The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Australian Merino prices fall then recover partially
- Superfine wool production down and medium Merino wool production up in 2016/17 to March
- Increased share for Pain Relief, Non Mulesed or Ceased Mulesed wool
- Dry, hot seasonal outlook for Autumn
- Upcoming events

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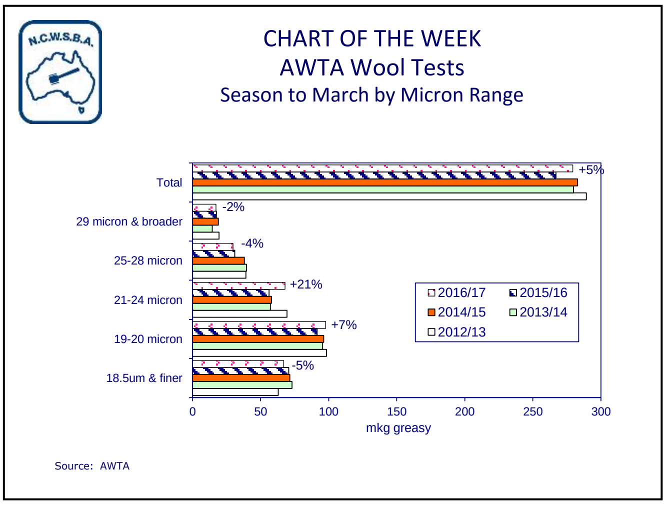
Merino wool prices in the **Australian wool market** retreated sharply this week, although it was a bit of roller coaster ride. Prices fell steeply on Wednesday before staging a partial recovery on Thursday, particularly in Fremantle. The **Eastern Market Indicator** (EMI) finished the week at 1459 c/kg, down by 43 cents. All micron price guides from 20 microns and fine fell by 50 cents and more, with the exception of the 17.5 micron price guide which only fell by 28 cents. Broader Merino wool fell by 20 to 40 cents, while Crossbred prices were a bit up and down. The Northern Market Indicator was down 38 cents to 1549 c/kg, the Southern Market Indicator was 47 cents lower at 1400 c/kg and the Western Market Indicator fell by 29 cents to 1459 c/kg (after being 48 cents down on Wednesday). The A$ fell against both the US$ and the Euro (by 1.2 UScents and 0.6 €cents) after the Reserve Bank of Australia decided on Tuesday to keep interest rates steady at current low levels. As a result, the EMI was down by 50 UScents to 1101 USc/kg and by 39 €cents to 1030 €cents/kg.

The drops in wool prices in the past fortnight after the sharp gains seen earlier in March has resulted in the EMI being back to around the same level at as the end of February (the EMI was 1449 Ac/kg on 24th February). However, prices for super and ultra-fine wool (i.e. 18.5 micron and finer) are still well above the levels seen at the end of February, with the 16.5 micron price guide still 212 cents above the levels at the end of February. Broader Merino wool is around 60 cents cheaper than at the end of February.

On Monday AWTA released the data on the volume of **wool tested** in March. It shows a strong 14% year-on-year jump in the weight of wool tested for the month. The increase has been inflated a little as the Easter break in 2016 was in the last few days of March, which reduced the number of working days, while the Easter break is in mid-April this year. Almost all states recorded large double-digit % increases in March, led by a 52% increase for Tasmania and an increase of 33% for Queensland. The weight of wool tested in Western Australia in March was 20% higher, Victoria was up 18% and South Australia was up 18%. The exception to these large increases was New South Wales which recorded a 2% increase year-on-year. For the season to date AWTA has tested 4.6% more wool than for the July to March period in the 2015/16 season.

