The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Gate 4
29 Frederick Rd
Tottenham Vic 3012

Phone: +61(0)419344259
E-mail: info@ncwsba.org
Twitter: @woolbrokersaus

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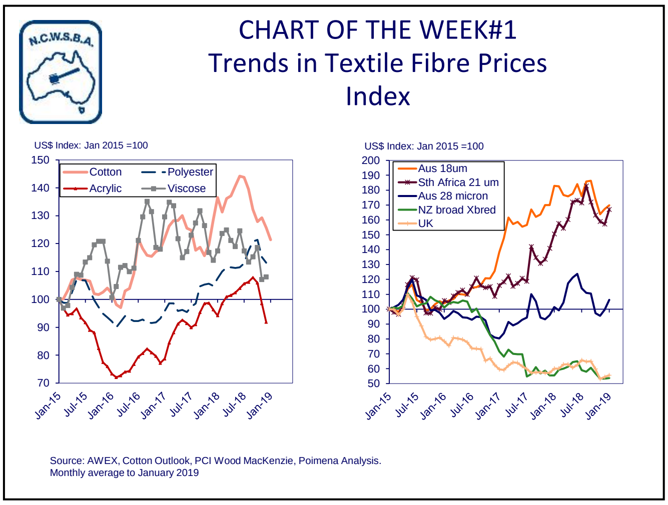
From the desk of Chris Wilcox, Executive Director

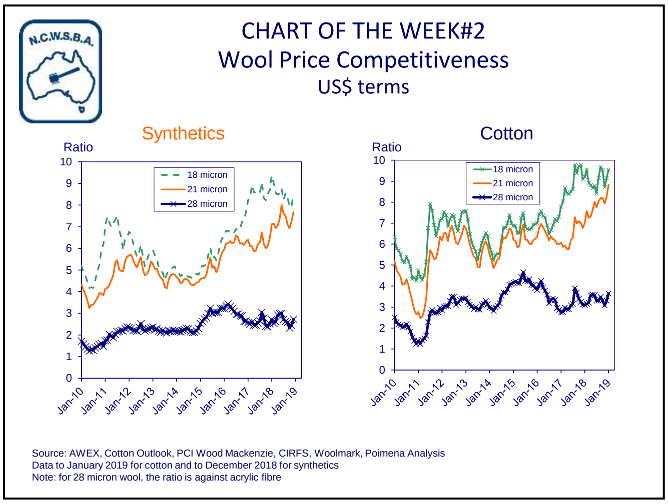
- Australian wool prices rise despite lift in the A$
- Trends in prices for other fibres and price ratios for wool
- No sign of the fall in Australian wool test volumes easing in January
- Mixed rainfall outlook in Australia for the next three months
- Unveiling ceremony for a plaque in honour of Elizabeth Macarthur
- IWTO 2019 Congress in Venice – registration open
- Upcoming industry events

The recent steady rise in wool prices continued in the **Australian wool market** this week, despite a sharp lift in the A$. The benchmark **Eastern Market Indicator** lifted by 7 cents to 1934 c/kg. The good news is that there was a much larger lift in US$ terms – the EMI was 33 UScents higher to 1405 USc/kg courtesy of the A$ rising by nearly 1½ UScents over the week. This suggests that underlying demand is still strong. The most significant movements for the week were for Crossbred wool of 25 microns and more, which jumped by as much as 110 cents. The movements for Merino wool were far more variable, with some small gains and some small losses over the week. While the EMI was up sharply in US$ terms, it was also 19 €cents higher to 1222 €cents/kg and was 120 RMB higher at 9418 RMB/kg.

It is time for an update on the **trends in prices for the major competing fibres** with wool. All of the major competing fibres have seen a sharp fall in the past six months. For synthetic fibres, this is due to a combination of excess capacity, falling oil prices and lower demand, notably in China. Acrylic fibres have seen the most significant falls and certainly more than the slide in polyester staple fibres. Viscose prices have also fallen sharply. For cotton, prices have fallen back despite an expected decline in production this season. Poor quality for the cotton from the US (the world's largest exporter) is weighing on prices as is the on-going impact of the US-China trade dispute. As an aside, I was interested to read a comment by Wood Mackenzie (which has taken over PCI Fibres) in their monthly report in December that *"…acrylics have not managed to convince the public that they are a perfect substitute to wool – though, to give credit where it is due – probably no other fibre has beaten acrylics on this path."* In other words, in the opinion of Wood Mackenzie (who are experts in the analysis of the global chemical fibre market), wool still has the upper-hand in terms of what consumers want.

