



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Another week, another 29 year high for the EMI
- Cotton and synthetic fibre prices rising, but modestly
- Exports from NZ and Uruguay drop
- Wool purchases by major processing countries up in 2016/17
- Upcoming events



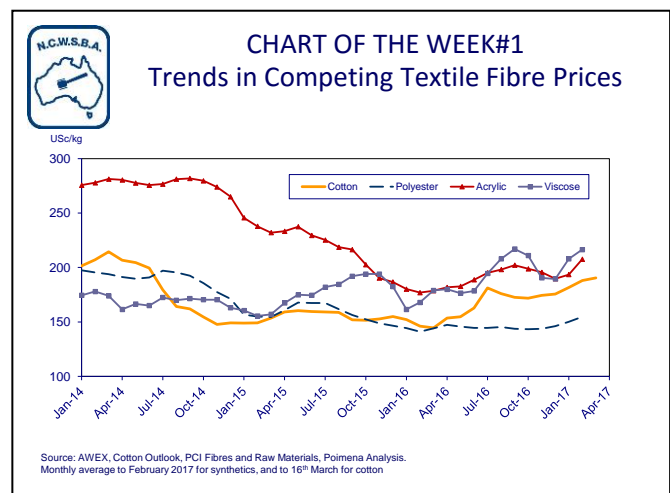
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The relentless rise in ultrafine and superfine wool prices continued this week in the **Australian wool market**. Prices for wool 18.5 micron and finer lifted by between 75 and 114 cents in Sydney and by 76 to 83 cents in Melbourne. In Fremantle, where the volume of this wool is quite limited, the increase was between 60 and 96 cents. While fine (19 to 19.5 micron wool) also saw solid gains of up to 50 cents, broader Merino wool prices were very mixed, with prices in Fremantle dropping on Thursday. The benchmark **Eastern Market Indicator (EMI)** was 24 cents higher at 1546 c/kg, another new 29 year high. By region, the Northern Market Indicator was up 31 cents to 1636 c/kg and the Southern Market Indicator lifted 19 cents to 1488 c/kg, but the Western Market indicator (which is weighted towards medium and broad Merino wool) eased by 2 cents to 1554 c/kg. Next week will be a challenge to the continued rise in prices, as more than 51,000 bales are now rostered for sale.

In spite of the mid-week lift in US interest rates (which in theory might have seen the US\$ strengthen), the A\$ actually lifted by 1.6 UScents against the US\$ over the week to Thursday to close at 76.9 UScents. The A\$ also rose a little against the Euro to 71.6€cents. As a result of the currency movements and the lift in the EMI in A\$ terms, the EMI jumped rose by 43UScents to 1188 USc/kg and was 21 €cents higher at 1107€c/kg. This is the highest on record in Euro terms but only the highest since mid-2012 in US\$ terms.

The EMI has lifted by 181 USc/kg since the Christmas recess and by 219 USc/kg since the start of the 2016/17 season. The major gains have been seen for ultrafine and superfine wool, which have risen by between 371 and 469 USc/kg since the Christmas recess and by between 498 and 639 UScents since the start of the season. It is interesting to see how **prices for other textile fibres** have performed at the same time.

As the first **Chart of the Week** shows, prices for the competing fibres, either cotton or man-made fibres, have risen in recent months. For acrylic and polyester staple, the increase reverses a long period of declining and/or low prices. The price increases are very modest compared with the increases seen for Australian wool, particularly superfine wool. For example, acrylic fibre prices are 12 UScents higher than in December and 19 UScents higher than in June. Polyester staple fibre prices are up by 11 UScents since Christmas and 10 UScents since June. Cotton prices are up by 15 UScents and 28 UScents respectively, while prices

