AWI MARKET INTELLIGENCE

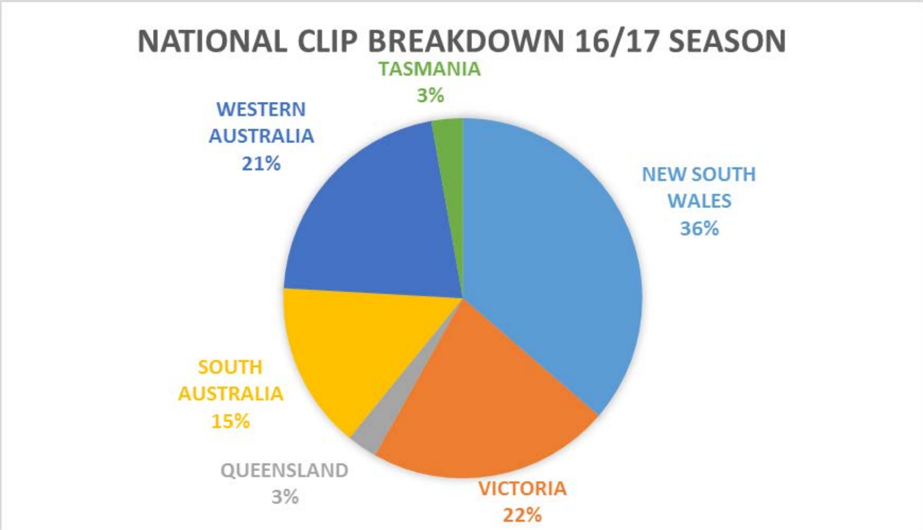
July 2017

This month we examine the nation's wool clip, why it is lifting and how various micron bands have performed in the 2016/17 selling season.

AWTA (Australian Wool Testing Authority) has released its annual Key Test Data for the 2016/17 season, revealing the amount of wool and micron types to pass through their facilities over the past year. All states have recorded increased wool production while prices continue to firm in the auction rooms before the mid-year recess, where the EMI closed at 1522c/kg.

Although not all of this wool is sent to auction, it is still a good indication of the levels of wool production throughout the country. The 2016/17 season saw over 357 million kilograms pass through the AWTA testing house, a 5% increase when compared with the 2015/16 season. In line with this trend, AWEX reported an increase of 12.5 million kilograms or 6.2% more wool offered at auction year on year from the 2015/16 season.

While a national increase of 5% was recorded, there were some much larger production increases at a state level for the season. New South Wales, Victoria and Tasmania all jumped between 2-3% for the year, while South Australia and Western Australia increased their testing data by 6% and 10% respectively. However, it was Queensland that produced the greatest increase over the year with 25% more wool tested from that state for the 2016/17 season than 2015/16. Although comparatively a smaller clip than other states currently, the recent growth in wool production is indicating that wild dog management practices are allowing farmers to return to wool growing. In fact across the 140 groups funded, on average, woolgrowers see a $10,700 per annum benefit to their flock.



The increase in wool produced has been helped by continued strong wool prices. Although AWEX recording more kilograms of wool offered for auction and available for purchase, Australian wool prices have continued to remain at unprecedented levels. The EMI closed at 1522c/kg for the auction recess, a healthy 211c/kg higher than this time last year when it closed at 1311c/kg.

