



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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### From the desk of Chris Wilcox, Executive Director

- Australian wool market moves higher
- Mixed data on China trade
- NASC meeting and the Wool Selling Program in 2017/18
- ABS estimate of sheep numbers in Australia
- Upcoming events



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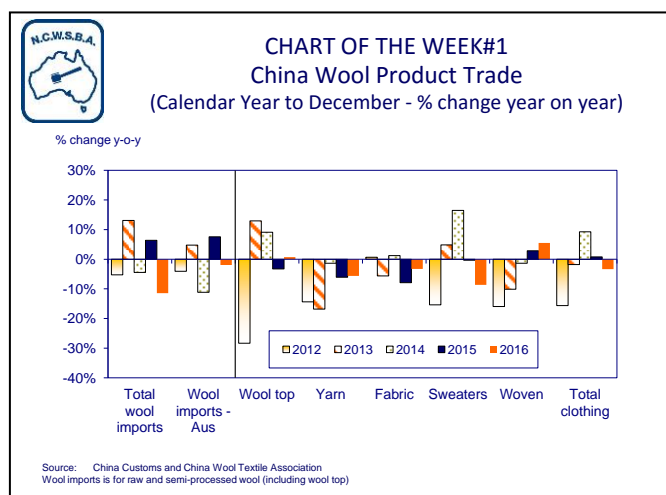
It was a good, solid week in the **Australian wool market** with price gains for most microns, including a continued recovery in Crossbred wool prices. After reaching a 12-month low point two weeks ago, Crossbred prices have rebounded, with the best improvement for 26 to 28 micron wool. Even so, Crossbred prices remain well below the levels at the start of the season. Finer Merino wool in the (18 to 20 micron range recorded significant gains for the week, while broader Merino wool were steady to a little lower. For something different, Merino cardings lifted to a new record of 1190 c/kg. Overall, the **Eastern Market Indicator (EMI)** was 9 cents higher at 1449 c/kg, the highest week-ending level on a like-for-like basis since May 1988.

The A\$ was a touch weaker against the US\$ but remained near 77 UScents. It was up a little against the Euro to 72.8 €cents. The EMI this week rose by 3 UScents to 1115 USc/kg and by 8 €cents to 1054€c/kg, the highest level since the Euro began in January 1999.

I received data for **China's trade in wool and wool products** for December earlier in the week. It shows that China's imports of raw and semi-processed wool jumped in December. Compared with a year earlier, total imports were up by 42%, with a 49% year-on-year leap in imports from Australia and a 93% jump in imports from South Africa. China's imports from New Zealand had fallen for 14 out of the previous 15 months, but increased by 37% in December. After 12 consecutive months of declines, imports from Uruguay increased by 36%.

**China's exports** of fabric were 78% higher in December than in December 2015, with a sharp rise in exports to the European Union, South Korea and 'other' destinations. However, China's exports of other products declined in December – wool top was down by 11%, wool yarn was 30% lower, wool fabric exports were 4% down for the month and exports of wool sweaters were 16% lower.

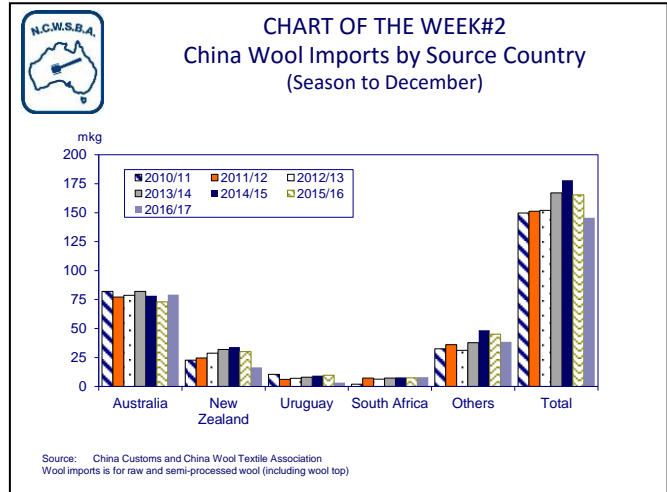
The first **Chart of the Week** shows the year-on-year % change in China's trade in wool and wool products for the full calendar year 2016 and compares that with the annual change in the previous five years. **China's exports** of several wool products declined in calendar year 2016, led by a 9% drop in exports of wool sweaters. Wool yarn exports fell by 6% and exports of wool fabric dropped by 3%. In contrast, China's exports of woven wool clothing increased by 6%, the second



