



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- All industrial commodity prices on the rise, not just wool
- AWTA test volumes fall sharply in December
- 25% jump in Non-Mulesed wool in first six months of 2017/18 in Australia
- Upcoming events



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HAPPY NEW YEAR TO ALL READERS OF THE NCWSBA WEEKLY NEWSLETTER! I HOPE THAT 2018 IS SUCCESSFUL FOR YOU ALL.

Much has been said about the stunning and extended rise in prices for Merino wool in the past 15 months, culminating in record levels in A\$ terms in the last sale before Christmas. While this rise is partly a story specifically about the wool industry, the rise is also part of a general rise in the price for **industrial commodities** (that is, non-food). As the first **Chart of the Week** shows, prices for metals, oil and fibres have all lifted since the start of 2016 (the chart shows prices indexed with January 2016 as the base).

Since January 2016, Australian wool prices are up by around 50%, much the same as the lift in metals prices. This is a very impressive lift, but the most significant rise is in oil prices, which have almost doubled since January 2016.

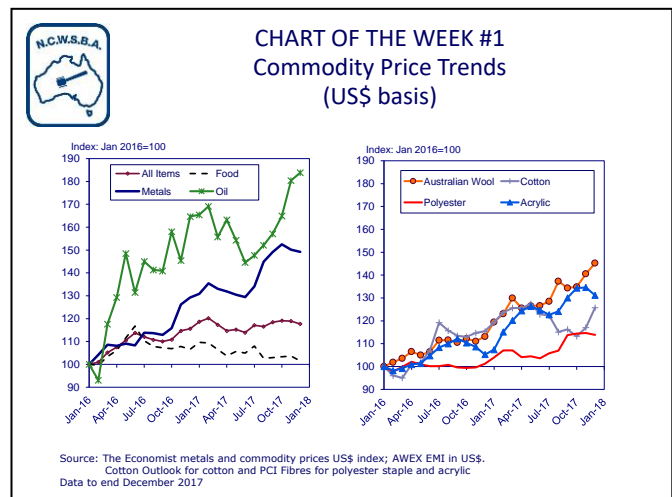
Prices for other fibres have also lifted in the past two years, with acrylic prices up by 30% and cotton prices up 25%. Polyester staple fibre prices are only 15% higher.

As can be seen in the chart, food prices have languished, and are barely higher than they were in January 2016. This is largely because grain prices have struggled under the weight of increased production and rising stocks.

It is not just industrial commodity prices that have lifted in the past two years, Global share markets have also risen strongly.

- The Dow Jones Industrial Average (US share market index) hit a record level overnight and is 50% higher now than at the start of January 2016.
- The FTSE 100 (UK share market) also hit a record last night, and is 30% higher than two years ago.
- The DAX (German share market) is 37% higher than in January 2016.
- The All Ords (Australian share market index) is 22% higher.
- The MSCI Emerging Market Index is 72% higher.

A key reason for the strong lift in industrial commodities and in share markets is the steady improvement and prospects for world economic growth. The OECD, in its latest economic outlook released at the end of November, predicts that world economic growth will lift to 3.8% in 2018. This continues the improvement from the 3.1% growth in 2016 and 3.6% in 2017. This improvement is expected to be driven by improved economic



growth in the US and the Euro area, as well as in emerging and developing economies. The broad-based recovery is helping sustain demand for industrial commodities in general.

There was a significant fall in the **weight of wool tested** in December according to the data released by AWTA earlier this week. Across Australia, the weight of wool tested was 16% below the level of December 2016. At just 23.7 mkg, it was the lowest total weight tested for December in the past seven years. All states recorded double digit declines in volumes tested, led by a 33% drop for Queensland and a 30% decline for Tasmania. NSW, the largest wool producing state, saw volumes fall by 16% and WA (3rd largest) recorded a 20% fall. Victoria, the second largest state, and South Australia both saw a 13% drop for the month.

