The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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31st May 2019 2019/20

From the desk of Chris Wilcox, Executive Director

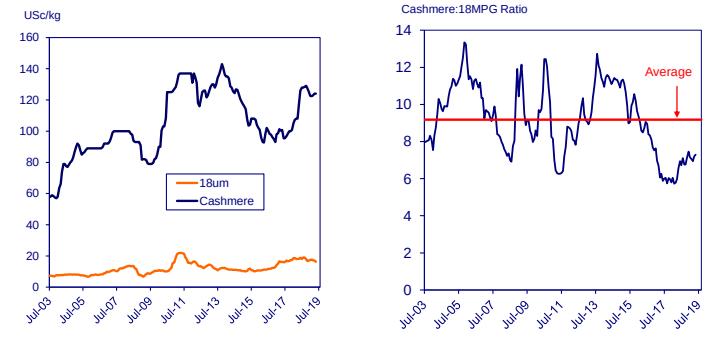
- Australian wool prices rebound
- Superfine wool prices gain against cashmere prices as long-term demand lifts
- Sheep & lamb prices at record levels as sheep turn-off lifts
- NCWSBA Wool Broker Award for 2019 – Nominations close on 21st June
- Upcoming industry events



The **Australian wool market** rebounded this week from the sharp declines seen over the previous three weeks. The **Eastern Market Indicator** (EMI) lifted by 54 cents, clawing back some of the losses seen since the start of May, and closed at 1887 c/kg. Prices rose solidly on both sale days. All microns enjoyed the price lifts, although the most significant increases were seen for 18.5 micron to 21 micron wool. The Northern Market Indicator recorded the smallest increase, rising by 40 cents to 1909 c/kg. The Southern Market Indicator rose by the most, up 64 cents to 1874 c/kg. Fremantle only had a one-day sale, on Wednesday, and the Western Market Indicator increased by 55 cents to close at 1992 c/kg. Prices rose even though (maybe because?) the A$ lifted against the US$ this week, up by ½ UScent and was stronger against the Chinese Renminbi and the Euro. The EMI increased by 46 UScents to 1307 USc/kg, by 44 €cents to 1174 €cents/kg and by 322 RMB to 9036 RMB/kg.

Two weeks ago I looked at the price relativity for 21 micron wool against the prices for synthetic and cotton since the early 1990s. For **superfine wool**, a more interesting comparison is with what are sometimes called 'noble' animal fibres. This includes **cashmere**, which is the benchmark of these fibres (although it's not the highest priced – fibres such as vicuna and guanaco from South American camelids have higher prices). Cashmere prices are much higher than superfine wool prices. For example, Chinese white cashmere used in weaving is currently around US$124/kg while the price for Chinese white cashmere used in hosiery is around US$136/kg. This compares with the current prices for superfine wool: US$16.44/kg for the 16.5 Micron Price Guide (MPG) and US$16.09/kg for the 18 MPG as examples. In other words, cashmere prices are currently between 7.5 and 8.5 times the price for superfine wool.

CHART OF THE WEEK#1
Cashmere Compared with Superfine Wool Prices (based on 18 MPG)



Source: AWEX, Poimena Analysis, WTiN
Data to May 2019

Cashmere fibre prices peaked in 2013, then fell away due to a combination of higher supply and weaker demand. After bottoming out in 2017 prices have since recovered, although they have not reached the peak seen in 2013. At the same time, superfine wool prices lifted between 2013 and peaked in 2018. The first graph in the first **Chart of the Week** shows the trends in cashmere prices and the 18 MPG. The second graph shows the trends in the ratio between cashmere prices and superfine wool prices. As can be seen, cashmere prices fell to an all-

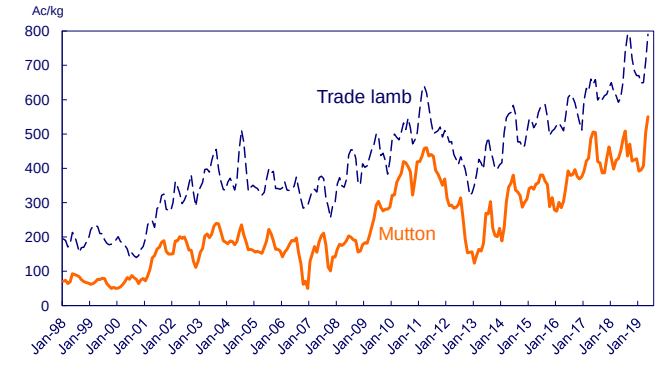
time low of 5.9 times the 18 MPG in mid-2017. It has since increased to the current level of 7.5 times the price of 18 micron wool. The current level is still well below the long-term average of 9.2 times the 18 micron price even though the production of superfine wool has risen sharply to record levels. This provides further evidence that the underlying demand for superfine wool has increased, in this case against cashmere.

One of the challenges to a recovery in wool production in Australia is the attractive alternative for growers to sell their lambs and sheep for meat production. This has intensified this year with the long-running drought in many regions in the eastern half of Australia.

The combination of the drought (which has reduced the number of lambs available both for flock rebuilding and for slaughter) and continuing growth in demand for lamb and sheepmeat (notably for export) has seen **prices for both lamb and sheep** hit record levels (see the second **Chart of the Week**). Given the high cost of feeding sheep through the drought, growers will be sorely tempted to sell off their sheep.

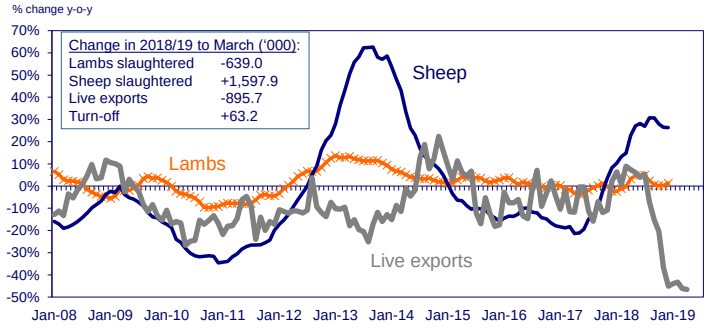
The third **Chart of the Week** shows the trends in the % change in slaughter and live exports of sheep and lambs over the past decade. As can be seen, there has been a sharp increase in the number of sheep slaughtered in the past 18 months. At the same time, there has been a steep drop in the number of sheep exported live due to the animal welfare issues and restrictions that have arisen. The number of lambs slaughtered is down a little this season, no doubt due to fewer lambs being available. Overall, there have been 63,000 more sheep and lambs turned-off in the first nine months of this season.

CHART OF THE WEEK#2
Australian Sheep and Lamb Prices



Source: MLA, NLRS
Data to 28th May 2019

CHART OF THE WEEK#3
Australian Sheep and Lamb Turn-off
% change 12 month rolling aggregate to March 2019



Source: ABS, not seasonally adjusted. 12 month rolling aggregate

REMINDER: CALLING FOR NOMINATIONS – NCWSBA WOOL BROKER AWARD 2019

Nominations for the **NCWSBA Wool Broker Award for 2019 c**lose on Friday, 21st June. Please contact me for an application form – chris.wilcox@ncwsba.org or call me on 0419344259.

INDUSTRY EVENTS

The **NCWSBA AGM** will be held in Melbourne on 23rd August 2019 in Melbourne, as part of Wool Week.

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 3rd JUNE 2019 – week 49 (roster as at 30/5/2019)

Sydney	
Wed, 5th June Thurs 6th June	10,391 bales
Melbourne	
Wed, 5th June Thurs 6th June	13,228 bales
Fremantle	
NO SALE	

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