The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Sales resume in the Australian wool market next week
- An update on wool's price competitiveness with other fibres
- AWTA tests for July up
- Dry Seasonal conditions and outlook
- Reminder: Wool Week registrations close on 8th August
- Upcoming events

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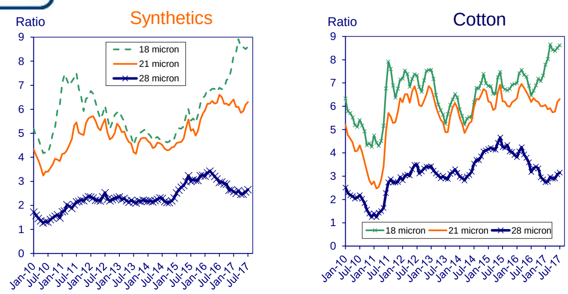
Auctions resume next week in the **Australian wool market** after the 3 week recess. As usually happens, there is a large offering rostered for the week, with just over 56,000 bales scheduled to be offered. If achieved it would be the highest weekly offering after the July recess since August 2011. It compares with 52,100 bales offered in the first sale back after the recess in August 2016, 41,832 bales offered in the first sale back in August 2015, and 45,463 bales offered in August 2014. This large offering will be one of the challenges for prices once sales resume, with the other challenge being the lift in the A$ against the US$ during the recess. On the Friday before the recess (14th July) the Reserve Bank of Australia was quoting the A$ at 77.4 US cents; the A$ was at 79.2 US cents last night, having lifted to a little over 80 US cents earlier this week. On the plus side, the A$ has slid against the Euro, down from 67.9 €cents to 66.9 €cents last night.

While the Australian wool market has been in an hiatus, the **cotton and synthetic fibre markets** have continued to operate around the world. Cotton prices, as measured by the CotLook A Index has lifted a little over the past month and polyester staple fibre prices and viscose prices have also risen. Acrylic fibre prices, on the other hand, have eased.

Where does this leave wool's **price relativity with these other fibres**? The first **Chart of the Week** shows the trends in the price relativities for 18 micron, 21 micron and 28 micron wool against synthetic fibres and against cotton. As can be seen, the price relativity for **18 micron wool** is at or close to record levels against these other fibres. Against synthetic fibres, 18 micron wool is at 8.60, a little below the record 8.92 reached in March but still the second highest ever. Against cotton, the ratio is at 8.62, a shade below the record 8.66 reached in March

CHART OF THE WEEK#1
Wool Price Competitiveness
US$ terms



Source: AWEX, Cotton Outlook, PCI Wood Mackenzie, CIRFS, Woolmark, Poimena Analysis
Data to July 2017
Note: for 28 micron wool, the ratio is against acrylic fibre

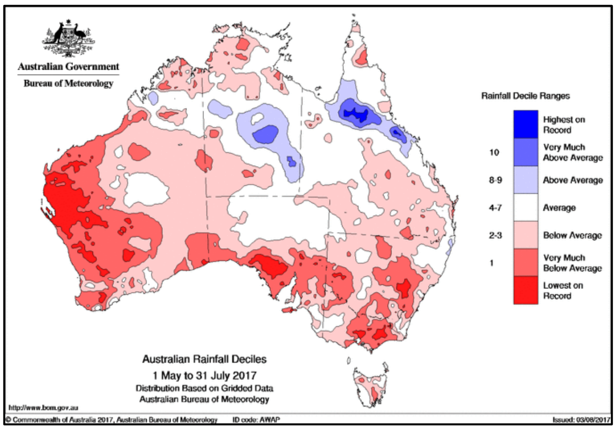
For **21 micron wool**, the price relativity has increased in the past few months, and remains at high, but not extreme, levels. Compared with synthetic fibres, the price relativity of 21 micron wool is at 6.30, higher than at any time since January and at relativity high levels compared with the price ratios since 2010. The 21 micron price is 6.31 times the price of cotton, the highest since August 2016 but below the heights seen at various times in the past seven years. As can be seen from the charts, **28 micron wool** has been at relative lows compared with both synthetics and cotton, but have seen an increase recently. It is currently at 2.66 times the synthetic fibre price and 3.15 times the price of cotton. This relatively low price ratio may help boost demand for this broader wool.

