# 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 again
- Supply drives micron price differentials for Merino wool
- China's exports of wool clothing falls in 2018
- Seasonal outlook for below average rainfall in south-eastern Australia
- Upcoming industry events

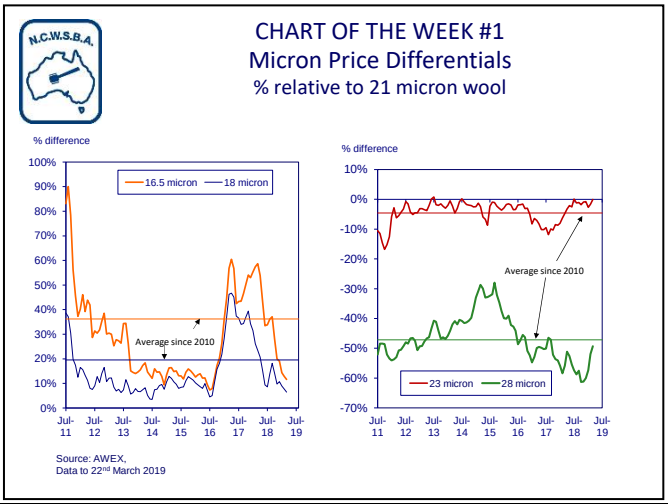
The **Australian wool market** slid in A$ again this week (the fourth consecutive week), but rose in US$. The **Eastern Market Indicator** (EMI) declined by 16 Acents to 1963 c/kg. Most of the falls were seen for Merino wool, although there were some positive signs in Melbourne, with the prices for 17 to 18 micron wool rising. The Southern Market Indicator fell by 14 cents to 1935 c/kg, the Northern Market Indicator was down 20 cents to 2007 c/kg and the Western Market Indicator fell by 23 cents to 2104 c/kg. The A$ was stronger against all of the major currencies. As a result, the EMI rose by 5UScents to 1403 USc/kg, but was a little weaker against the Euro and Renminbi - by 7 €cents and by 4 RMB.

For the 2018/19 season to date, the EMI has fallen by 93 cents (-4.5%), from near record levels. The price of wool of 18 micron and finer has fallen the most. For example, the 16.5 micron price guide is down by 502 cents (-16.5%). This is mainly due to higher supply of this wool, with AWTA reporting a 79% jump in the volume of 16.5 micron and finer wool for 2018/19 compared with the same period in 2017/18. There has also been a sharp increase in the volume of 16.6 to 17.5 micron wool and a more modest increase in the volume of 17.6 to 18.5 micron wool.

The prices for medium Merino wool between 20 micron and 22 micron have seen prices fall by around 2.5% this season. The 23 micron price guide has increased by 0.3%. The supply of this medium Merino wool has dried up, with AWTA wool tests down by almost 50% for 21 and 22 micron wool, and down by around 25% for 20 micron and 23 micron wool. These falls come after volumes fell by 10% to 15% in 2017/18. For Crossbred wool, the AWTA volume tested of wool between 26.6 and 28.5 micron is down by 16% this season and the 28.5 to 30.5 micron volumes are 36% lower. This has helped support prices for this wool, with the 28 micron price guide up 14% for the season to date and the 30 micron price guide is up by 33%.

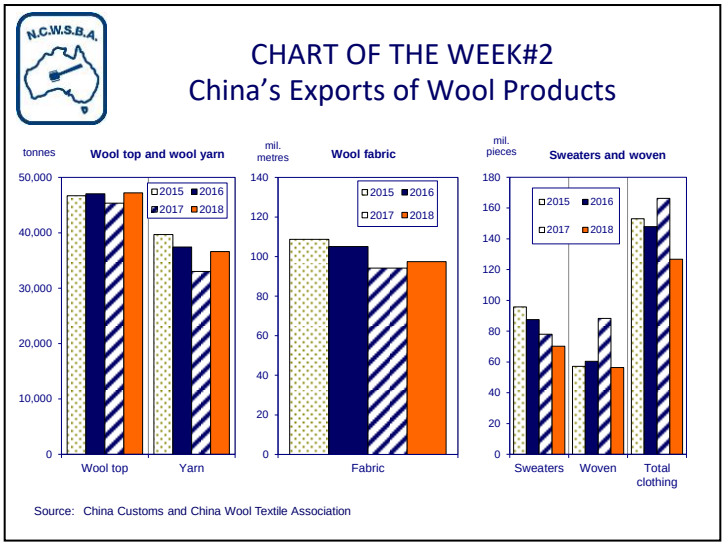
These different relative changes in prices for the various micron price guides (MPGs) has affected the **micron price differentials** compared with 21 micron wool. The first **Chart of the Week** shows the trends in the price differentials for 16.5 micron wool, 18 micron wool, 23 micron wool and 28 micron wool. As can be seen the premiums paid for 18 micron and 16.5 micron wool over 21 micron wool have fallen away this season and are both well below the 10 year average.

