The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Australian superfine Merino prices fall again
- Price differentials for fine wool pull back from peak
- Weight of wool tested in Australia jumps in May
- Dry Autumn and outlook for Winter in Australia
- Upcoming events

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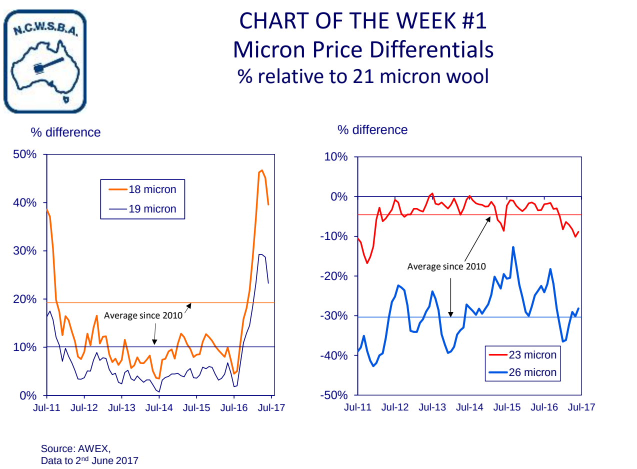
The stellar run for superfine and ultrafine Merino wool in the **Australian wool market** has certainly come to abrupt halt in the past few weeks, with another significant fall this week. The **Eastern Market Indicator** (EMI) fell by 23 cents to 1472 c/kg. The declines came despite a small offering (as is usual for this time of the year) and a sharp drop in the A$. Prices for superfine wool (18.5 microns and finer) fell back by between 60 and 90 cents, with prices falling most for ultrafine wool. Prices for medium Merino wool (21-22 micron) were steady, as were prices for Crossbred wool. The Northern Market Indicator again fell the most, down by 33 cents to 1547 c/kg. The Southern Market Indicator fell by 19 cents to 1426 c/kg and the Western Market Indicator slid by 16 cents to 1504 c/kg. The A$ dropped by over a UScent this week against the US$ and by just under a €cent against the Euro. The EMI in both currencies fell by more than in A$ terms, down by 34 UScents to 1088 USc/kg and by 29 €cents to 970 €cents/kg. This is the lowest in Euro terms since before Christmas.

In the past four weeks, superfine wool prices have dropped by between 7% and 8%, while prices for medium Merino wool (21-22 micron) have eased by 1%-2%, the 23 micron price guide has risen by 1% and fine Crossbred wool has lifted by 1%-2%. These different trends have dampened the **price premium for fine and superfine wool** relative to other microns.

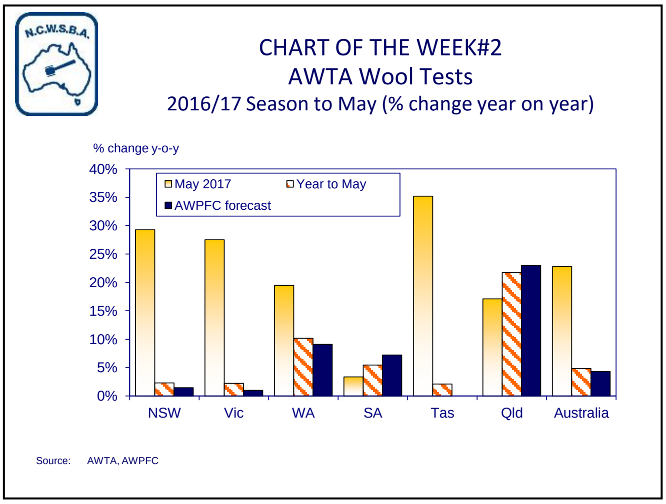
As the first **Chart of the Week** shows, the premium for 18 micron wool over 21 micron wool peaked in April at 47%, and has slid back since then. Even so, the current premium of 40% is more than double the average seen since 2010. The same is true for the premium for 19 micron wool over 21 micron wool. In contrast, the price differential for 23 micron wool compared with 21 micron wool is below the average since 2010. For fine Crossbred wool, the price differential against 21 micron wool has bounced back from the recent lows.



