The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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20th September 2019 2019/34

From the desk of Chris Wilcox, Executive Director



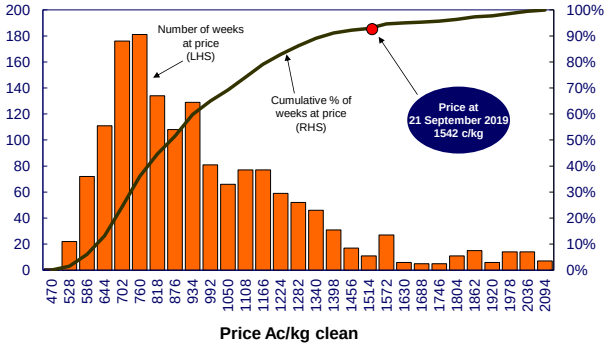
- Australian wool prices stabilise
- Current prices remain relatively high in historical percentiles
- ABARES' latest forecasts for wool prices in 2019/20
- Usage of wool classers' stencil in accordance with AWEX rules
- Upcoming industry events

After the volatility seen in the past few weeks, the **Australian wool market** took a bit of a breather this week with prices stabilising. The **Eastern Market Indicator (EMI)** rose by 7 cents for the week to 1542 c/kg, largely due to a strong increase in prices in Sydney which was playing catch-up after not holding an auction last Thursday. Prices for wool 18 micron and finer lifted strongly but this was offset by lower prices for wool between 18.5 and 21 micron, as well as softer Crossbred wool prices. With Sydney selling on both days and playing catch-up, the Northern Market Indicator lifted by 36 cents to 1570 c/kg. Melbourne and Fremantle (which both held auctions last Thursday) saw mixed results, with the Southern Market Indicator falling by 12 cents to 1524 c/kg and the Western Market Indicator lifting by 18 cents to 1643 c/kg. The A$ was lower against all the main user currencies (notably down by almost 1 UScent). As a result, the EMI fell by 9 USUScents to 1047 USc/kg, by 11 €cents to 948 €cents/kg and by 50 RMB to 7,437 RMB/kg.

It has been seven months since I looked at the Australian **wool price distributions** in A$ and US$. At lot has changed since then as prices have fallen significantly. When I last looked at the price distributions on 8th February, the EMI was at 1944 Ac/kg and 1380 USc/kg, which was at the 98th percentile in A$ and the 96th percentile in US$. As noted above, the EMI is now at 1542 Ac/kg (the 93rd percentile) and 1047 USc/kg (the 85th percentile). While wool prices from 30 micron down have all fallen since February, the largest declines have been for Merino wool which are 20% to 25% lower in A$ terms and 23% to 29% lower in US$ terms. [The A$ is more than 3 UScents lower than in February.]

The first and second **Charts of the Week** show the cumulative **price distribution and the frequencies** (in number of weeks) for the EMI in A$ and US$ since 1984. As the first **Chart of the Week** shows, the EMI in A$ has pulled back from the heights seen a year ago and even seven months ago, but is still sitting at around the 93rd percentile (that is, current prices are higher than 93 percent of prices since 1984). In contrast, the EMI in US$ has pulled back even more in percentile terms, down to the 85th percentile this week (the second **Chart of the Week**).

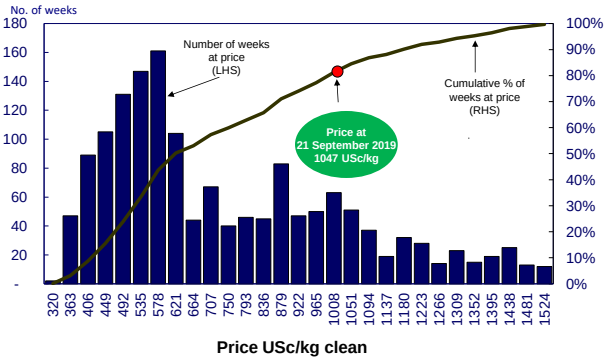
CHART OF THE WEEK #1
EMI - Price Distribution and Frequencies
From 1984 (A$)



Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

The changes in the EMI masks some significant differences for each micron category. The Appendix provides charts showing the price distribution and frequency charts for the 18 micron, 21 micron, 23 micron and 28 micron price guides and the Merino Carding Indicator in both A$ and US$.

