



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Merino wool prices jump, finer Crossbred prices falter
- Australian wool exports improve in August
- New Zealand wool exports drop sharply in 2016 to date
- AWTA Annual General Meeting and 2015/16 financial results
- Seasonal conditions and outlook
- Upcoming events

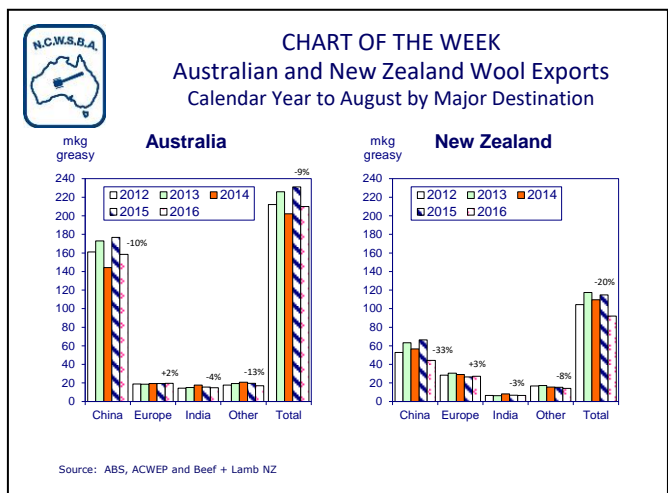


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Merino wool prices took off this week in the **Australian wool market**. Prices for Merino wool increased by 20 to 35 cents with all microns enjoying the lift. In contrast, medium and fine Crossbred wool fell back by 20 to 35 cents. The **Eastern Market Indicator (EMI)** rose by 18 cents to 1318 c/kg clean. The increase was helped by a very low offering of less than 30,000 bales of Australian wool. Even adding in the 2,500 bales of NZ on offer, AWEX says that this is the lowest weekly total for October since it started in 1995. Wet weather and floods in key areas, notably but not only in New South Wales, have held back deliveries into store and resulted in the low auction offerings. This small offering plus a lower A\$ against the US\$ and good buyer demand helped push prices for Merino wool higher. With the A\$ down by 0.7 UScents to 75.3 UScents, the EMI was 5 cents higher at 993 USc/kg. The A\$ lifted by 0.6 €cents and the EMI was 20 €cents higher at 902 €cents/kg. This is the highest level in Euros since June 2015. By region, the Western Market Indicator lifted the most, up 27 cents to 1375 c/kg clean. The Northern Market Indicator was up by 18 cents to 1359 c/kg and the Southern Market Indicator rose by 17 cents to 1291 c/kg.

The latest data from the Australian Bureau of Statistics shows that both the value and volume of **wool exports from Australia** fell by 1% in volume but increased 2% in value in August compared with August 2015. The lower volumes are no surprise given the year-on-year dip in auction offerings in June and July compared with 2015, although the decline is only minimal. It is interesting to see that exports to China increased by 4% in volume and by 7% in value. After six consecutive months of declines, it is good to see export volumes to China lift a little in August. Export volumes to Italy (+17%) and Malaysia (+23%) also increased. This was partly offset by falls in monthly export volumes to India (-24%), the Czech Republic (-1%), Korea (-4%) and Egypt (-15%).

While Australia's export volumes have declined over recent months, the falls have been much smaller than the drop in **wool exports from New Zealand**. NZ export volumes fell by 32% in August compared with a year earlier. This came after a 32% drop in July and a massive 40% year-on-year drop in June. As the **Chart of the Week** shows, New

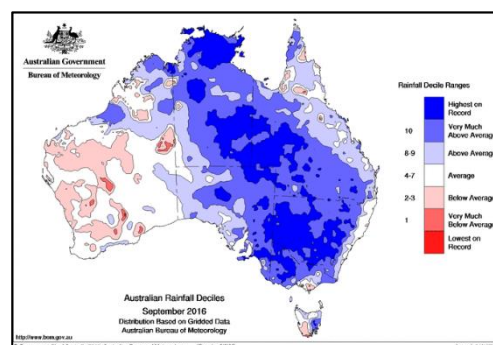


Zealand's wool exports have fallen by 20% for 2016 between January and August. This compares with a 10% fall in the export volumes from Australia.

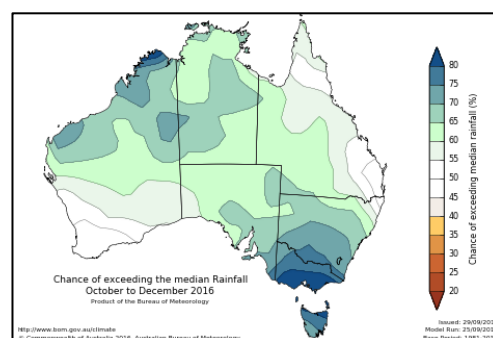
The bottom has fallen out of New Zealand's exports to China, which were down by 33% for calendar year 2016 to August. This drop has been the major driver of the decline in NZ's wool exports this year. Total wool exports from NZ to China so far in 2016 are at the lowest level since 2009. This drop in exports has arisen due to lower demand for NZ's fine and medium crossbred wool (25 to 32 micron and 33 to 35 micron respectively). It seems that there is excess stock in China of products made from this wool over the past year or more, including broader double-faced fabrics and heavier coats. The parlous state of demand for NZ fine and medium crossbred wool was discussed during the Nanjing Wool Market Conference. Wool exports to Europe from both Australia and NZ have increased in 2016 to date, by 2% and 3% respectively. But this is the only gain, with wool exports to India down for both countries and exports to 'other countries' also well down.

AWTA Ltd held its **Annual General Meeting** today (14th October) and released its annual report for 2015/16. Simon Hogan, President of NCWSBA, attended as the NCWSBA representative (NCWSBA is one of the Member Guarantor organisations for AWTA Ltd). I attended as the NCWSBA-appointed Director on the AWTA Board. The financial results for 2015/16 show that AWTA Ltd recorded a profit of \$0.979 million, compared with a \$2.232 million in 2014/15. The operating profit for the company actually improved in 2015/16 in spite of a 7% drop in wool test volumes which affected AWTA Raw Wool, the largest operating division. The fall in total company profit in 2015/16 was due to an impairment charge of \$1.302 million on AWTA Ltd's investment portfolio. Full details can be seen at the AWTA website (www.awta.com.au).

As most of you would be aware, **September was an extraordinarily wet month** across most of the eastern and central states, which resulted in flooding in several states, notably in New South Wales. The first map shows the rainfall for the month in terms of historical deciles. Significant parts of New South Wales, western Victoria and parts of both Queensland and South Australia recorded the highest rainfall totals on record for the month. Western Australia, on the other hand, was relatively dry during September.



The Bureau of Meteorology (BoM) expects **October to December rainfall to be wetter than average** for much of the country, except in the northeast and southwest where the chances of a wetter or drier than average three months are roughly equal. In particular, the BoM has put the chance of Victoria receiving above average rainfall in October to December at 75-80%. The chance that Tasmania will receive above average rainfall is also very high. It also expects cooler than average days and nights for much of the country.



INDUSTRY EVENTS

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 14th October.

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

The **IWTO 2017 Congress** will be held in May 2017. I will keep you posted about the location once it has been advised by the IWTO Head Office.

WOOL SALES WEEK BEGINNING 17th OCT 2016 – week 16 (roster as at 13/10/2016)

Sydney

Wed, 19th Oct; Thurs, 20th Oct 9,295 bales

Melbourne

Wed, 19th Oct, Wed, 20th Oct 17,939 bales

Fremantle

Wed, 19th Oct; Thurs, 20th Oct 9,025 bales

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