The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Gate 4
29 Frederick Rd
Tottenham Vic 3012

Phone: +61(0)419344259
E-mail: info@ncwsba.org
Twitter: @woolbrokersaus
Instagram ncwsba

28th June 2019 2019/24

From the desk of Chris Wilcox, Executive Director

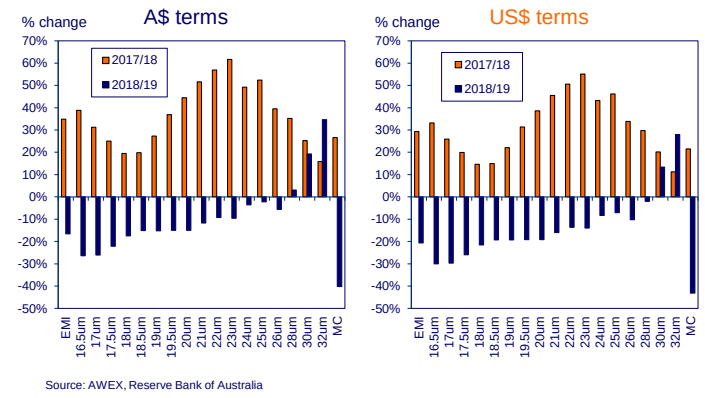


- Australian wool prices fall again to bring the 2018/19 season to a close
- Price stock-take for 2018/19 in Australia – the end of the Supercycle
- Other commodity prices also fall
- Outlook for a dry Winter and start to Spring
- NCWSBA AGM and Forum – Thursday, 22nd August 2019
- Upcoming industry events

The 2018/19 season in the **Australian wool market** finished on a downbeat note with prices falling again. The **Eastern Market Indicator** (EMI) fell by 51 cents to close the season at 1715 c/kg, the lowest for the season and the lowest since December 2017. Prices were lower for all microns that were reported, with declines of up to 100 cents week-on-week in the eastern states. The falls were higher in Western Australia because the prices were compared to a fortnight ago when Fremantle last sold. The Southern Market Indicator closed the 2018/19 season at 1705 c/kg, down 46 cents for the week. The Northern Market Indicator finished the 2018/19 season at 1731 c/kg, down by 58 cents for the week. The Western Market Indicator closed the 2018/19 season at 1832 c/kg, down by 105 cents compared with the previous sale a fortnight ago. The A$ jumped by 1 UScents over the week and was also higher against the Chinese Renminbi and the Euro. As a result, the declines in the EMI in these currencies were less pronounced for the week, falling by 18 UScents to 1199 USc/kg, by 25 €cents to 1081 €cents/kg and by 112 RMB to 8,249 RMB/kg.

The spectacular price rise seen in the 2017/18 season continued in the early months of the 2018/19 season, but ultimately **prices fell back by the end of the 2018/19 season**. The 2016-2018 Supercycle reached a peak in August 2018 with a week-ending record price of 2116 c/kg. Prices dropped back from the peak over Spring 2019, before bouncing back up in the first two months of 2019 as wool supply dried up due to the drought. Prices then turned down and the EMI fell by 531 c/kg from the close of the 2017/18 season to the close of the 2018/19 season, a 17% decline. It was also lower by 313 UScents, 252 €cents and 1746 RMB. All the regional indicators saw significant falls, with the Northern Market Indicator down by 358 c/kg, the Southern Market Indicator 330 cents lower and the Western Market Indicator down the most, falling by 411 cents. Despite the falls, the EMI and the regional indicators are all higher than at the start of the 2017/18 season.