AWTA yesterday released the statistics on **wool test volumes across Australia for May**, with a remarkable 23% increase in May in the weight of wool tested compared with May 2016. It should be noted that the weight of wool tested in May 2016 was the lowest May total for many years, so the increase this year is somewhat inflated. Even so, the weight tested this May is the largest since May

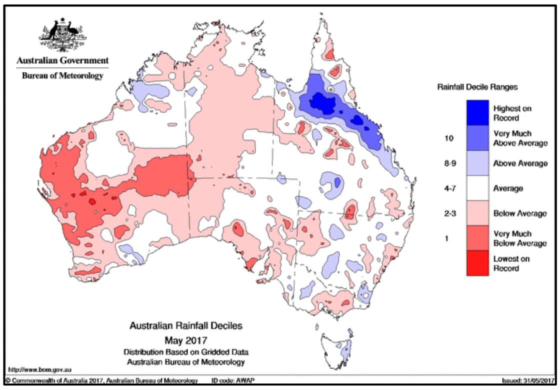
2012. All micron ranges recorded sharp increases for the month, led by a 40% year-on-year increase in wool between 21 and 24 microns and a 33% lift in wool 29 microns and broader.

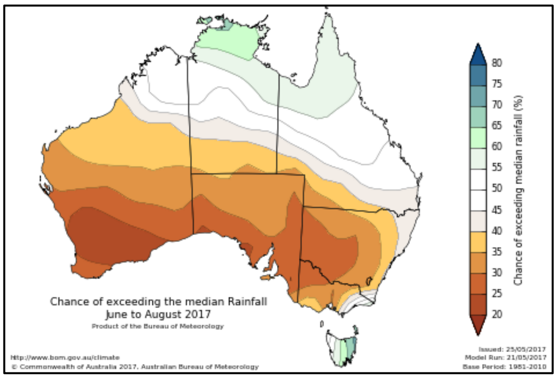
All states recorded year-on-year increases in May compared with May 2016 (by Wool Statistical Area, the best measure of wool tests by state of origin). The biggest monthly increase was seen for Tasmania, with a 35% jump, followed by New South Wales (+29%) and Victoria (+28%). The second **Chart of the Week** shows the % change in the weight of wool tested by state and for Australia in May and for the season to May. It compares this with the % change forecast for the full 2016/17 season by the Australian Wool Production Forecasting Committee (AWPFC), released in April.



Overall, the AWPFC's forecast of a 4.3% increase in shorn wool production for Australia for the full season is on track. There are some states where the Committee's forecast for the season may be understated (such as Tasmania) and other cases where the forecast may be a little optimistic (such as South Australia). The Committee will meet in mid-August to consider its forecast once the full season's results are available. The Committee will also review its forecast for the 2017/18 season.

One factor that the AWPFC will consider when it reviews its forecast for 2017/18 is **seasonal conditions across Australia during Autumn and in Winter**. The rainfall data for May from the Bureau of Meteorology (BoM) shows that rainfall was below or well below average in significant parts of Western Australia and South Australia, as well as pockets in Victoria and New South Wales and into Queensland (see the first map). Elsewhere rainfall was average or a little above average for May. However, this came after good rainfall throughout South Australia, Victoria and much of New South Wales in April.





The BoM predicts that the southern half of mainland Australia will see below average rainfall over Winter (June to August). The second map shows the Bureau's new forecast. In contrast, the BoM predicts that Tasmania has a very good chance of receiving above average rainfall. The rainfall in coming months will need to be monitored carefully.

INDUSTRY EVENTS

The **NCWSBA Annual General Meeting** will be held in Melbourne on 24th August 2017

Wool Week will be held at the Crowne Plaza Hotel, Melbourne on 24th to 25th August 2017.

The **2017 Nanjing Wool Market Conference** will be held in Tongxiang, China on 17th to 18th September 2017.

WOOL SALES WEEK BEGINNING 5th JUNE 2017 – week 49 (roster as at 01/06/2017)

<u>Sydney</u>
Wed, 7th June; Thurs, 8th June — 10,330 bales

<u>Melbourne</u>
Wed, 7th June; Thurs, 8th June — 14,948 bales

<u>Fremantle</u>
No sale

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