The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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23rd June 2017 2017/22

From the desk of Chris Wilcox, Executive Director

- Small offering pushes prices higher in the Australian wool market
- ABARES' positive forecasts for wool and sheep
- China's raw wool imports from Australia up, down from other countries
- China's exports of woven wool clothing go through the roof
- Upcoming events

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There was a tiny offering in the **Australian wool market** this week, with just under 23,000 bales offered in Sydney and Melbourne, the smallest offering for the 2016/17 season. While the small offering is typical for this week of the season in recent years, AWEX reports that it was the smallest offering of Merino wool in over 8 years. With the South African wool market in recess, buyers pressed hard to secure wool for their shipments, pushing Merino prices higher. Prices for Crossbred wools were steady. The **Eastern Market Indicator** (EMI) lifted by 27 cents to 1533 c/kg, the Northern Market Indicator lifted by 24 cents to 1599 c/kg and the Southern Market Indicator increased by 29 cents at 1491 c/kg. The A$ slipped against the US$ and the Euro, to 75.6 UScents and 67.6 €cents. As a result, the EMI in both currencies rose by less than in A$ terms, up by 12 UScents to 1158 USc/kg and by 14 €cents to 1037 €cents/kg.

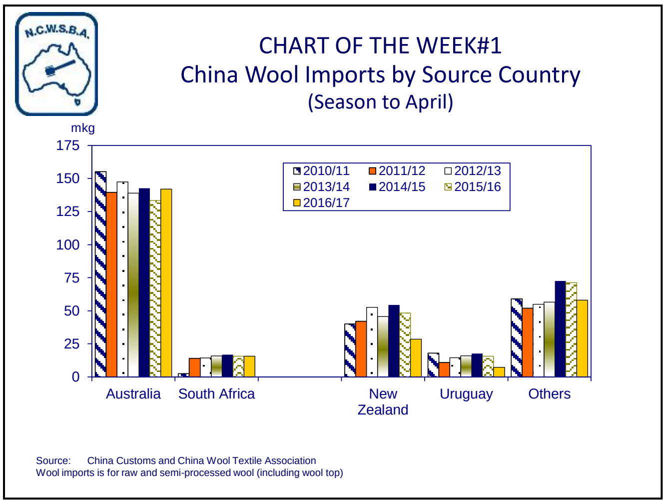
On Tuesday, ABARES (the Australian Government's agricultural commodity forecaster) released its **updated forecasts for Australia's agricultural industries**, including the wool and sheep industries. The forecasts for the wool and sheep industry for 2017/18 compared with the actual for 2015/16 and the estimate for 2016/17 are shown in the table below. For wool, ABARES has lifted its March forecast for the annual average EMI in 2017/18 to 1445 c/kg. This is an increase from ABARES' estimated average for 2016/17 of 1400 c/kg and compares with the current EMI of 1533 c/kg. The average for 2016/17 at 1400 c/kg would be the highest on record – even higher than the fabled 1987/88 and 1988/89 seasons which averaged 1248 c/kg and 1219 c/kg. Note that this is on a nominal basis, without adjustment for inflation. So, ABARES' forecast for 2017/18 would again break that record. It also expects higher prices again for saleyard prices for lambs and sheep. ABARES predicts shorn wool production will increase to 353 mkg greasy in 2017/18, higher than the AWPFC's first forecast of 340 mkg which the Committee made in April. ABARES expects that sheep numbers at the start of the 2017/18 season will be at 73.6 million head, an increase of almost 5 million head from the number at 30th June 2016. Click here to see ABARES' forecasts.