consecutive annual increase after annual declines in the previous three years. Exports of wool top was marginally higher (by 0.7%) in 2016.

As can be seen in the chart, **China's total wool imports** fell in 2016, by 11%. There appears to be a clear annual ebb and flow of China's imports, with increases in the odd years of 2013 and 2015, but declines in the even years of 2012, 2014 and 2016. The same pattern can be seen for Australia, although the decline in 2016 was only small. If this annual up and down pattern continues, 2017 should be a very good year for raw wool demand by China.

The data on China's imports for the first six months of the 2016/17 season (that is, from July to December) suggests that this pattern may continue, at least for Australia and South Africa. As can be seen in the second **Chart of the Week**, China's imports from Australia in 2016/17 to date were 9% above the same period in 2015/16. Imports from South Africa were also up, by 7%. However, imports to New Zealand, Uruguay and 'other countries' were all down significantly, by 45%, 65% and 15% respectively. As a result, China's total raw wool imports from all source countries was 12% lower in the first six months of the 2016/17 season (i.e. the July-December 2016 period). Hopefully the monthly increases in imports seen in December heralds an upturn in imports by China.



The **National Auction Selling Committee (NASC)** is meeting today to discuss issues related to the arrangements for auctions. The main item is the Wool Selling Program for 2017/18 and the Tentative Wool Selling Program for 2018/19. NCWSBA made a submission to NASC on the Wool Selling Program, restating its long-held position on reducing the number of recess weeks during July. NCWSBA advocates strongly that the number of selling weeks during a season should be increased, with the number of recess weeks in July reduced from the current three weeks to two weeks. This has been NCWSBA's position since at least 2008 when I started with NCWSBA. We know that NASC has been deadlocked on the issue and have indicated our willingness to discuss the timing of the July recess if that helps break the deadlock.

In January, the Australian Bureau of Statistics released its **preliminary estimate of sheep numbers** as at 30<sup>th</sup> June 2016. The ABS say that there were 67.4 million sheep and lambs. However, instead of including all farms with an Estimated Value of Agricultural Operations (EVAO) of \$5,000 or more (as in the past), the ABS have increased the cut-off to an EVAO of \$40,000 and over. This means that there are less farms included and less sheep and lambs reported (by around 2.88 million head) than in previous years. As well, the two smallest wool producing states are more affected by the change than the larger wool producing states: in 2014/15 5.4% of Tasmania's sheep and lambs were on farms with an EVAO of less than \$40,000 and 7.4% of Queensland's sheep and lambs were on farms with an EVAO of less than \$40,000. Among other things, it will make the work of the Wool Production Forecasting Committee more difficult. NCWSBA will be writing to the ABS expressing its concern about this change.

#### OTHER INDUSTRY EVENTS

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

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

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

#### WOOL SALES WEEK BEGINNING 27<sup>th</sup> FEB 2017 – week 35 (roster as at 23/02/2017)

##### Sydney

Wed, 1<sup>st</sup> Mar; Thurs, 2<sup>nd</sup> Mar

12,767 bales

##### Melbourne

Wed, 1<sup>st</sup> Mar; Thurs, 2<sup>nd</sup> Mar

21,480 bales

##### Fremantle

Wed, 1<sup>st</sup> Mar; Thurs, 2<sup>nd</sup> Mar

8,073 bales

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