western Market Indicator lifted by 30 cents to 1423 c/kg. The clearance rate increased with the jump in prices, with 96.6% of the 39,152 bales cleared to the trade.

Merino wool prices have been rising steadily over the past six months in both A$ and US$, but Crossbred wool prices have been sliding. Merino carding prices, as noted earlier, have been moving sideways. It is interesting to see what has happened to **prices for competing fibres**. The first **Chart of the Week** shows the trends in wool prices and in competing fibre prices in US$ terms since the start of 2015.

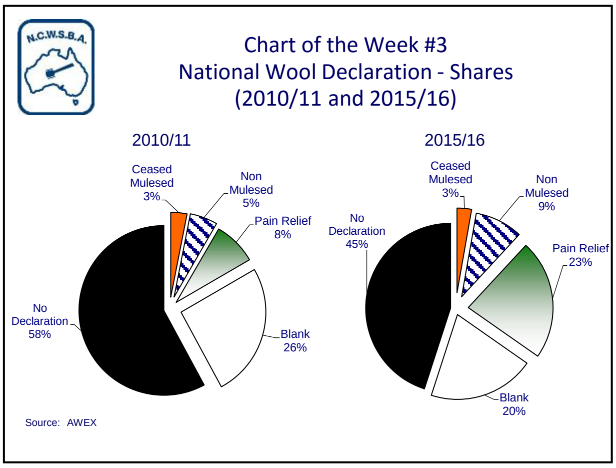


After an extended period of low prices, cotton prices have been rising in the past three months as supply becomes more constrained due to lower production. Viscose prices have been volatile in the 18 months shown in the chart, but have been more stable at higher levels in recent months. In contrast, prices for both polyester staple fibres and acrylic fibres remain low, although acrylic fibre prices appear to have started to recover a little. The market for synthetic fibres in general remain over supplied with excess production capacity around the world continuing to put downward pressure on prices.

As a result of these trends the ratio between Merino wool prices and synthetic fibre prices remain near record levels. Compared with cotton, Merino wool prices have pulled back a little. For Crossbred wool, the price ratio against both synthetics and cotton have fallen back a little in recent months. The second **Chart of the Week** shows the trends in the price ratios for 18 micron, 21 micron and 28 micron wool, compared with both synthetics and cotton. While the higher ratios may cause mills to consider using the alternative fibres, the very constrained wool supply levels are likely to mean that the ratios will remain at these high levels for the foreseeable future.



AWEX have released the statistics from the **National Wool Declaration** for the full 2015/16 season. The data shows that wool that was declared as Ceased Mulesed (CM), Non Mulesed (NM) or mulesed with Pain Relief (PR) increased by 10% in the 2015/16 season compared with 2014/15. The total number of bales with CM, NM or PR in 2015/16 stood at 516,475 bales, which was 34.7% of all wool offered at auction over the season, the highest ever share.



The third **Chart of the Week** shows the shares for PR, CM and NM as well as Blank declarations and wool that was offered with no declaration (ND) in 2015/16. This is compared with the shares five years ago in the 2010/11 season. The most significant change over the five-year period is the proportion of wool offered with a PR declaration, which is up from 8% in 2010/11 to 23% in 2015/16. There has also been an increase in the proportion of wool declared as NM, from 5% to 8%. While the proportion and the total number of bales of NM wool has increased in five years, the increase is only very modest.

AWEX has announced another **review of the National Wool Declaration**. The previous review was only conducted in the last quarter of 2015. As with the previous reviews, the 2016 Review will be conducted by the Industry Services Advisory Committee. Once again AWEX is asking for views on the relevance of the current mulesing status declarations: CM, NM, PR and Mulesed. I understand that there is again a particular concern about the CM declaration. This wool remains at a low 3% of the total wool offered in the 2015/16 season. Among other things, AWEX would also like to hear views about the adoption rate of the NWD and compliance. NCWSBA will again be making a submission to the review. Submissions are due by 22nd July.

The Australian Bureau of Statistics yesterday released the data **on Australian wool exports** for May 2016. It shows that the volume of wool exports dropped by 19% in May and was down by 11% in value for the month. For the eleven months of the 2015/16 season, exports were 10% lower in volume but 4% higher in value. I will look at the export data in more detail in next week's edition of the *Weekly Newsletter*.

AWEX announced that Robyn Chubb will be the **new AWEX Chairperson** when the current Chair, Dr John Keniry, steps down in November. Robyn has been heavily involved in agriculture for many years in various capacities, notably in New South Wales.

INDUSTRY EVENTS

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.

The **Nanjing Wool Market Conference** will be held in Wuxi on 23rd-27th September. Click here for details.

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

The 2017 IWTO Congress will be held in Istanbul, Turkey on 15th-17th May 2017.

WOOL SALES WEEK BEGINNING 11th JULY 2016 – week 2 (roster as at 7/7/2016)

Sydney	
Wed, 13th July; Thurs, 14th July	14,522 bales
Melbourne	
Wed, 13th July; Thurs, 14th July	19,188 bales
Fremantle	
Wed, 13th July; Thurs, 14th July	7,125 bales

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