CHART OF THE WEEK#2
EMI - Price Distribution and Frequencies From 1984 (US$)



Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

As can be seen from the charts in the Appendix, the 18 micron price guide (MPG) has fallen back the most in percentile terms. It is now sitting at around the 80th percentile in A$ and the 70th percentile in US$. The 19 MPG has also slipped back, although not as much as the 18 MPG. In A$ terms, it is now at around the 85th percentile. Broader Merino wool has fared better, with current A$ prices sitting at around the 95th percentile for both the 21 MPG and the 23 MPG. Crossbred wool is also doing well, with the 28 MPG currently sitting at the 97th percentile. To round it off, Merino Cardings have fallen back to around the 73rd percentile.

The micron price guides are lower in percentile terms in US$ across the board. In addition to the 18 MPG at the 70th percentile, the 19 MPG, the 21 MPG, the 23 MPG and the 28 MPG are at the 75th, 85th, 86th and 93rd percentiles. The Merino Carding Indicator is the lowest, at the 43rd percentile.

In its latest *Agricultural Commodities* quarterly, the Australian Government's agricultural commodity forecaster, ABARES, has reduced its **forecast of prices for 2019/20** for a number of products, including wool, due in part to the US-China trade war. It says that "…the trade war is likely to have longer-term implications that will outweigh any short-term benefits." ABARES now predicts that the EMI will average 1435 c/kg in 2019/20, a 26% drop on the 2018/19 average of 1939 c/kg. This new forecast average for 2019/20 is much lower than ABARES predicted in June, when it forecast an average of 1865 c/kg for 2019/20. This seems to be a bit pessimistic to me, given that the season average to 21st September is 1553 c/kg. You can see the full report from ABARES, which includes its forecasts for the sheep industry, by clicking here (when the page opens, scroll down to the bottom and click on the link to the PDF document).

The NCWSBA Board would like to remind NCWSBA members that they ensure the proper usage of the **classers stencil by registered classers**, including those employed by NCWSBA members. Classers should ensure that their stencils are kept secure, are not loaned to others and are used in accordance to AWEX requirements. It is important that the integrity of the wool classer system is maintained and is not compromised by incorrect usage. The wool classer system is an important point of difference for Australian wool and ensures that Australian wool continues to be held in the highest regard by processors around the world.

INDUSTRY EVENTS

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 **NCWBA Centenary Auction and Cocktail Reception** will be held in Melbourne on Thursday, 20th February 2020.

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

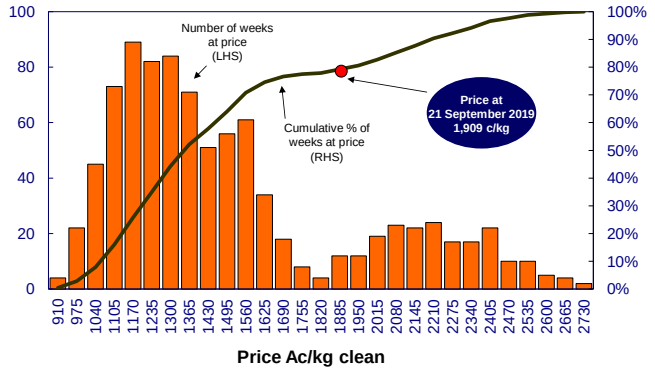
WOOL SALES WEEK BEGINNING 23rd SEPT 2019 – week 13 (roster as at 19/9/2019)

Sydney	
Wed, 25th Sept; Thurs, 26th Sept	7,559 bales
Melbourne	
Wed, 25th Sept; Thurs, 26th Sept	14,904 bales
Fremantle	
Wed, 25th Sept; Thurs, 26th Sept	6,827 bales

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

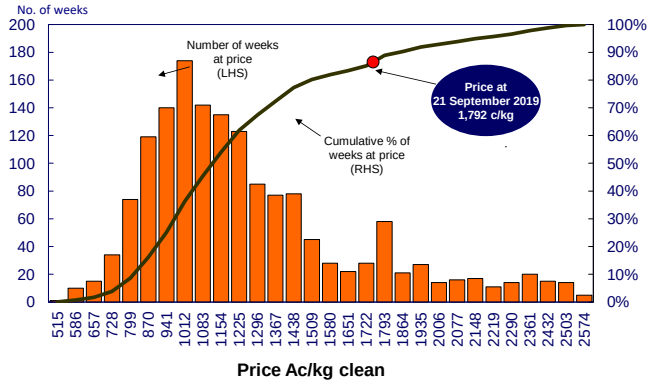
APPENDIX – PRICE DISTRIBUTIONS

18 Micron - Price Distribution and Frequencies From 1984 (A$)



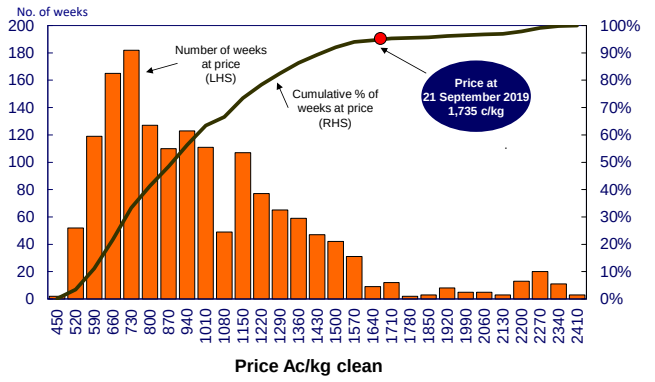
Source: AWEX, Poimena Analysis
* Based on weekly prices January 2004 to 21st September 2019

