The National Council of Wool Selling Brokers of Australia Inc

# NEWSLETTER

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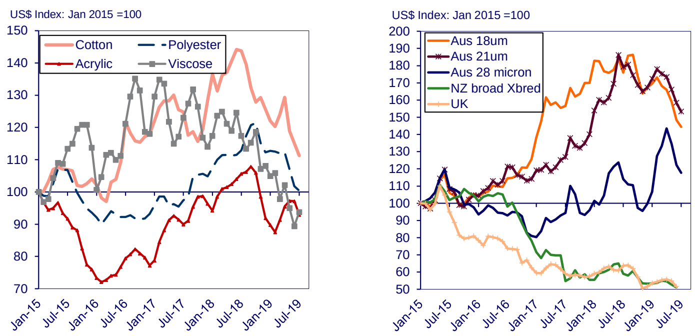
**From the desk of Chris Wilcox, Executive Director**

- Australian wool auctions resume next week
- Prices for all fibres on the slide
- AWTA wool tests down in July
- NCWSBA Wall Chart for 2018/19 – available from 16th August
- Upcoming industry events

Auctions resume next week in the **Australian wool market** after the 3-week recess. There is quite a small offering rostered for the week for the first sale after the recess, with only 44,309 bales currently scheduled to be offered. That compares with 49,415 bales offered in the first sale back after the recess in August 2018, 52,359 bales offered in August 2017, 52,100 bales offered in August 2016, 41,832 bales offered in August 2015, and 45,463 bales offered in August 2014. As well, the A$ has fallen by 2% against the US$ and the Chinese renminbi since the recess began. Both the low volumes on offer and the lower A$ will hopefully provide a boost to the market when sales resume next week.

It is time for an update on the **trends in prices for the major competing fibres** with wool. While Australian wool prices have pulled back from the heights over the past 6-9 months, prices for the other major competing fibres have also seen declines, in general continuing the slide seen since the first half of 2018. The first **Chart of the Week** shows the trends in prices for cotton, polyester staple, acrylic and viscose, as well as the trends in prices for 18 micron, 21 micron and 28 micron Australian wool, plus the prices of broad wool from the United Kingdom and New Zealand. Note that the chart shows prices as an index based on January 2015 equalling 100.

CHART OF THE WEEK#1
Trends in Textile Fibre Prices
Index

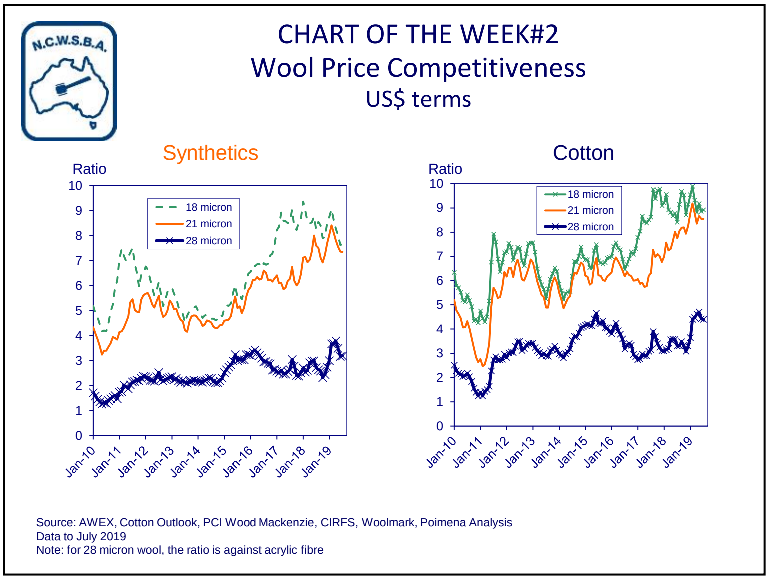



Source: AWEX, Cotton Outlook, Wood MacKenzie, Poimena Analysis.
Monthly average to July 2019

For **synthetic fibres**, prices for all three fibres have fallen since mid-2018, although acrylic fibre prices have turned down again after a rebound earlier this year. The decline in synthetic fibre prices is due to a combination of excess capacity and weaker demand, notably in China. **Cotton** prices have fallen back probably as a result of higher production expected in 2019/20. The International Cotton Advisory Committee (ICAC) this week predicts that global cotton production will increase by 6% in 2019/20. While ICAC expects that global cotton consumption will lift by 1.7% in 2019/20, this will be swamped by the increased production. Global stocks of cotton will lift sharply as a result.

As the second graph in the Chart shows, Merino wool prices of 24 micron & finer have fallen since the rebound in January. Fine Crossbred prices have also fallen back after the spike in the first five months of 2019. Meanwhile, prices for broad Crossbred wool from New Zealand and the United Kingdom have declined from the already low levels.

As a result of the changes in prices for competing fibres and for Australian wool over the past six months, Australian wool's price premium over synthetic fibres and cotton have dropped back from the extremes seen at the end of 2018. 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, the premium for both 18 micron and 21 micron wool compared with synthetic fibres have fallen the most but remain at a high level. The premium for 28 micron against acrylic fibre has pulled back from the record level seen in April. The decline in the premium compared with cotton has been more modest for all three microns and the premiums all remain very high.




AWTA yesterday released statistics on the amount of **wool tested in July**. July is always a tricky, volatile month as it is affected by the ebbs and flows of on-farm stock holding and release between financial years. So, the year-on-year changes aren't a very good guide. A comparison against the previous few years provides a better indication. Even with these caveats, the year-on-year decline seen in 2018/19 continued in July, with AWTA reporting a 5.3% year-on-year fall in the weight of wool tested in July. At just under 16 mkg of wool tested, this is the lowest July volume since July 2016 when only 15.5 mkg was tested. The state-by-state results were rather mixed, with year-on-year declines in New South Wales (-9%), Victoria (-3%), South Australia (-14%) and Queensland (-14%). But both Western Australia (+14%) and Tasmania (+0.2%) recorded increases. It is important to note that the weight of wool tested in WA in July 2018 was exceptionally low, and the volume of wool tested in the month this year was the lowest in the past decade for July, with the exception of July 2018.

The state committees of the **Australian Wool Production Forecasting Committee** will consider these latest statistics plus other data with they review the forecast for 2019/20 in meeting which began yesterday. The national Committee meets on 14th August.

**REMINDER: The 2019 Wall Chart from NCWSBA** will be available from 16th August. Free to NCWSBA members, it is an A2 printed Wall Chart with graphs showing auction volumes and prices, market indicators, and Australian wool production and exports from 2018/19 and as far back as the 1979/80 season. ***Send me an email at chris.wilcox@ncwsba.org and tell me how many you would like for your office and the delivery address.***

**INDUSTRY EVENTS**

The **NCWSBA AGM and Forum** is on 22nd August at the RACV Club in Melbourne.

The **Nanjing Wool Market Conference** will be held in Qufu, Shandong on 20th to 23rd September 2019.

The **2019 IWTO Round Table** will be in held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

**WOOL SALES WEEK BEGINNING 5TH AUGUST 2019 – week 6 (roster as at 1/8/2019)**

Sydney
Wed, 7th August; Thurs, 8th August — 13,896 bales

Melbourne
Wed, 7th August; Thurs, 8th August — 22,338 bales

Fremantle
Wed, 7th August; Thurs, 8th August — 8,075 bales

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