The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Unit 9
42-46 Vella Drive
Sunshine West Vic 3020

Phone: 03 9311 0152
Fax: 03 9311 0138
E-mail: ncwsba@woolindustries.org
Twitter : @woolbrokersaus

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From the desk of Chris Wilcox, Executive Director

- Australian wool market falters
- Wool production – Australia and China – which is the biggest?
- Australian wool exports up in October
- Mulesing status statistics leap in November
- Upcoming events

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The **Australian wool market** suffered from indigestion from the increased offering volumes for this week and planned for next week. The **Eastern Market Indicator** (EMI) fell by 29c/kg over the week to close at 1349 c/kg, dropping on Tuesday and Wednesday before staging a partial recovery on Thursday. It was prices for Merino wool that suffered most with sharp drops on the first day of sales in each selling centre before the rebound on Thursday. Even so, Merino wool prices remain at historically high at the 90th percentile or greater (for the past decade). Broad Crossbred wool prices lifted, while fine Cross bred prices slid again. The market wasn't helped by a strengthening of the A$ against the US$, by almost 1 UScent. The EMI is US$ only fell by 9 UScents to 1012 USc/kg. The A$ was a little weaker against the Euro and the EMI was down by 24 €cents to 939 €cents/kg. There are 56,122 bales rostered for the last week of sales before the three-week Christmas recess next week.

Rowan Woods (Jemalong Wool) called me about an answer given to one of questions on The Quiz on the 702 ABC Sydney and ABC NSW "Evenings with Christine Anu" program last night. The question was **"Which country is the largest producer of wool in weight?"** and the ABC said that China was the largest wool producing country with Australia the second largest. I hear that the ABC is not the only ones to think that China now produces more wool than Australia.

I would like to set the record straight. Australia is still the largest wool producing country in the world. The table in the first **Chart of the Week** presents the data for 2014, 2015 and 2016 (2013/14, 2014/15 and 2015/16 season for Australia, New Zealand, South Africa and the South American countries) based on clean weight (that is, the actual weight of wool). The source is the IWTO Market Information 2016 Report which will be released in the next few weeks.

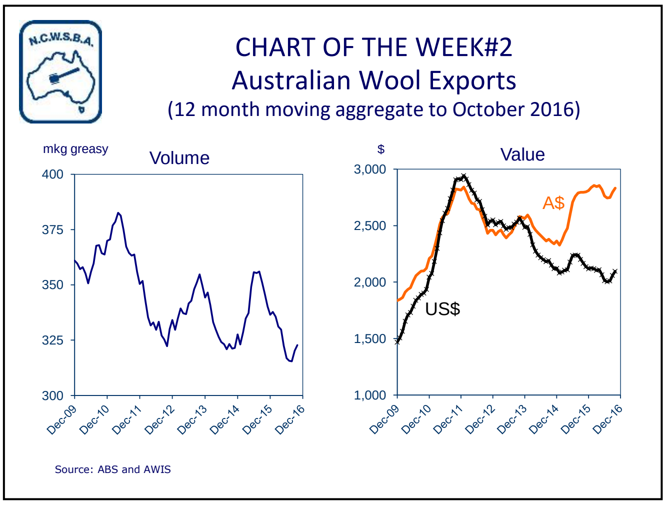
CHART OF THE WEEK#1
World Wool Production
mkg clean

	2014	2015	2016f
Australia	272.6	276.8	259.8
China	176.2	176.4	176.9
New Zealand	117.1	114.9	108.2
CIS countries	121.9	123.3	125.3
India	31.2	31.3	31.5
Argentina	27.2	28.4	26.4
South Africa	30.7	30.3	30.3
Uruguay	23.8	20.7	18.9
UK	21.7	20.2	20.3
Other	332.3	334.8	337.9
Global	1,154.7	1,157.1	1,135.5

Source: IWTO national committee reports, FAO and Poimena Analysis
Note: 2015 = 2014/15 for Australia, NZ, Uruguay, Argentina, South Africa, Brazil
Updated: December 2016

