The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director



- Merino wool prices downward trend continues
- Report on the 2019 IWTO Congress: The first instalment
- Edition 14 of the IWTO Market Information Report
- NCWSBA 2019 Wool Broker Award
- Upcoming industry events

Merino wool prices continued to fall this week in the **Australian wool market.** Merino wool prices were 3 to 28 cents lower over the week, with the largest falls for superfine wool (18.5 micron & finer). In contrast, Crossbred wool prices lifted by 10 to 35 cents over the week. As a result, the **Eastern Market Indicator** (EMI) was 7 cents lower to 1936 c/kg. After holding up well in recent weeks, Merino wool prices fell by the most in Fremantle and the Western Market Indicator was down by 31 cents to 2064 c/kg. The Northern Market Indicator slid by 8 cents to 1978 c/kg and the Southern Market Indicator was 5 cents lower at 1910 c/kg. The A$ lifted against all the major currencies over the week. As a result, the EMI was 4 UScents higher at 1387 USc/kg, steady in Euro terms at 1229 €cents/kg and 33 Renminbi higher at 9311 RMB/kg.

The **88th IWTO Congress** was held this week. I am attending it as the Chairman of the Market Intelligence Committee and representing NCWSBA. I am here with Candice Cordy, the winner of the 2018 NCWSBA Wool Broker Award. There are a number of NCWSBA members here, including John Colley (NCWSBA President), Rowan Woods (Vice President) and NCWSBA Directors, Andrew Lindsay, Stephen Keys and Michael de Kleuver. The most significant and common theme coming from virtually all sessions of the Congress was of sustainability, traceability and supply chain transparency.

It is the 15th year that I have chaired **the Market Intelligence session** and I thought it was an excellent session on Tuesday. I arranged for Giovanni Schneider (MD of The Schneider Group here in Italy) and Joe Farren (MD of the British Wool Marketing Board) to give presentations.

Giovanni gave an excellent presentation on the current situation in **the Italian wool textile industry** and what he thought were the key opportunities and challenges for the Italian industry and for the Merino wool sector. He noted that while wool only made up 1.1% of world consumption of fibres, wool had a much bigger presence in the Italian wool industry, accounting for as much as 10.6% of fibre use in the Italian wool textile industry (in men's knitwear). He commented that conditions in the Italian worsted weaving business was difficult, with excess stocks of suits held by garment manufacturers and retailers. He also noted the challenge for the wool industry, not just in Italy but around the world, was to meet the growing demand from consumers for sustainable products.

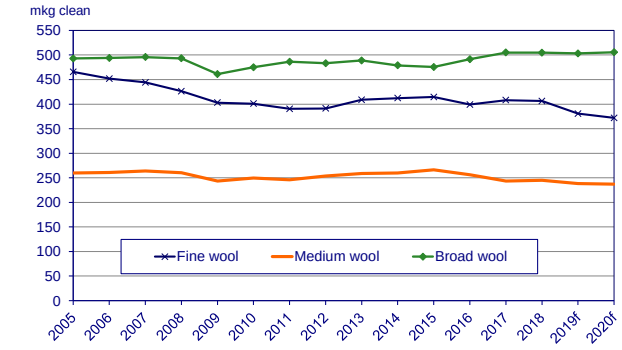
Joe Farren's presentation focused on **the British wool market**, highlighting the long run of very low wool prices for broad wool (32 micron and broader) and how broad wool prices are now very competitive compared with the prices of the major synthetic competitor, nylon. He noted the issues that may arise as a result of Brexit, although he commented that Brexit would largely affect sheep meat production rather than wool production directly because wool is very much a by-product in the UK. He also said that the British Wool Marketing Board have begun new marketing campaigns to promote wool in interior products.

I gave a presentation as I usually do on the **situation and outlook for the global wool industry**. The theme of my presentation was "A changing dynamic'. I used this theme because of the significant divergence between the prices for Merino wool (high) and for broad wool (low) which has been evident in the past 2

years or more. In the past, prices for wool across the micron range moved in broadly the same direction. With the extended period of divergence now, I think that there may be a fundamental change in the dynamic. This is due to a combination of:

- A different intensity of marketing between that for Merino wool (led by the expenditure by AWI/Woolmark) and that for broad wool (led by the Campaign for Wool).
- Fibre competition seems to have changed, with Merino wool demand seemingly less susceptible to the prices of other fibres, but broad wool demand very much subject to the competitive price pressures.
- Production of Merino wool has fallen significantly since the 2000s and will fall further in 2019 and 2020 (see the **Chart of the Week** – with Merino wool represented by fine wool in the chart). Meanwhile, production of broad wool has been steady over the past 15-20 years, or even rising slightly due to the shift around the world to meat sheep and dual-purpose sheep.
- The trend to sustainability has probably had a more significant positive effect on demand for Merino wool than it has had on demand for broad wool. The trend seems to be more relevant to next-to-skin clothing than it does for carpets and interior textiles.

CHART OF THE WEEK
Global Wool Production by Micron Category



Source: IWTO, Country statistics, Poimena Analysis
Fine wool is 24.5 micron & finer Medium wool is 24.6 to 32.5 micron Broad wool is 32.6 micron & broader
Updated April 2019

If you would like a copy of my presentation to IWTO, please send me an email and I'll send it to you.

DON'T FORGET TO CONTACT ME IF YOU WANT THE 14TH EDITION of the **International Wool Textile Organisation's Market Information Report** which was released last week. It is the definitive source of statistics on the global wool industry. It is free to IWTO Members, which includes NCWSBA members. It is also available to non-members at €500. ***Please contact me at chris.wilcox@ncwsba.org or 0419344259 for details on obtaining your own electronic copy.***

REMINDER: CALLING FOR NOMINATIONS – NCWSBA WOOL BROKER AWARD 2019

The **NCWSBA Wool Broker Award for 2019** recognises excellence in wool broking by a younger member of our industry. This year's Award winner will be granted an **all-expenses paid trip Tongxiang in the Zhejiang Province, China to attend the 2020 IWTO Congress in May 2020.** Arrangements will also be made for the Award winner to visit the wool textile industry in China. Closing date for nominations is Friday, 21st June. Please contact me for an application form – chris.wilcox@ncwsba.org or call me on 0419344259.

INDUSTRY EVENTS

Wool Week is on 22nd-23rd August 2019 in Melbourne at the RACV Club. The **NCWSBA Annual General Meeting and Forum** will be held on 22nd August.

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

WOOL SALES WEEK BEGINNING 15th APR 2019 – week 42 (roster as at 11/3/2019)

Sydney	
Tues, 16th Apr, Wed 17th Apr	9,992 bales
Melbourne	
Tues, 16th Apr, Wed 17th Apr	21,844 bales
Fremantle	
Tues, 16th Apr, Wed 17th Apr	10,651 bales

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