CHART OF THE WEEK#1
Change in Australian Wool Prices
2017/18 and 2018/19 seasons



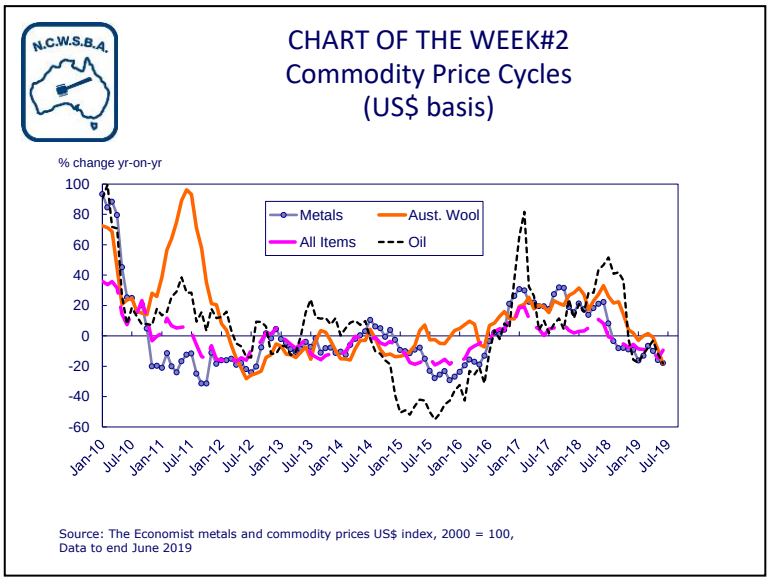
Source: AWEX, Reserve Bank of Australia

All the AWEX Micron Price Guides fell over the 2018/19 season. The first **Chart of the Week** shows the % change in prices for the EMI and the MPGs in 2018/19 and compares that with the change in the 2017/18 season, in both A$ and US$. As can be seen, the largest fall in 2018/19 was for Merino Cardings which dropped by 40%. Superfine Merino wool of 18 microns and finer also recorded significant declines, down by 20% to

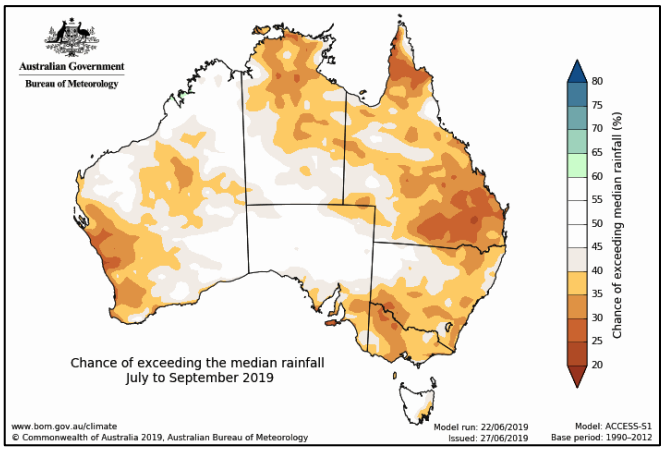
25%. Prices for medium micron Merino wool (21-24 micron) recorded more modest declines. Fine Crossbred wool also saw smaller falls. The falls in 2018/19 reversed some by not all of the 2017/18 increases for most microns. In contrast, 28 micron and broader wool prices lifted over the 2018/19 season.

The price falls were larger in US$ terms (or gains were smaller) because the A$ fell by 3.6 UScents from 73.5 UScents to 69.9 UScents over the season.

While the fall in wool prices are disappointing, it is not surprising given the weaker and far more uncertain economic conditions around the world. Coupled with that, there are reports of excess stocks of wool products (from garments back to wool top) in the wool textile industry and notably in China. It is not only wool prices that are on their way down. Prices for **most other commodities** are on a downward slide as the global economic and political uncertainty bites. The second **Chart of the Week** shows year-on-year change for various commodities including wool. While there are some divergences between commodities, the commodity prices generally follow a similar pattern, as can be seen. Furthermore, all commodities started seeing a downturn in the extended period of year-on-year increases around mid-2018. Now all commodities are seeing year-on-year declines in price levels.



While there has been some drought-relieving rain in recent weeks, particularly in southern Australia, soil moisture levels remain desperately low in many areas. More rain is needed, but the Bureau of Meteorology's (BoM) **latest climate outlook** for the July to September period is not encouraging. The Bureau says that *"A drier than average three months is likely for large parts of the country, extending from the northern NT, through Queensland and NSW, and into Victoria and southeast SA."* The **map** shows the latest prediction from the BoM.



SAVE THE DATE: The NCWSBA Annual General Meeting and Forum is on Thursday, 22nd August at the RACV Club in Melbourne. A highlight will be presentations by the three Finalists for the 2019 NCWSBA Wool Broker Award, as well as the presentation by Candice Cordy, the 2018 Winner on her experiences in Italy earlier this year attending the IWTO Congress. I will send more details in the next week or so.

INDUSTRY EVENTS

The **NCWSBA AGM** will be held in Melbourne on 22nd 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 1st JULY 2019 – week 1 (roster as at 27/6/2019)

Sydney	
Wed, 3rd July Thurs, 4th July	13,608 bales
Melbourne	
Wed, 3rd July Thurs, 4th July	12,127 bales
Fremantle	
Wed, 3rd July Thurs, 4th July	8,769 bales

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