19 Micron - Price Distribution and Frequencies From 1984 (A$)



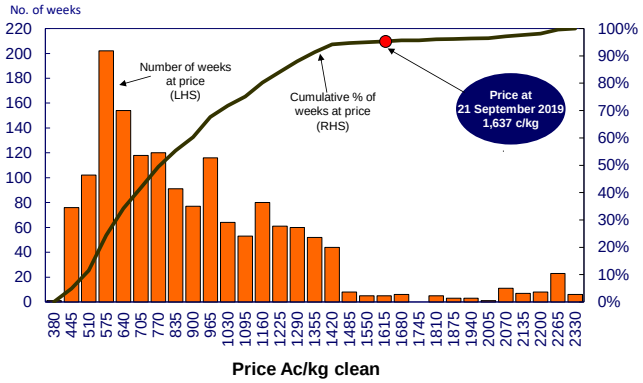
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

21 Micron - Price Distribution and Frequencies From 1984 (A$)



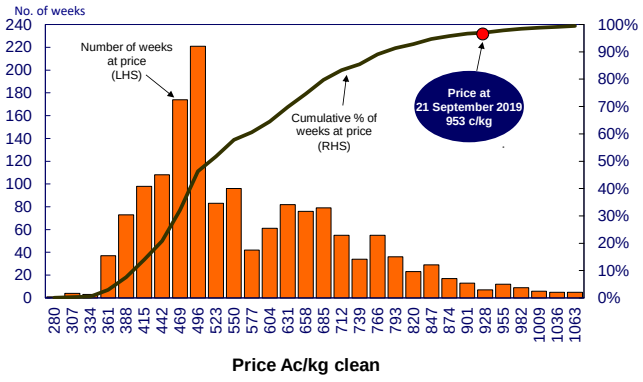
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

23 Micron - Price Distribution and Frequencies From 1984 (A$)



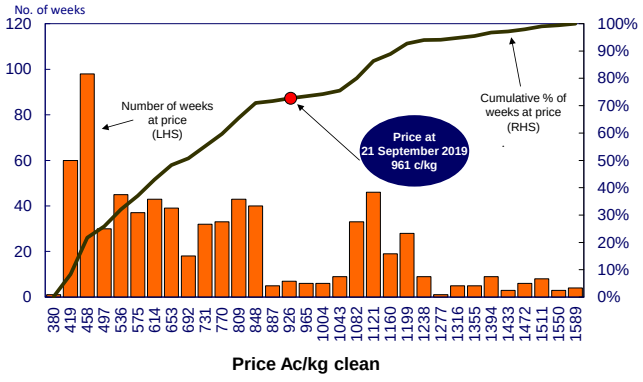
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

28 Micron - Price Distribution and Frequencies From 1984 (A$)



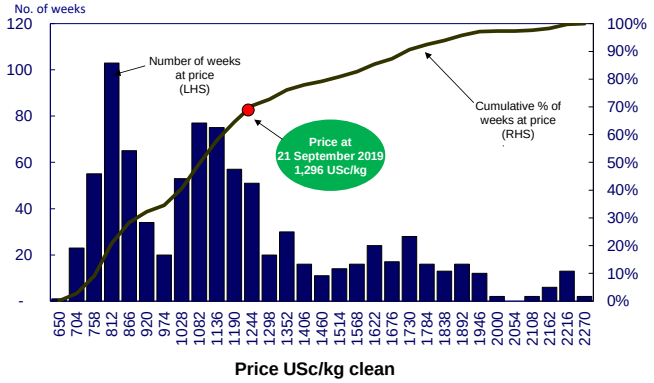
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

Merino Cardings- Price Distribution and Frequencies From 1984 (A$)



