The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Unit 9
42-46 Vella Drive
Sunshine West Vic 3020

Phone: 03 9311 0152
Fax: 03 9311 0138
E-mail: ncwsba@woolindustries.org

6th March 2015 2015/08

From the desk of Chris Wilcox, Executive Director

- The Australian wool market this week
- Drivers for the demand for broad wool and merino cardings
- ABARES' new five year forecasts for wool and other commodities
- AWTA test data for February
- IWTO 2015 Congress registration now open
- Upcoming events

By the end of the week the **Australian wool market** was slightly lower in both A$ and US$ terms, according to the weekly market report from AWEX. The Eastern Market Indicator (EMI) was down by 3Acents and 6UScents according to AWEX, to 1,085 Acents/kg and 849 UScents/kg. All micron price guides bar the 26 micron guide fell slightly on the east coast, while there were larger declines in the 19 to 20 micron price guides in the Western Region, which may have been some reversal of the gains these price guides made in the West last week while they fell on the East coast.

In the past two editions of the *Weekly Newsletter*, I reported on the diverging trends in prices for broader wools (28-32 micron) and for Merino Cardings, with Merino Cardings hitting record highs in recent weeks. AWI, in their latest monthly *Market Intelligence* report for growers, highlights an explanation from Peter Ackroyd (IWTO President and Chief Operating Officer of the Campaign for Wool) for this increased demand. He puts it down squarely to an increase in retail demand for woollen fabric products and knitwear, such as tweeds (both traditional tweed and lighter-weight tweed-look fabrics) and bulkier knitwear. Woollen yarns for both fabric and knits uses shorter fibres rather than the longer fibres required for worsted yarns. Download the AWI report from http://www.wool.com/globalassets/start/market-intelligence/monthly-market-report/awi_monthlymarketreport_feb15.pdf.

The **ABARES Outlook Conference** was held this week In Canberra. I wasn't able to attend but there were a few presentations on the program that had caught my eye. One was a presentation by Geoff Raby (former Australian Ambassador to China) who spoke on "*Outlook for China's Agriculture and Implications for Australia*". The presentation is available on the ABARES Outlook website (click here to see the program and download presentations). However, I was disappointed to see that it focused entirely on food. There was absolutely no mention of wool, even though wool is by far Australia's largest agricultural export to China.

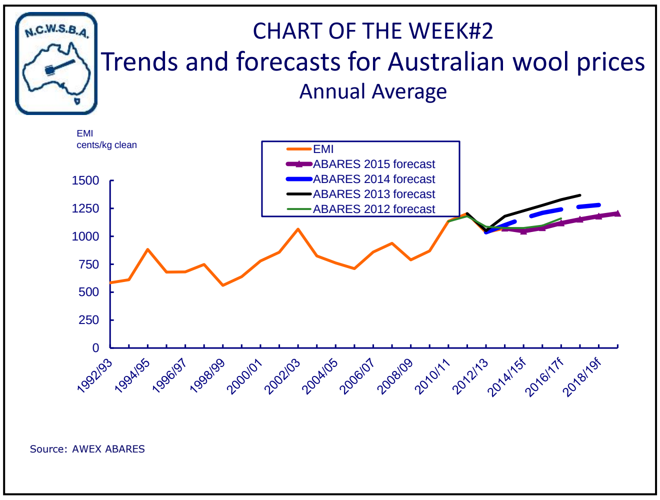
At the Conference, ABARES released their **latest five year forecasts for the various agricultural industries**. As the basis for their forecasts, ABARES assumes that world economic growth will be at 3.3% in 2015 and 3.6% in 2016 (compared with 3.3% in each of 2013 and 2014). It also assumes that the A$ will average 0.76 UScents in 2016/17 and beyond. ABARES' new **forecasts for wool** and some of the other broad-acre industries are shown in the first **Chart of the Week**. As the