Table: ABARES June 2017 forecasts for the Australian wool and sheep industries

	2015/16	**2016/17s**	**2017/18f**
Sheep numbers as at 30th June (million)	68.7	73.6	76.6
Shorn wool production (mkg greasy)	325	341	353
Wool exports – volume (mkg greasy)	417	431	442
Wool exports – value ($m)	3,283	3,732	3,939
Average EMI (c/kg clean)	1253	1400	1445
Lambs slaughtered (million)	23.13	22.50	22.80
Sheep slaughtered (million)	8.13	6.66	6.30
Lambs average saleyard price (c/kg)	533	595	625
Sheep average saleyard price (c/kg)	316	420	435

s – estimated f - forecast

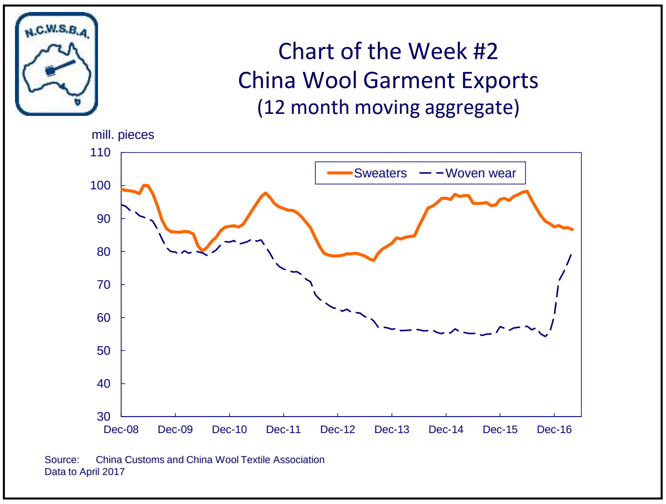
I received the latest data on **China's wool trade** earlier this week. The data is for April 2017, and I also received the revised data for March 2017. It shows a very interesting picture for both raw wool imports by China and wool product exports from China. China's **raw wool imports** have picked up in recent months, after being down by almost 20% in the first six months of the 2016/17 season. Even so, in the July to April period, China's imports were 12% below the year-on-year level. But, there are significant differences in the imports by source country.



As the first **Chart of the Week** shows, China's imports from Australia were 6% higher in the 10 months to April and imports from South Africa were in line with the year earlier level.

In contrast, China's imports from New Zealand, Uruguay and 'Other' countries were down by 41%, 54% and 19% respectively. One country included in 'Others' is the United Kingdom. All the countries that have seen large drops in imports by China produce broader wool, including Crossbred and Corriedale wool (in the case of Uruguay).

The trends in **China's exports of wool products** are largely and disappointingly negative, as they have been for some months, with one extraordinary exception. After some positive results for exports of wool top, wool fabric and wool sweaters in March, exports of wool yarn, wool fabric and wool sweaters declined in April (compared with April 2016) by 23%, 7% and 16%. Exports of wool top lifted by 5%. For 2016/2017 financial year to April, China exports of wool top, wool yarn, wool fabric and wool knitwear was down by 9%, 16%, 5% and 14% respectively.



The one major exception to this gloom is exports of woven wool clothing. In April, China's exports of woven wool were 144% higher than a year earlier, continuing an extraordinary run of massive year-on-year increases each month since November 2016. For the financial year to April, China's exports of woven wool clothing were 46% higher year-on-year. As the second **Chart of the Week** shows, woven wool exports from China for the 12 months to April are at the highest level since August 2011.

China's exports of woven wool clothing to the EU were 42% higher in the 10 months to April, while exports to the US increased by 1%. Exports to other major destinations, Japan, Korea and Hong Kong, fell. A significant contributor to the huge growth in exports of woven wool clothing by China is 'other' countries, which was up by almost 200%, with large increases in exports to Nigeria, Saudi Arabia, India and Taiwan.

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 26th JUNE 2017 – week 52 (roster as at 22/06/2017)

Sydney
Wed, 28th June; Thurs, 29th June — 12,117 bales

Melbourne
Wed, 28th June; Thurs, 29th June — 17,780 bales

Fremantle
Wed, 28th June; Thurs, 29th June — 7,096 bales

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