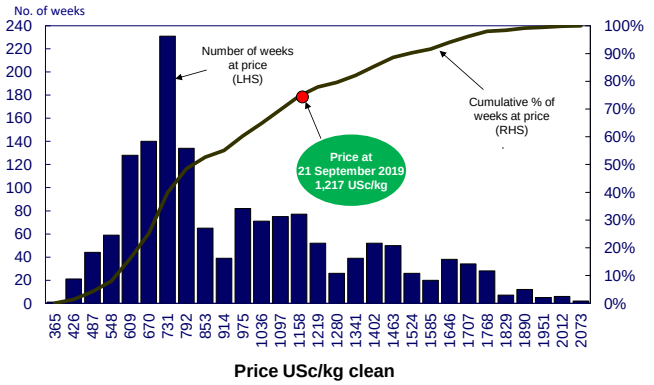
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

18 Micron - Price Distribution and Frequencies From 1984 (US$)



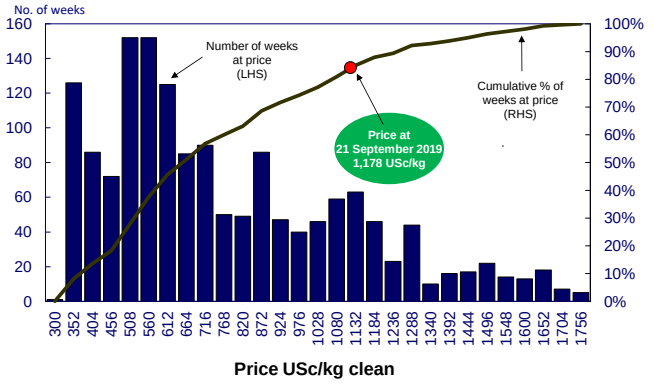
Source: AWEX, Poimena Analysis
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19 Micron - Price Distribution and Frequencies From 1984 (US$)



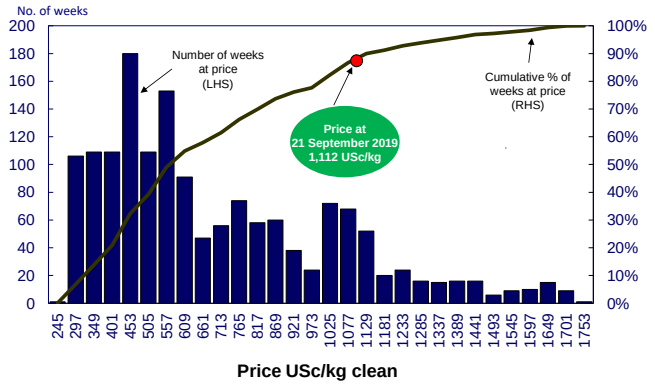
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

21 Micron - Price Distribution and Frequencies From 1984 (US$)



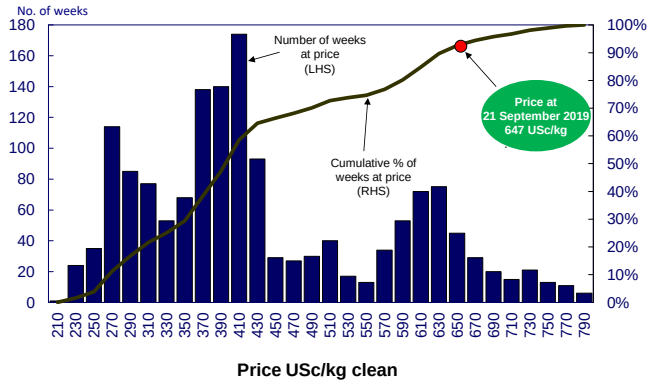
Source: AWEX, Poimena Analysis
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23 Micron - Price Distribution and Frequencies From 1984 (US$)



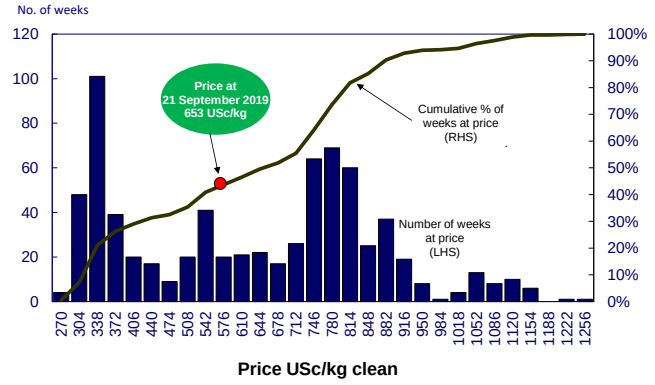
Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

28 Micron - Price Distribution and Frequencies From 1984 (US$)



Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019

Merino Cardings- Price Distribution and Frequencies From 1984 (US$)



Source: AWEX, Poimena Analysis
* Based on weekly prices January 1984 to 21st September 2019