CHART OF THE WEEK#1
ABARES Forecasts for wool, sheep, cotton & wheat

	12/13	13/14	14/15e	15/16f	16/17f	17/18f	18/19f	19/20f
EMI (Ac/kg)	1,035	1,071	1,045	1,075	1,118	1,151	1,180	1,204
Shorn wool prod (mkg)	352	350	336	328	332	337	341	345
Sheep numbers (mill)	75.5	72.7	70.7	72.1	73.2	74.2	75.2	76.1
Wool exports ($mill)	2,869	2,877	2,708	2,719	2,868	2,996	3,107	3,208
Lamb price (Ac/kg)	386	476	510	584	588	590	600	610
Sheep price (Ac/kg)	187	262	310	364	357	355	360	365
Beef price (Ac/kg)	297	293	349	405	425	437	449	450
CotLook A index (USc/lb)	88	91	70	60	58	59	66	72
Wheat price (A$/tonne)	326	336	315	339	345	349	347	341

Source: ABARES
Note: Prices are annual averages and saleyard price. Production is annual total. Sheep numbers is at 30th June.

table shows, ABARES predicts that the EMI will rise slowly and steadily from an average of 1,045 cents/kg this season to 1,204 c/kg in 2019/20. ABARES also predicts that shorn wool production will drop next season before a very slow recovery to 345 mkg greasy in 2019/20. The price increase predicted by ABARES is more moderate than the increase it predicted in either 2013 or 2014. The second **Chart of the Week** compares this new forecast with that of the past three years. Maybe they'll be right, maybe not. I do note that their forecast average for the current season may be a little pessimistic. The average EMI for 2014/15 to this week is 1,058 c/kg. To reach the ABARES' forecast of 1,045 c/kg for the full season, the EMI would need to average just 1,020 c/kg for the rest of the season. This would require quite a drop from the current level of 1,085 c/kg. It just shows how tricky price forecasting is.



In terms of **other broadacre commodities**, ABARES is optimistic about lambmeat, predicting that lamb prices will lift even further following the high average this season (510 c/kg) to reach 610 c/kg in 2019/20. It also expects that sheep meat prices will lift, albeit more modestly. ABARES predicts that the recent improvement in beef prices will be consolidated, with further moderate rises predicted. In contrast, the forecasts for broadacre cropping (wheat and cotton shown in Chart 1), are much more subdued than for livestock.

While ABARES' forecasts for wool prices are not as bullish as they were in the past 2 years, they are still for an increase in prices. I was therefore disappointed to see the headline in Farmonline which said "Lamb to soar, wool to slump: ABARES", even though both the actual forecasts and the article it headlined do not actually suggest that "wool will slump". This is unfortunately typical of the negative perceptions around wool, often contrary to the facts.

AWTA released the **wool test statistics** for February this week. The data shows that the weight of wool tested for the month lifted by 1.4% compared with February 2014, with increases in superfine wool (18.5 micron and finer), fine and medium merino wool (18.6 to 24.5 micron) and broad wool (28.6 micron and broader). The weight of crossbred wool (24.6 to 28.5 micron) tested fell. The lift in February brought the weight of wool tested for the season to date to 247 mkg greasy, down by just 0.3% on the levels for the same eight months in 2013/14. The Australian Wool Production Forecasting Committee, which meets on 15th April, may need to reconsider its forecast for a 2% decline for the full season, although it will need to try to take into account any release of stocks brought on by the recent lift in prices.

Registrations are now open for the **2015 Congress of the International Wool Textile Organisation**. The Congress will be held in Zhangjiagang, China, between 18th and 20th May 2015. You can register and book your accommodation by going to https://www.regonline.com/builder/site/Default.aspx?EventID=1654357.

INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** will meet on Wednesday, 15th April, with state meetings held the week before.

The **2015 IWTO Congress** will be held in Zhangjiagang, China, on Monday 18th to Wednesday 20th May 2015.

The **2015 Wool Week**, which includes the **NCWSBA Annual General Meeting**, will be held on 27th and 28th August 2015.

WOOL SALES WEEK BEGINNING 9th MARCH 2015 – week 37 (roster as at 5/3/2015)

Sydney	
Wed, 11th Mar; Thurs, 12th Mar	11,203 bales
Melbourne	
Wed, 11th Mar; Thurs, 12th Mar	23,927 bales
Fremantle	
Wed, 11th Mar; Thurs, 12th Mar	9,948 bales

Issues for inclusion in the Weekly Newsletter? Email chris.wilcox@woolindustries.org or phone 0419344259.

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