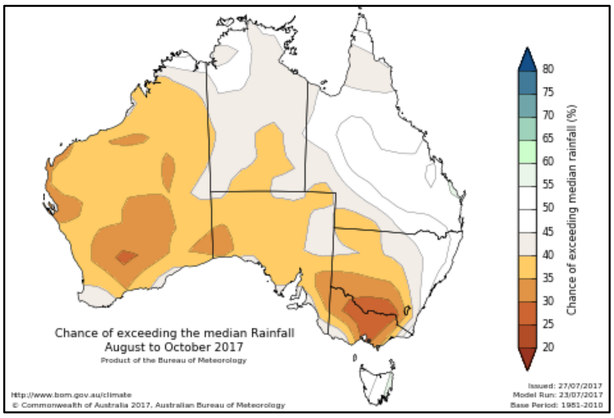
Earlier this week AWTA released data on the **volume of wool tested** in July. The weight of wool tested in July was 13.1% higher than in July 2016. By state, there were significant increases seen for New South Wales (+18.8%), Victoria (+17.6%), Tasmania (+19.3%) and Queensland (+21.8%). South Australia also recorded a 12.1% lift. In contrast, Western Australia saw wool test volumes fall by 11.6%.

By micron range, 21-23 micron wool recorded a 24% jump, while 24-27 micron wool also lifted sharply (up 33%), as did 28 micron and broader wool (+55%). The weight of wool tested in the 19-20 micron range lifted by 8%, superfine wool (18.5 micron & finer) eased by 1%. July is a volatile month for wool tests, so we will need more months under our belts before we get a sense of progress for the season.

It has been a **dry start to winter** across large parts of Australia. The first map shows the rainfall deciles for the 3 months May to July. As can be seen, large parts of the sheep growing regions in Western Australia have had rainfall very much below average. The Eyre Peninsula and northern regions of South Australia have also seen significant rain deficits, as has the eastern half of Victoria, and parts of New South Wales. Regions elsewhere will be looking for rain. Queensland and Tasmania is on the dry side, but faring better than other regions. The good news is that there have been good rains in the south-west of Western Australia and in Tasmania in the past week, as well as some rains in Victoria and parts of New South Wales.

Unfortunately, the **outlook for the next three months** is not all that encouraging, with the Bureau of Meteorology predicting drier than normal and hotter than normal conditions throughout much of the Australian mainland. The outlook for Tasmania and Queensland is more hopeful.





LAST CHANCE TO REGISTER: Registrations for AWIS Wool Week events, including the **2017 Annual General Meeting of National Council of Wool Selling Brokers of Australia, close on Tuesday, 8th August.** The Wool Week events will be held on Thursday, 24th August and Friday, 25th August at the Crowne Plaza Hotel, Melbourne. The NCWSBA Annual General Meeting and Forum will be held on 24th August. Robert Herrmann of AgConcepts will be a key note speaker with a presentation on innovation in the wool industry. A registration form is attached to the email with the *Weekly Newsletter* – get your registrations in!

INDUSTRY EVENTS

The **NCWSBA Annual General Meeting and Forum** 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 7th AUGUST 2017 – week 6 (roster as at 31/07/2017)

Sydney
Tues, 8th Aug; Wed, 9th Aug; Thurs, 10th Aug — 18,522 bales

Melbourne
Tues, 8th Aug; Wed, 9th Aug; Thurs, 10th Aug — 28,215 bales

Fremantle
Wed, 9th Aug; Thurs, 10th Aug — 9,303 bales