As you can see, it's not even close. Australia is the largest producer by almost 100 million kilogram (mkg) clean in 2015. I suspect that the ABC, and others, confuse the weight of wool produced in clean weight with the weight of wool produced in greasy weight (that is, including dirt, grease vegetable matter etc.). China's wool has much more grease, dirt and so on in its shorn wool than Australia wool (China's clean yield of wool from each kilogram of greasy wool is about 40%, while Australia's was 64% in 2015/16). Even so, the IWTO report shows that Australia was ahead of China in 2015, with total wool (shorn plus slipe and wool on skins) production at 427 mkg greasy compared with China's 420 mkg greasy in 2015. I am not sure where the ABC obtained its "facts" but I have sent an email to them pointing out the error. I want to ensure that Australia's national broadcaster knows that Australia is the world's largest wool producer!

Data from the Australian Bureau of Statistics on **Australian wool exports** in October was released yesterday. It shows that both the volume and value of exports from Australia lifted in October. Wool export volumes increased by 10% in October, with exports to China up by 19%, exports to India up by 10% and exports to the Czech Republic up by 5%. The value of exports lifted by 16%, with exports to China, India, the Czech Republic and Korea increasing compared with October 2015. I was also interested to see that there were exports to Bulgaria, which I guess is to the combing mill owned by Lempriere.



For the four months of the 2016/17 season to October, the volume of exports was 6% higher than in 2015/16 and the value was up by 8%. The second **Chart of the Week** shows the long-term trends in Australia's wool exports in volume and value terms, with the value of exports being shown in both A$ and US$ terms. The charts show the 12 month moving aggregate of volumes and values. As can be seen, there has been an upturn in both volume and value of exports in the past three months after an extended downturn in export volumes and US$ value starting from July 2015.

Earlier this week AWEX released the statistics on **mulesing status** from the National Wool Declaration for November. The data shows a continued increase in the volume of wool with an NWD, with the most significant increase being for wool declared as Pain Relief (PR). For the month, PR-declared wool increased by 97% year-on-year, while there was a 68% increase in wool declared as Non-Mulesed (NM) and an 85% lift in wool declared as Ceased Mulesed (CM). Overall, there was a 82% jump in wool with an NWD for November compared with November 2015. The table below summarises the data on the number of bales for the season to date. As can be seen, there has been a 21% lift in the number of bales with an NWD and this wool now accounts for 60% of all wool.

Table: NWD Statistics – Season to end November (bales)

	CM	NM	PR	CM+NM+PR	Blank	All NWDs	ND	Total
2015/16	17,397	51,426	130,653	199,476	124,850	324,326	333,756	609,067
2016/17	19,177	58,248	176,863	254,288	138,651	392,939	261,907	654,846
% change	*+10%*	*+13%*	*+35%*	*+27%*	*+11%*	*+21%*	*-8%*	*+8%*
2015/16 share (%)	2.9%	8.4%	21.5%	32.8%	20.5%	53.2%	46.8%	100%
2016/17 share (%)	2.9%	8.9%	27.0%	38.8%	21.2%	60.0%	40.0%	100%

INDUSTRY EVENTS

The **AWPFC meeting** will be held on 14th December, with a state round of meetings starting on Monday next week.

The **IWTO 2017 Congress** will be held on 3 to 5 May 2017 in Harrogate, North Yorkshire, UK.

The **Australian wool market** will be in recess from 19th December 2016. Sales resume in the week beginning 9th January 2017.

WOOL SALES WEEK BEGINNING 12th DEC 2016 – week 24 (roster as at 8/12/2016)

Sydney
Wed, 14th Dec, Thurs, 15th Dec — 15,954 bales

Melbourne
Tues,13th Dec; Wed, 14th Dec, Thurs, 15th Dec — 31,082 bales

Fremantle
Wed, 13th Dec, Thurs, 14th Dec — 9,086 bales

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