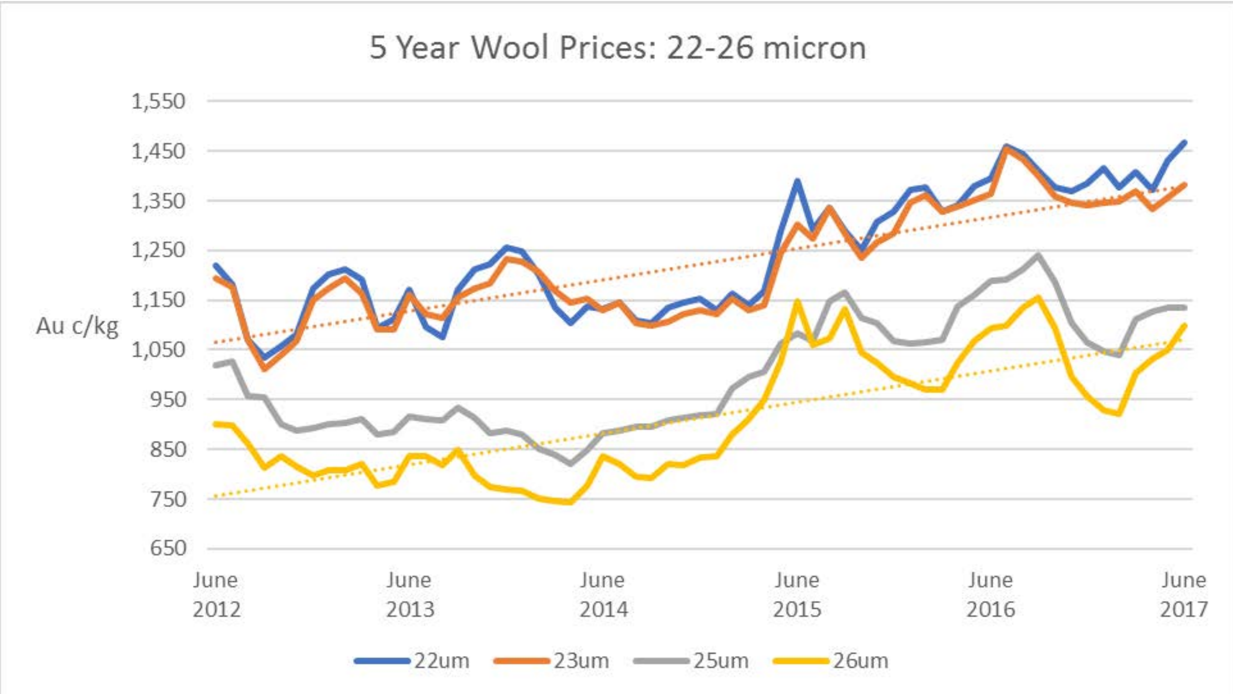
At the individual micron level, all wools under 26 microns are in front however superfine wools have been in the highest demand over the past season, as next to skin products continue to increase markets for these wool types. Prices for 16.5, 17 & 18 micron wools currently sit at 2195c/kg, 2194c/kg & 2090c/kg respectively, all over 500c/kg ahead of price levels 12 months prior. AWTA data indicates that superfine wool volumes (<18.5) are down 4% comparatively yet prices have risen over 35%. The sports and outdoor market has seen manufacturing of these garments lift 10% year on year and generated an extra 1 million kilograms of demand.

Fine wool prices

Wool prices for microns 19-22 have also seen continued price rises over the past year and closed at the wool selling recess well ahead of one year ago. Wools of 19 micron finished at 1839c/kg at the recess break, consolidating 341cents higher year on year, while 20, 21 and 22 micron wools finished at 1609c/kg, 1534c/kg and 1476c/kg. An increase of 128ac, 63ac and 106ac year on year respectively. Increased tonnes of these wool types have been tested through AWTA with a 9% lift in volume since the 2015/16 season.

Prices of 23-26 micron wools have also performed strongly throughout the year, all these types are over 50c/kg higher since year last. The demand for these wools has been maintained as processor use the blending technique of these broader wools with finer wool to create their product. While at the end of the scale, demand for Cross-bred wools has waned slightly over the last 12 months. Prices for 28-micron wool finished selling before the break in a slightly recovered state, however 30 and 32 micron wools have continued to decline since the peak in 2015 for these wool types.

5 Year Wool Prices
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
AU c/Kg
June 2012
June 2013
June 2014
June 2015
June 2016
June 2017
17um
18um
19um
20um
21um



5 Year Wool Prices: 22-26 micron
1,550
1,450
1,350
1,250
1,150
1,050
950
850
750
650
Au c/kg
June 2012
June 2013
June 2014
June 2015
June 2016
June 2017
22um
23um
25um
26um

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