



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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13th May 2016

2016/18

From the desk of Chris Wilcox, Executive Director

- Australian wool prices on the up
- Cotton prices, production, consumption and stocks
- Australian wool exports in March
- Campaign for Wool - Wool Week Australia
- New Secretary-General of the IWTO
- NCWSBA Wool Broker Award 2016
- Upcoming events



Another week of price rises in the **Australian wool market** this week saw the **Eastern Market Indicator (EMI)** rise to 1287 Ac/kg, up 19 Acents. This is the highest level since August 2015. As has been the case in recent weeks, the most significant increases were seen for Merino wool, notably in the 18-19 micron range where prices rose by around 30 cents. The current prices for wool in this micron range are close to the peaks seen in June last year. Prices for 21 to 22 micron wool recorded more modest increases, as did Crossbred wool. Merino cardings lifted strongly, by 30 Acents. By region, the Northern Market Indicator finished the week at 1318 Ac/kg (up by 21 cents) and the Southern Market Indicator at 1268 Ac/kg (up 18 cents). The Western Market Indicator increased by 22 cents to 1383 Ac/kg, the highest level for the season. The A\$ continued its decline against the currencies of all the major wool export destinations this week. It fell by 1.6 UScents to 73.4 UScents and by 1 €cent to 64.2 €cents. As a result, the EMI actually fell by 6 UScents over the week, to 945 USc/kg, and by 1 €cent to 827 €c/kg.

Cotton prices have been under pressure for the past two years due to the huge build-up of stocks, notably in China. This build-up was due mainly to a decision by the Chinese Government in 2011 to operate a reserve price scheme. At first, the decision pushed world prices higher as it provided a floor not only to Chinese cotton prices but to world prices. However, by 2014, the Chinese Government had built up an enormous stockpile such that by 2014/15 world stocks were larger than the annual consumption of cotton. World prices dropped.

Since 2014, world cotton prices have been at around 70 USc/lb, well below the long-term average. This caused world cotton production to drop sharply. The US Department of Agriculture (USDA) estimates that world cotton production in the current season will be the lowest since 2013/14. See the **Chart of the Week** for details for world cotton production, as well as consumption and stocks.

While production has dropped in response to the low prices, world cotton consumption has increased, but not by much mainly due to competition from synthetic fibres, notably polyester. Nevertheless, world stocks have declined in 2015/16 and the USDA expects stocks to fall further in 2016/17. This should help support cotton prices. However, the beneficial effect will only be marginal. The International Cotton Advisory



CHART OF THE WEEK
Global Cotton Supply-Demand Balance Sheet

	2011/12	2012/13	2013/14	2014/15	2015/16e	2016/17f
Production (million tonnes)	27.75	26.95	26.17	25.89	21.65	22.69
Consumption (million tonnes)	22.59	23.41	23.79	23.97	23.67	24.07
Change in Stocks (million tonnes)	+5.05	+3.78	+2.45	+2.00	-2.09	-1.38
Ending stocks (million tonnes)	11.17	16.22	20.00	24.45	22.36	20.98
Stocks-to-use ratio %	49.4%	69.3%	84.1%	102.0%	94.5%	87.5%

Source: US Department of Agriculture

Committee predicts that the CotLook A Index (the main indicator of world cotton prices) will average 71 USc/lb in 2016/17, only a little higher than the average of 70 USc/lb in 2015/16. This suggests that the price of wool relative to cotton will remain near record levels in 2016/17.

The Australian Bureau of Statistics released the March data for **Australia's wool exports** earlier this week. It shows that Australian wool exports in March fell by 12% in volume terms and by 4% in value terms compared with March 2015. All major export destinations recorded falls in the volume of exports, which the exception of Egypt, which saw a large year-on-year increase in March. For the 2015/16 season to March, Australia's exports were 9% lower by volume than for the same nine months in 2014/15 but were 6% higher in value terms. The table below provides a summary of the exports to the major destinations for March and for the first three quarters of the 2015/16 season.

% change on year earlier	March 2016		Season to March 2016	
	Volume	Value	Volume	Value
Total	-12%	-4%	-9%	+6%
China	-13%	-6%	-10%	+7%
India	-19%	-9%	+7%	+26%
Czech Republic	-9%	+9%	-3%	+8%
Italy	-1%	+14%	-1%	+12%
South Korea	-27%	-16%	-29%	-10%
Malaysia	-13%	-25%	-22%	-36%
Egypt	+170%	+203%	+18%	+33%
Taiwan	-48%	-45%	-21%	-12%
Others	-10%	+16%	-19%	-1%

We are in the midst of the Campaign for Wool's **Wool Week Australia**. Running between 9th and 16th May, there will be wool-themed installations throughout Westfield shopping centre locations in Sydney and Miranda (NSW) and Doncaster (Melbourne). Other leading retailers and organisations involved in Wool Week Australia include the Australian Football League teams, M J Bale, Rodd & Gunn. Jeanswest and Bugaboo (babies wear).

The International Wool Textile Organisation announced this week that Dalena White has been appointed the new **Secretary General**, replacing Elisabeth van Delden who has held the position for the past five years. Dalena has a background in marketing and merchandising in clothing businesses. Most recently Dalena been Marketing Consultant for Cape Wools SA, involved in promotion of Merino wool with retailers and designers in South Africa, including running Wool Week South Africa. Dalena starts her tenure as Secretary-General on 17th May and I look forward to working with her.

REMINDER: Applications for the **NCWSBA Broker Award for 2016 are being sought!** Sponsored by Fairfax Agricultural Media and AWTA, the Award recognises excellence in wool broking by a younger member of our industry – be it client servicing, auctioneering, innovation or other aspects of wool broking. This is the fifth year that the Award has been offered. The Award winner this year will be granted an **all-expenses trip to Istanbul, Turkey, to attend 2017 IWTO Congress in May 2017.** Arrangements will also be made for the Award winner to visit the wool textile industry in Turkey.

OTHER 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.

WOOL SALES WEEK BEGINNING 16th MAY 2016 – week 47 (roster as at 12/5/2016)

<u>Sydney</u>	Wed, 18 th May; Thurs, 19 th May	11,753 bales
<u>Melbourne</u>	Wed, 18 th May; Thurs, 19 th May	22,658 bales
<u>Fremantle</u>	Wed, 18 th May; Thurs, 19 th May	8,503 bales

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