As a result of this large monthly decline, the weight of wool tested for Australia in the first six months of this season was up by 1.4% compared with the July-December 2016 period. This brings wool test volumes into line with the forecast from the Australian Wool Production Forecasting Committee's latest forecast, which was released in mid-December. By micron range, 18.5 micron & finer volumes were 5% higher in the six months to December, while 29 micron and broader was up by 21%. The 19-20 micron range was down a slight 0.3%, but the volume of 21-24 micron wool and 25-28 micron wool fell, by 2% and 4% respectively.

Earlier this week AWEX released the statistics on **mulesing status** of first-hand wool offered for this season to December from the National Wool Declaration (NWD). The most significant result was the 25% increase in the volume of wool offered declared as Non Mulesed (NM). This took the share of NM wool to 11% of all first-hand offered wool. The data also shows a continued increase in the volume of first hand offered wool with an NWD, up by 16% for the six months to December. Wool declared as Pain Relief (PR) recorded a 25% increase for the season to date and there was a 7% lift in wool declared as Ceased Mulesed (CM).

As a result of these changes, the proportion of wool declared as PR, NM or CM was 45% for the first six months of the 2017/18 season. This is well above the 39.3% for the same period in 2016/17. Wool offered with an NWD accounted for close to two-thirds of all first-hand offered wool in the July to December 2017 period. The second **Chart of the Week** shows the comparison of the various mulesing status declarations for the 2016/17 and 2017/18 seasons to December. The table below provides details on the number of bales with each declaration and the shares for the 2016/17 and 2017/18 seasons to December.

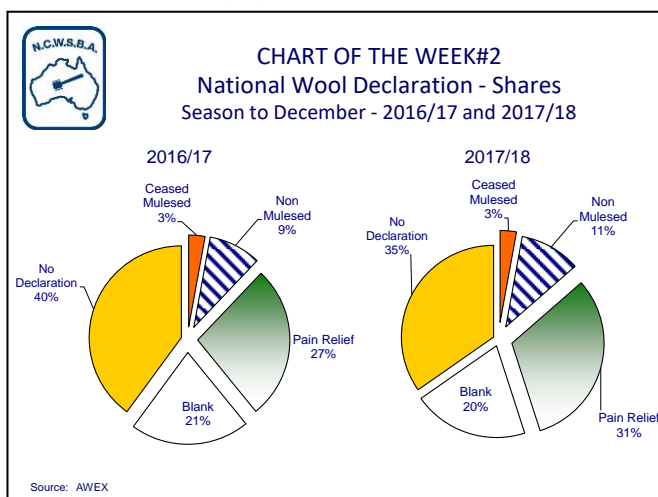


Table: NWD Statistics – Season to end December (bales)

	CM	NM	PR	CM+NM+P R	Blank	All NWDs	ND	Total
2016/17	21,280	68,235	201,399	290,914	155,212	446,126	296,907	742,918
2017/18	22,724	85,054	250,894	358,672	161,032	519,704	276,597	796,301
% change	+7%	+25%	+25%	+23%	+4%	+16%	-7%	7%
2016/17 share (%)	2.9%	9.2%	26.9%	39.2%	21.0%	60.3%	39.7%	100%
2017/18 share (%)	2.9%	10.7%	31.5%	45.0%	20.2%	65.3%	34.7%	100%

I WILL BE ON HOLIDAYS FROM 6TH JANUARY TO THE 20TH JANUARY INCLUSIVE. THE NEXT EDITION OF THE NCWSBA WEEKLY NEWSLETTER WILL BE ON 25TH JANUARY 2018.

INDUSTRY EVENTS

The **World Merino Congress** will be held in Montevideo, Uruguay on 12th to 14th April 2018. Click [here](#) for details.

IWTO 2018 Congress will be held in Hong Kong on 14th to 16th May 2018.

THE AUSTRALIAN WOOL MARKET IS IN RECESS FOR THREE WEEKS OVER CHRISTMAS-NEW YEAR.

SALES RESUME IN THE WEEK BEGINNING 8TH JANUARY 2018.

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