The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Price surge in the Australian wool market
- Wool test volumes up again in February
- Over 60% of wool offered with a National Wool Declaration
- Dry autumn predicted by the Bureau of Meteorology
- Upcoming events

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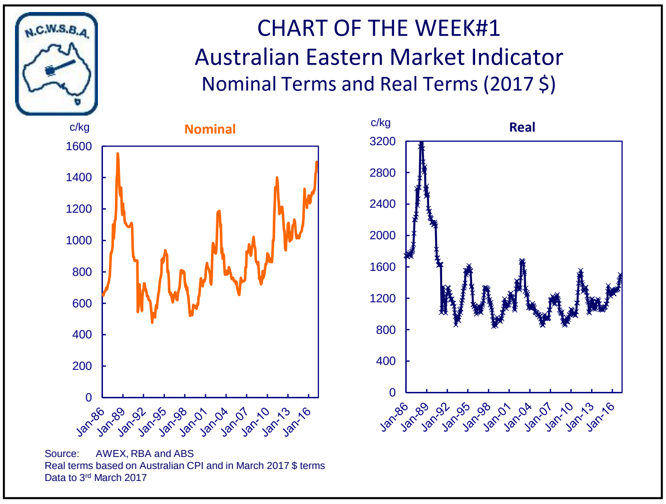
Prices surged in the **Australian wool market** this week with prices for all microns lifting. The highlight was a 104 cent rise for the 18 Micron Price Guide in Melbourne, although there were a number of Micron Price Guides that rose by more than 50 cents in all three centres. One notable positive in a week of outstanding results was the continued recovery of prices for Crossbred wool, after the recent lows. The benchmark **Eastern Market Indicator** (EMI) jumped by 51 cents to finish the week at 1500 c/kg, another 29 year high. By region, the Western Market Indicator jumped the most, up by 65 cents to 1547 c/kg, the Northern Market Indicator was up 52 cents to 1582 c/kg, and the Southern Market Indicator lifted 51 cents to 1448 c/kg.

The A$ eased a little against the US$ over the week to Thursday to close at 76.6 UScents. It fell sharply on Thursday night by 1 UScent as the US$ rose against all currencies in response to President Trump's speech to the US Congress. The A$ eased a little against the Euro to 72.7€cents. Given the currency movements until Thursday, the EMI this week rose by 34UScents to 1148 USc/kg and by 36 €cents to 1046€c/kg.

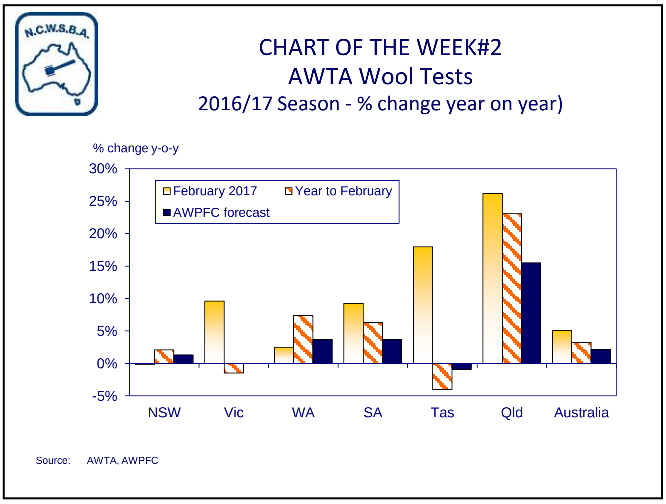


While the EMI is now at the highest level since June 1988 in nominal terms (on a like-for-like basis), what about in real terms (i.e. once inflation is considered)? The first **Chart of the Week** shows the current EMI in nominal terms and in real terms. The prices in real terms are in current (i.e. March 2017) terms. You can see that there is a stark difference.

Once inflation is taken into account, current price levels are well below the extraordinary peak seen in mid-1988. In fact, the EMI at 1500 c/kg in real terms is only equal to the peak seen in 2011 and below the peak at the end of 2002.