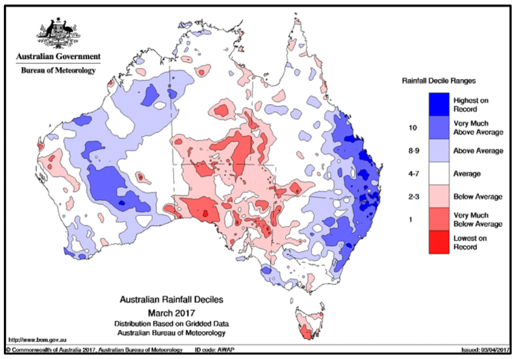
The **Australian Wool Production Forecasting Committee** will consider these test statistics when it meets on 19th April. The State Committee meetings are being held this week and next week. The Committee will release the updated forecast for 2016/17 and its first forecast for 2017/18 on 21st April.

Given the sharp divergence in prices for superfine wool and prices for medium Merino wool in recent months, it is interesting to see what has happened to the **supply of these wools** this season. This can be indicated by the AWTA test data by micron. The **Chart of the Week** shows the weight of wool tested in total and by micron ranges for the current season and the previous four seasons to March. For superfine wool (18.5 micron and finer), the weight tested is 5% lower this season than in 2015/16 to date. The volume tested of this wool is the lowest since the 2012/13 season. In contrast, the volume of medium Merino wool (21 to 24 micron) has jumped by 21% this year and is the highest since 2012/13. The weight of fine Merino wool (19-20 micron) is up by 7%.

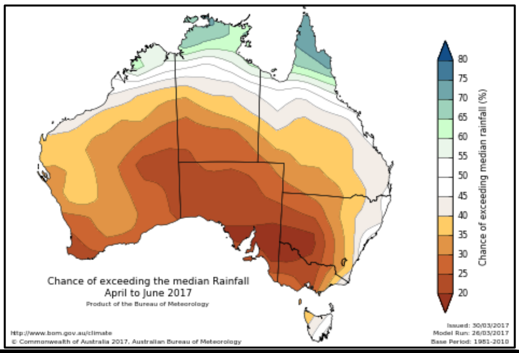


Assuming that this difference in the weight of wool tested is being reflected at auction, then supply is clearly part of the reason for the significant widening of the price differential between superfine wool and medium Merino wool this season. For the record, the current differential between the 18 micron price guide and the 21 micron price guide is 52%. A year ago the differential was 7% and at the start of the 2016/17 season it was just 5%!

AWEX this week released the latest data from the **National Wool Declaration (NWD).** It shows that the share of wool offered with a declaration of Pain Relief (PR), Non Mulesed (NM) or Ceased Mulesed (CM) accounted for 40% of all wool offered in March. This compares with 34% share for March 2016. For the nine months of the 2016/17 season to March, 39% of the offering was declared as PR, NM or CM; this compares with 33% share for the same period in 2015/16. Almost all of the increased share is due to more wool being declared as PR.



When they meet to discuss the wool production forecast for 2017/18, the AWPFC and state committees will also consider **the rainfall at the start of autumn and the seasonal outlook**. The first map shows the rainfall deciles for March from the Bureau of Meteorology (BoM). It has been very dry throughout South Australia and Tasmania, as well as part of Queensland (the northern wet season has been disappointingly dry in many areas). Rainfall has been normal or even a little wetter than normal elsewhere. Clearly, though, some areas are looking for rain and will be hopeful that it comes in the next few week.



Unfortunately, the **seasonal outlook** from the BoM is not encouraging. As the second map shows, the BoM expects dry conditions in next three months for almost all the major wool producing regions, centred around South Australia. It also expects well above average temperatures.

OTHER INDUSTRY EVENTS

The next meeting of the **Australian Wool Production Forecasting Committee** will be on 19th April 2017 in Melbourne.

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

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

WOOL SALES WEEK BEGINNING 3rd APRIL 2017 – week 40 (roster as at 30/03/2017)

Sydney	
Tues, 11th April; Wed, 12th April	12,516 bales
Melbourne	
Tues, 11th April; Wed, 12th April	23,458 bales
Fremantle	
Tues, 11th April; Wed, 12th April	10,250 bales