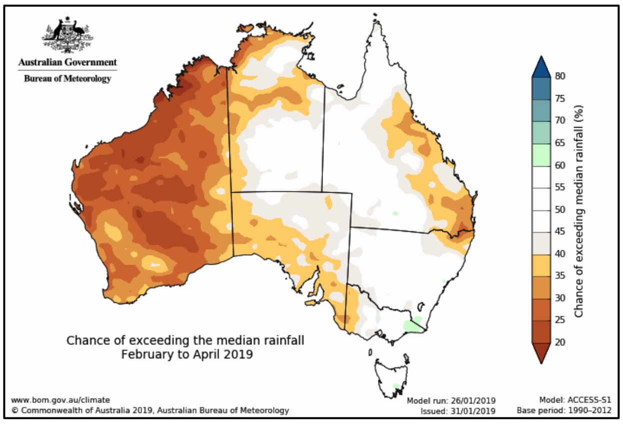
These declines in prices should be kept in mind with what has happened with wool prices over the past few months. Merino wool prices, particularly medium Merino prices (20-24 micron), have recovered after the decline in October and fine Crossbred wool prices have risen sharply in the past couple of months. As I reported in the *Weekly Newsletter* of 18th January, prices for broad Crossbred wool from New Zealand and the United Kingdom have remained flat at low levels since the decline seen in 2016 and 2017. The first **Chart of the Week** shows the price trends in various wool and competing fibres since January 2015.





The positive trends for Australian wool (both Merino wool and fine Crossbred wool) compared with the declines for other fibres has meant that Australian wool has maintained or increased its price relativity against these major competing fibres in the past few months. The second **Chart of the Week** shows the latest on the price relativity for 18 micron, 21 micron and 28 micron Australian wool against synthetics and cotton. As can be seen, both 18 micron and 21 micron wool are at very high price relativity against synthetics and, particularly, against cotton. 21 micron wool is at a new record level against cotton of 8.82. 28 micron wool has seen an improvement, but remains well below the heights seen in the second half of 2015.

AWTA today released statistics on the amount of **wool tested in January**. The year-on-year decline seen for most months this season continued in January, with AWTA reporting a 12.2% year-on-year fall in the weight of wool tested in January. As a result, the weight of wool tested for the seven months of the 2018/19 season is 12% below the same period in 2017/18. This compares with the Australian Wool Production Forecasting Committee's December 2018 prediction of a 10.8% decline for the full season. All states recorded pretty sizeable falls in wool tested in January, with Queensland down 37% and NSW down by 19%. The exception was Western Australia, with a 4% year-on-year lift in wool test volumes in January.



After a hot, dry January (hottest on record), the **Bureau of Meteorology expects** that much of western and southern Australia, and parts of eastern Queensland, are likely to experience a drier than **average three months**. In contrast, most of central and eastern Australia shows no strong swing towards either wetter or drier than average conditions this February through April. In February, parts of Victoria and NSW over and near the Great Dividing Range have an increased chance of being wetter than usual. The map shows the Bureau's latest 3-month forecast.

There will be ceremony for the unveiling of **a plaque to honour Elizabeth Macarthur** (pioneer of the Australian Merino wool industry) on Friday 8th February 2019. It will be at Robertson Park, Watsons Bay in Sydney, close to the footings of "Clovelly", the house where Elizabeth lived. The plaque has been initiated by the Shire of Woollahra Council.

Registrations for the International Wool Textile Organisation's 2018 Congress in Venice are open. Click here to register. The Early Bird fee for IWTO Members is €1300 (valid until 6th March). Note, there is an additional 22% Italian VAT. **REMINDER: Applications for the Young Professional Programme for the 2019 Congress in Venice** close on 4th February 2019.

INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on Monday, 1st April 2019 at AWTA in Melbourne.

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019.

WOOL SALES WEEK BEGINNING 4th FEB 2019 – week 32 (roster as at 31/1/2019)

Sydney
Wed, 6th Feb, Thurs 7th Feb — 11,736 bales

Melbourne
Wed, 6th Feb, Thurs 7th Feb — 19,922 bales

Fremantle
Wed, 6th Feb, Thurs 7th Feb — 8,768 bales