



All wool price indicators in the Merino sector are registering at the 100th percentile bands measured over the past 5 years. The current March average of all AWEX MPG (micron price guide) indicators between 16.5 and 22 micron as at the week ending 24<sup>th</sup> March 2017 compared to the previous 5 years has never sold at higher levels. Accordingly, this month we will look at the forwards options available to wool growers who are inclined to include a percentage of hedging as part of their farm economic management.

	ACOF	Percentile Band
EMI	\$15.29	100%
17 micron	\$22.63	100%
18 micron	\$21.70	100%
19 micron	\$19.23	100%
20 micron	\$16.24	100%
21 micron	\$14.99	100%
22 micron	\$14.26	95%
23 micron	\$13.76	94%
24 micron	ND	ND
25 micron	\$11.09	85%
26 micron	\$10.02	80%
28 micron	\$7.45	62%
30 micron	\$5.82	22%
32 micron	\$4.33	7%
MCard	\$12.23	100%

- ACOF (Australian Clean On the Floor dry). March average price up until 24<sup>th</sup> March 2017
- Percentile band is March 2017 average price compared against previous 5 years

The wool forwards services currently available provides growers with comparatively easier access to minimum price or option contracts when compared to products previously offered in the wool industry. A woolgrower can now look to manage their individual risk profile either by outright position taking or exercising put options. Forwards and options are a tool to spread the return rise over time, rather than being stuck to one outcome on one date if selling only by auction at the spot price or privately on an agreed price level on delivery.

Put options are an interesting product whereby a woolgrower is able to lock in a price while still having the option to participate in any potential market rise, whilst having a guaranteed minimum price as well if the market should fall away.

There are a few forward products out in the market place, and vary in their nuances. The most voluminous trade appears on the Riemann trading platform which is populated mostly by trades executed from Southern Aurora Wool. Some wool brokers, hedging companies, wool buyers and exporters offer various assortments of direct hedging opportunities for

physical future delivery. The maturity date, price level, quantity and type of cover are up to the individual grower.

Forward products are definitively not about “winning” or “losing” on the trade, it is all about the insurance of a price at a future date that the participating grower would be happy to receive at the time the coverage is taken.

Consultation with your wool selling broker is highly recommended. Your broker is generally in the best position to assist you to strategise and set the best fit to your enterprise and advise on type and volume according to your production base and risk appetite.

### Trades done on the Riemann board March 2017 Current Month to date – March 2017

Maturity	18.5 Micron			19 Micron			21 Micron		
	Volume	Low	High	Volume	Low	High	Volume	Low	High
29/03/2017	-	-	-	-	-	-	6,500	1,470	1,472
12/04/2017	-	-	-	2,500	1,800	1,800	18,000	1,455	1,485
26/04/2017	-	-	-	5,000	1,840	1,840	-	-	-
3/05/2017	-	-	-	2,000	1,700	1,700	-	-	-
10/05/2017	-	-	-	-	-	-	3,000	1,455	1,455
17/05/2017	-	-	-	-	-	-	2,500	1,460	1,460
24/05/2017	-	-	-	-	-	-	16,500	1,445	1,465
14/06/2017	5,500	1,850	1,870	27,000	1,750	1,800	2,000	1,435	1,435
28/06/2017	-	-	-	5,000	1,805	1,810	12,500	1,425	1,445
12/07/2017	-	-	-	16,000	1,725	1,800	24,500	1,439	1,450
9/08/2017	-	-	-	10,000	1,715	1,720	-	-	-
23/08/2017	-	-	-	3,000	1,750	1,750	-	-	-
13/09/2017	-	-	-	12,500	1,670	1,705	14,000	1,400	1,400
27/09/2017	-	-	-	25,000	1,710	1,725	22,000	1,380	1,380
4/10/2017	-	-	-	2,000	1,695	1,695	-	-	-
11/10/2017	-	-	-	-	-	-	2,000	1,390	1,390
25/10/2017	-	-	-	14,500	1,650	1,700	2,500	1,380	1,380
8/11/2017	-	-	-	5,000	1,675	1,675	27,000	1,375	1,390
15/11/2017	-	-	-	10,000	1,700	1,700	-	-	-
22/11/2017	-	-	-	7,500	1,685	1,700	-	-	-
10/01/2018	-	-	-	7,500	1,675	1,675	-	-	-
11/04/2018	-	-	-	2,000	1,620	1,620	-	-	-
13/06/2018	-	-	-	5,000	1,650	1,650	-	-	-

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