The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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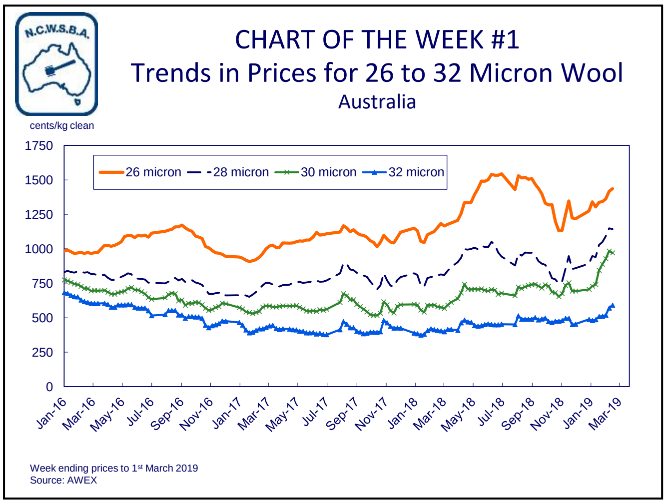
From the desk of Chris Wilcox, Executive Director

- Australian wool prices ease back
- What's driving the surge in 28 to 30 micron wool prices?
- AWTA wool tests for the season to date: moving into line with AWPFC forecast
- Update on South Africa
- FAWO call for nominations for 2019 Australian Wool Industry Medal
- Upcoming industry events

Prices in the **Australian wool market** eased back this week. After sliding on the opening days of sales in Melbourne and Sydney, prices clawed some of the lost ground back to finish the week down a little in the eastern states. Prices were higher in Fremantle. The **Eastern Market Indicator** (EMI) finished the week at 2016 c/kg, down by 11 cents. Prices for most wool microns (Merino wool and Crossbred wool) finished much lower for the week in the eastern states. In contrast to the declines seen in Sydney and Melbourne, Merino wool prices in Fremantle lifted (there are insufficient quantities of Crossbred wool offered in Fremantle for a price report). The Western Market Indicator was 16 cents higher at 2177 c/kg. The A$ was a little weaker against other currencies and the EMI fell by 10 UScents to 1441 USc/kg, by 13 €cents to 1266 €cents/kg and by 95 RMB to 9625 RMB/kg.

One of the features of the price movements in the Australian wool market since the Christmas-New Year Recess has been the rapid increase in **prices for 28 to 30 micron wool** (although prices eased a little this week). Since the Australian market close for Christmas in December, the 28 micron price guide has lifted by 33% and the 30 micron price guide is up by 40%. This is compared with the 8% increase in the EMI since Christmas, while the 18 micron and 21 micron price guides are 5% and 9% higher respectively. I checked with my colleague, Roberto Cardellino, in Uruguay. His sources tell him that prices have also lifted for this type of wool in Uruguay. Uruguay is one of the world's larger producing countries of 26 to 30 micron wool because a large proportion of the Uruguayan flock are Corriedale sheep.

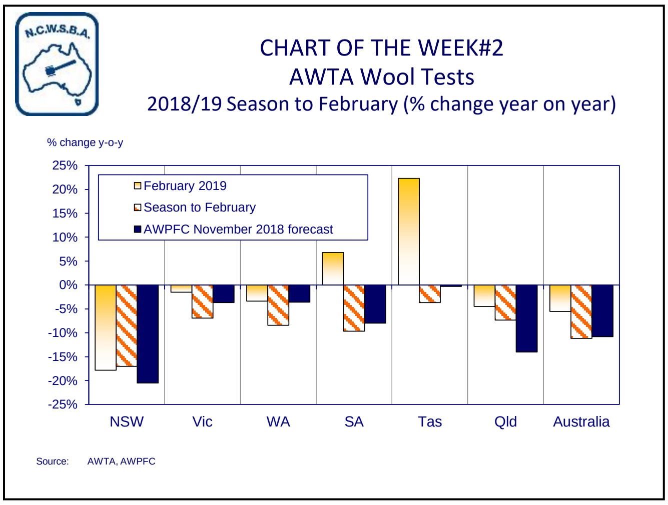
The increases since Christmas, however, need to be taken into context with the longer-term trends. The first **Chart of the Week** shows the trends in the Australian price guides for 26 micron to 32 micron wool. As can be seen, the increases since Christmas is a rebound after prices dipped in September-December. Nevertheless, the current price levels for the 28 and 30 micron price guides are at close to the record levels reached last week. The 26 micron price, on the other hand, is below the record levels seen in mid-2018.



I think that the 26 micron wool price went up sharply in mid-2018 in part because of the 'fake fur' business in China (I wrote about this in the *Weekly Newsletter* last September after I had been to the Nanjing Wool Market). Then prices dropped back towards the end of the year as the 'fake fur' fabric production season finished in China. Now prices are going up again as the fabric production season in China starts up again for Autumn/Winter 2019 in China.

However, 28-30 micron prices are going up relatively faster this time. A view out of Uruguay is that the Chinese mills are using 27.5 to 30 micron wool instead of 26 micron wool, which is helping drive the prices for these wools in the past two months. This seems plausible. Supply may also be having some impact. The latest wool test data from AWTA shows that wool tested in Australia in the 26.6 to 28.5 micron category is down by 16.1% for the 2018/19 season to February and the 28.6 to 30.5 micron category is down by 36%. Even so, the differentials between 26 micron and 28/30 micron have narrowed now. As well, 26 micron wool prices aren't back to the record level they hit in mid-2018. It will be interesting to see what happens in this segment in the next few months.

AWTA this morning released **the data on wool tests** for February. The good news is that the decline in the weight of wool tested for the month was a considerable improvement on the 12% drop in January. The weight of wool tested by AWTA was down 5.5% for the month. This has brought the year-on-year decline for the 2018/19 season to date to a decline of 11.2%. The second **Chart of the Week** shows the year-on-year % change for February and for the eight months July to February for this season compared with the Australian Wool Production Forecasting Committee's forecast made in November. As can be seen, the % change in wool tests is moving back in line with the AWPFC's forecast of production being down by 10.8% for the full season. The % change in the weight of wool tested in a number of states is moving towards the % change predicted by the AWPFC.



The AWPFC meets on 1st April 2019 to review its forecast for 2018/19 and to consider its first forecast for 2019/20. The round of state committee meetings ahead of the national committee meeting start in mid-March.

A short update on the situation in South Africa (as of mid this week). After postponing last week's sale, the **South African wool industry** held an auction sale this week despite China's continuing suspension of imports of raw wool from South Africa. Cape Wools SA reports that the finer end of the offering of 6,278 bales did well due to strong demand from Europe. However, the broader wools were under pressure due to the absence of China from the market. South Africa will next hold an auction on 6th March.

REMINDER: The Federation of Australian Wool Organisations (FAWO) has called for nominations for the **2019 Australian Wool Industry Medal**. The Medal recognises men and woman who have made an exceptional and sustained contribution to the Australian wool industry above and beyond what is expected in their normal paid employment. It is open to people from all sectors of the Australian wool industry supply chain and service organisations. The nomination form and further information can be found at www.fawo.org.au.

REMINDER: Early bird registrations for the International Wool Textile Organisation's 2018 Congress in Venice close on 6th March. Click here to register.

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 MAR 2019 – week 36 (roster as at 28/2/2019)

Sydney
Wed, 6th Mar, Thurs 7th Mar — 10,712 bales

Melbourne
Tues, 5th Mar; Wed, 6th Mar, Thurs 7th Mar — 26,597 bales

Fremantle
Wed, 6th Mar, Thurs 7th Mar — 8,819 bales

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