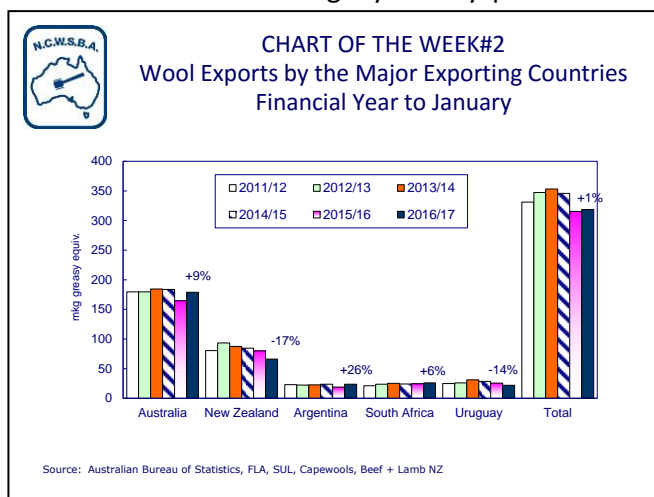


for viscose (a cellulosic fibre made from wood pulp) have done best, up by 26 UScents since Christmas and by 38 UScents since June.

These comparative price changes mean that **superfine wool's price relativity** against these other fibres has jumped. 18 micron wool is now 8.4 times the cotton price (highest since 2007) and 11.7 times synthetic fibre prices (the highest since 2002).

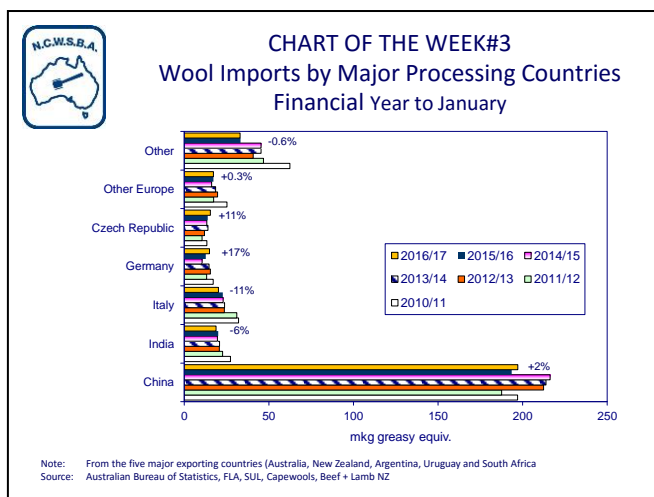
While Merino wool prices have enjoyed a purple patch in the past few months, Crossbred wool (26 micron and broader) prices have struggled, although there have been some signs of life in recent weeks. This divergence between Merino and Crossbred wool is highlighted by the different performance of **wool exports** from Australia and South Africa, compared with **exports from New Zealand and Uruguay**. Of course, the vast majority of Australia's and South Africa's wool production and exports is Merino wool while New Zealand mainly produces and exports Crossbred wool while Uruguay mainly produces and exports Corriedale wool (of 26 to 30 microns).

As the second **Chart of the Week** shows, the volume of wool exports from Australia and South Africa has increased this season to January, by 9% and 6% respectively. At the same time, New Zealand's and Uruguay's exports have dropped by 17% and 14% respectively. Both countries have seen their exports to China dive, with NZ wool exports to China down by 37% and Uruguay's wool exports down by 41%. In contrast Australia's exports to China are up by 17% and South Africa wool exports to China are 13% higher. It seems that China's appetite for wool 26 microns and broader has vanished but it is ravenous for the fine Merino wool produced by Australia and South Africa.



Argentina's exports are up substantially as the chart shows. In part this is due to strong demand for Merino wool which Argentina produces but exports have also been helped by a 10% rebate that the Argentine Government are paying on exports of wool top.

Overall, China's purchases from the five major wool producing and exporting countries is up by 2% for the 2016/17 season to January. However, its imports remains well below the levels seen in 2012/13, 2013/14 and 2014/15 (see the third **Chart of the Week**). Other major processing countries have seen increases this season, including Germany, the Czech Republic, the UK and smaller European countries. Purchases by Italy from the five major processing countries has dropped, as has wool purchases by India. In total, purchases by Europe are 2% higher this season to date.



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 20th MAR 2017 – week 38 (roster as at 16/03/2017)

Sydney

Wed, 22nd Mar; Thurs, 23rd Mar 13,058 bales

Melbourne

Wed, 22nd Mar; Thurs, 23rd Mar 24,560 bales

Fremantle

Wed, 22nd Mar; Thurs, 23rd Mar 13,637 bales

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