In contrast, the 23 micron wool price is now on par with the 21 micron price guide, which is very unusual. The discount paid for 28 micron wool against 21 micron wool has reduced sharply, but remains a little below the long term average.



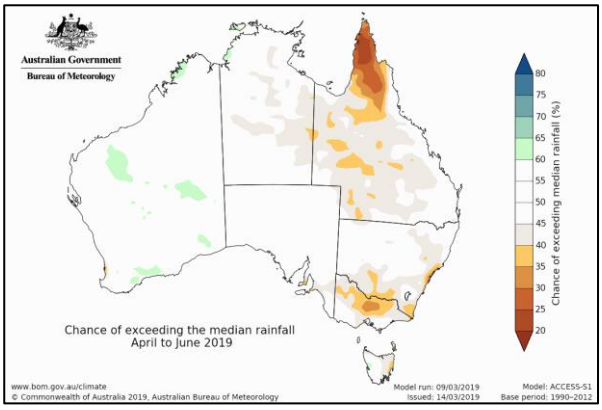
Data on the **wool trade for China** has been unavailable since March last year, but this week I finally received a data update for the full 2018 year. My contact at the China Wool Textile Association has been able pull together the data after the Chinese Government ceased providing the regular export data reports and I thank her for that.

The data for the full 2018 year is very interesting. It shows that China's exports of wool top, wool yarn and wool fabric rose by between 3% and 7% in 2018. However, its exports of finished wool products fell away. The largest drop of 36% was for woven wool garments. You may remember that exports of these products saw a massive jump in 2017, driven by exports to Nigeria and some other African countries. The Chinese industry attributed the increase to the Belt and Road Initiative. It seems that the benefits were rather short-lived! Exports of wool knitwear also fell, by 10%. China's exports wool carpets were down by 7%.




The **second Chart of the Week** shows the annual total of China's exports of wool products (with the exception of wool carpets) for 2018 compared with the previous three years.

Late last week the Bureau of Meteorology (BoM) released its latest **seasonal outlook** for the April to June for Australia. The outlook indicates a drier than average three months is likely for parts of Queensland and parts of southeast Australia, including southern New South Wales and much of Victoria. The rest of the country generally shows no strong tendency towards a wetter or drier than average three months between April and June. The outlook for south-eastern Australia is disappointing after the very long period of dry and drought conditions. The prospects of an average three months for other parts of NSW is a bit of a relief, given the intense drought in that state, although the state really needs an above average rainfall in the next three months before winter sets in. The **map** shows the Bureau's rainfall outlook for April to June.




The Bureau expects higher than average daily temperatures median for northern and eastern Australia in the next three months. The Bureau's climate model, as well as the majority of other international climate models, suggest the tropical Pacific will warm to **El Niño levels** during autumn. This will be vital to monitor for its possible impact over the winter months, an important rainfall period for southern Australia.

**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 Week** is on 22nd-23rd August 2019 in Melbourne.

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

**WOOL SALES WEEK BEGINNING 25th MAR 2019 – week 39 (roster as at 21/3/2019)**

| | |
|---|---|
| Sydney | |
| Wed, 27th Mar, Thurs 28st Mar | 8,779 bales |
| Melbourne | |
| Wed, 27th Mar, Thurs 28st Mar | 21,133 bales |
| Fremantle | |
| Wed, 27th Mar, Thurs 28st Mar | 9,038 bales |

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