# 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 prices ease back ahead of the recess
- Australian Merino wool export values lift
- China wool exports continue the recovery
- AWI Flystrike R&D Update
- Upcoming events

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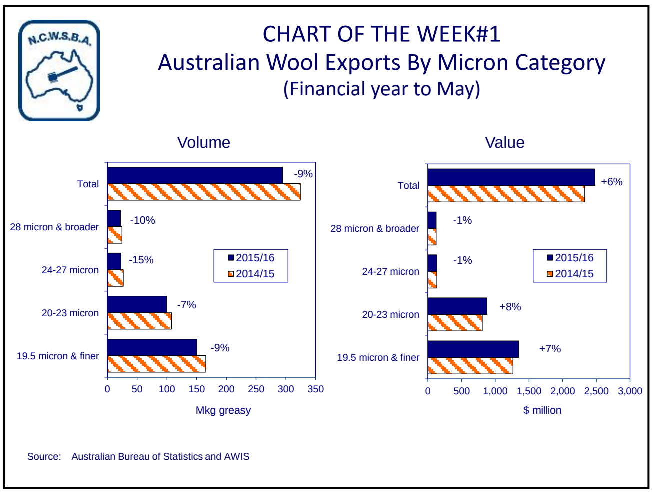
Prices in the **Australian wool market** eased back this week after four weeks of increases. Another rise in the A$ against the US$ and the Euro and an additional 5,000 bales on offer compared with previous expectations contributed to the decline. The **Eastern Market Indicator** declined by 9 cents to finish at 1311 cents/kg before the annual three week recess. The Northern Market Indicator fell by 8 cents to 1333 Ac/kg, the Southern Market Indicator fell by 10 cents to 1296 Ac/kg and the Western Market Indicator fell by 9 cents to 1414 c/kg. There were 40,935 bales offered for the week, 5,400 bales more than rostered a fortnight ago for the sale. Of this, 91.7% was cleared to the trade.

The A$ lifted by about 1 UScent to 76.2 UScents and gained 0.7 €cents to 68.6 €cents. As a result, the EMI rose by 5 UScents to 998 USc/kg and by 5€cents to 899 €cents/kg. Compared with this time last year, the EMI is 90Acents, 85UScents and 76€cents higher.

I reported briefly in last week's *Newsletter* that the latest data from the ABS shows that **Australian wool exports** were lower in May in both value and volume terms. Of the top ten exporting countries, exports to China, India, the Czech Republic, South Korea and Taiwan were all well down in May compared with the same month a year ago. For the month, China accounted for almost 80% of Australia's wool exports.

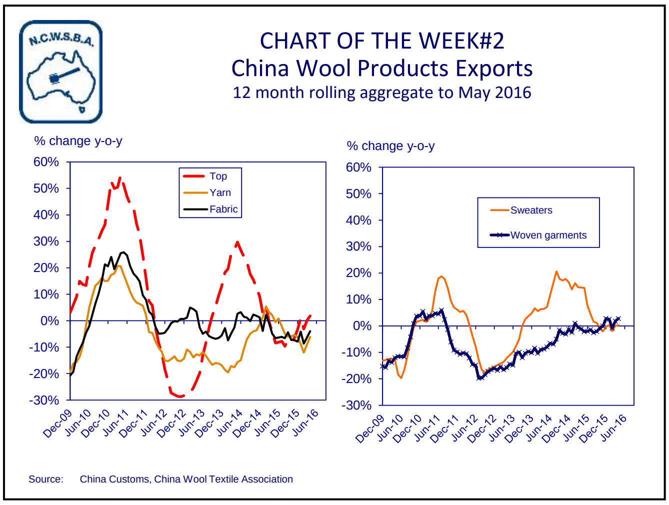
For the eleven months of the 2015/16 season to May, export volumes were down by 9% but export values were 6% higher in A$ terms. The decline in volumes is no surprise given that wool supplies for the season were down by 7 to 8%: the volume of wool tested by AWTA was down by 7% in 2015/16 and the volume of wool offered at auction for the season was down by 8% according to AWEX.

On the other hand, average prices at auction for the 2015/16 were much higher than in 2014/15. The season average EMI was 153 c/kg higher than in 2014/15 and average Merino prices were 150 to 180 c/kg higher. Crossbred prices were also higher, with finer Crossbred prices around 150 cents higher but broader Crossbred prices only marginally higher. The higher prices more than compensated for the decline in wool volumes, and so export value increased.




It is interesting to look at the export volumes by micron category. The first **Chart of the Week** shows Australian wool exports volume and value in the eleven months July to May for the 2015/16 season and compared with the 2014/15 season. Export volumes of wool broader than 24 micron dropped by more than did the export volumes of fine Merino wool (19 micron and finer) and medium Merino wool (20-23 micron). The increase in Merino wool prices more than offset the decline in export volumes of this wool. As a result, the value of these exports rose quite strongly (up by 7% and 8% respectively). In contrast, the value of exports of broader wool was little changed in the 2015/16 season to May compared with 2014/15.

The latest data from the China Wool Textile Association on **China's exports of wool products** shows that the encouraging recovery in exports of most wool products continued in May. According to the data, China's exports of wool top and wool sweaters jumped by 17% and 13% respectively in May compared with May 2015, wool yarn exports were up by 10% and exports of woven wool garments were 3% higher. For wool woven wear, it was the third consecutive month of year-on-year increases after a long period of decline. China's exports of wool fabric fell by 9% in May.




The second **Chart of the Week** shows the year-on-year change in the 12 month rolling aggregate of China's exports of each wool product. The steady recovery in China's exports of woven wool garments can be seen, as can the recovery in exports of both wool top and wool sweaters. What the chart doesn't show is that China's exports of **wool sweaters** were at record levels for the 12 months to May. The trends in exports of wool yarn and wool fabric show that exports of these products remain under pressure.

I attended **AWI Flystrike R&D Technical Update** in Sydney on Tuesday this week to hear the progress on the various research projects that AWI has been funding. As you may have seen in the rural media reports in recent days the Update on one of the alternatives to mulesing, Skintraction. While it was approved by the Australian Pesticides and Veterinary Authority (APVA) over 12 months ago, the APVA imposed significant restrictions including that the product can only be used on 12 month old sheep weighing over 30 kilograms. This has meant that the commercial viability of the product is hugely restricted. There is more positive news on alternative analgesics, including Metacam (a pre-mulesing analgesia) and Buccalgesic (a pain relief-gel that is applied in the mouth cavity). Metacam was approved for use in April and Buccalgesic is close to receiving approval. They are seen as either an alternative to, or even an adjunct to, the current pain relief product, Tri-Solfen.

In terms of alternatives to mulesing, the long-term solution remains breeding, although there was a presentation on a liquid nitrogen product that could be used as alternative which achieves the same results as mulesing. Research continues on this product and more work needs to be done, including an assessment of the impact on lambs. The breeding research programs which began around a decade ago continue with positive results. Breech wrinkle, dag, urine stain and breech wool cover are the four key risk factors for flystrike, and these are heritable to varying degrees. Growers are able to select suitable genetic stock to address these issues through the breeding values through Merino Select managed by Sheep Genetics. [Click here for access to Merino Select.] One concern expressed by the researchers was the slow uptake of these by growers. *All the presentations will be available on the AWI website in the next week or so. I will advise when they are available.*

**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 IN AUSTRALIA ARE IN RECESS UNTIL THE WEEK BEGINNING 8th AUGUST 2016**

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