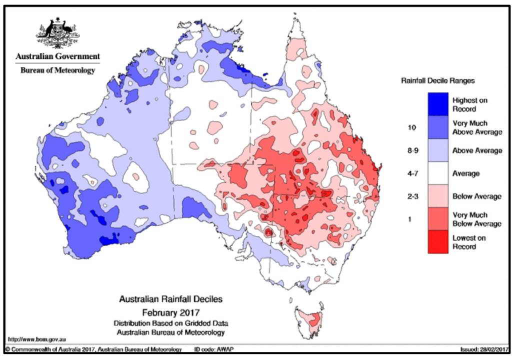
AWTA today released the latest **wool test statistics**. For the month of February, wool tests were 5% higher compared with February 2016, led by a 26% increase year-on-year for Queensland (from a small base), an 18% lift for Tasmania, a 10% increase for Victoria and a 9% lift for South Australia (SA). The volume of wool tested from Western Australia (WA) was 3% higher year-on-year for the month, while the volume tested from New South Wales (NSW) was steady.

For the 2016/17 season to February, the volume of wool tested from Queensland was 23% higher than for the same period in 2015/16. This was, however, off a very low level and the total volume of wool tested from Queensland is not yet back to the level seen in 2014/15 at just 6.6 mkg greasy. By comparison, the volume of wool tested from South Australia for the eight months of this season was 37.6 mkg greasy, up by 6%. This is the highest volume of wool tested from SA in at least six seasons. WA has also recorded a strong 7% lift in wool test volumes this season, while NSW was 2% higher in the eight months to February. Victoria and Tasmania have both seen wool test volumes decline in the July to February period, by 1.5% and 4% respectively. This data is based on Wool Statistical Area, which gives the best guide for wool production volumes on a state by state basis.

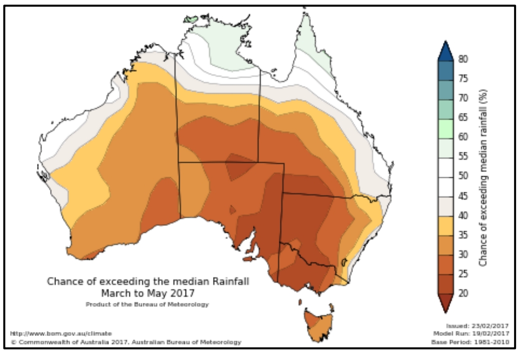


The second **Chart of the Week** shows the % change in the volume of wool tested by state in February and in the July to February period, compared with the latest forecast change from the Australian Wool Production Forecasting Committee (AWPFC).

The latest **Mulesing Status** statistics from the **National Wool Declaration** (NWD) were released by AWEX earlier this week. It shows that there was a 22% increase in the number of bales offered at auction with a declaration as either Ceased Mulesed (CM), Non Mulesed (NM) or Pain Relief (PR) for the July to February period compared with the same period in 2015/16. In total, the number of bales with an NWD was 15% higher for the eight months (note: this includes a blank NWD or NWDs with wool declared as being Mulesed). In total, 60.1% of all wool offered at auction in 2016/17 to February had an NWD, up from 53.6% in the same period in 2015/16. Of wool offered with CM, NM or PR made up 39.2% of the total volume of wool offered at auction in Australia between July and February, compared with 33.2% in 2015/16.



February was a hot and dry month for significant parts of Queensland and New South Wales, according to **data from the Bureau of Meteorology**. Temperatures were extreme in many regions of these states. While hot and dry conditions is not that unusual for New South Wales (it is summer, after all!), February is the wet season in Queensland. In contrast, there was above average rainfall for Western Australia with floods in some regions, while Victoria generally saw normal conditions (see the first map).



The **Bureau's outlook for autumn (March to May)** is not all that encouraging for a good autumn break, pointing to a high chance of below average rainfall for most of the main sheep growing areas across the country. The Bureau also predicts that Autumn will generally see above average temperatures in the sheep-growing regions across Australia.

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 6th MAR 2017 – week 36 (roster as at 02/03/2017)

Sydney
Wed, 8th Mar; Thurs, 9th Mar — 11,471 bales

Melbourne
Tues, 7th Mar; Wed, 8th Mar; Thurs, 9th Mar — 25,194 bales

Fremantle
Wed, 8th Mar; Thurs, 9th Mar — 10,883 bales

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