

WOOL MARKET WEEKLY REPORT

FRIDAY 8 March 2013



| SALE WEEK | |
|-----------|---------------|
| Week No. | 36 |
| Sale days | Tue, Wed, Thu |
| Locations | Syd, Mel, Fre |

| OFFERING | |
|---------------|--------|
| Bales offered | 54,346 |
| Passed-In (%) | 7.1% |
| Re-offer (%) | 5.9% |

| CURRENCY MOVEMENTS | |
|--------------------|---------------|
| AU:USD | 1.0275 -0.23% |
| AU:CYN | 6.3980 -0.34% |
| AU:EUR | 0.7818 +0.91% |

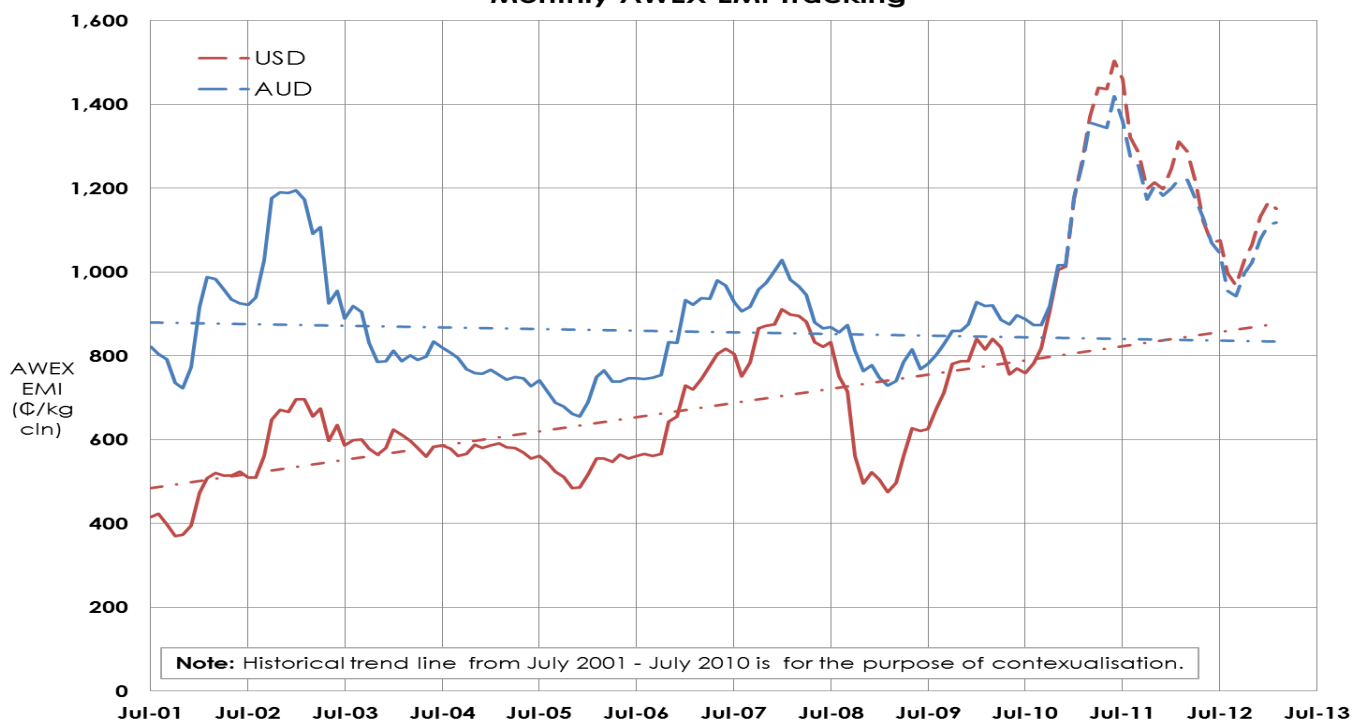
| MPG | North | South | West |
|-----|----------|----------|----------|
| 17 | 1442 -6 | 1431 -4 | - |
| 18 | 1369 +1 | 1353 +1 | 1333 +5 |
| 19 | 1318 +16 | 1319 +20 | 1303 +20 |
| 20 | 1255 +29 | 1250 +21 | 1252 +29 |
| 21 | 1237 +19 | 1237 +22 | 1227 +25 |
| 22 | 1220 +24 | 1221 +19 | 1213 +25 |
| 23 | 1191 | 1189 +4 | 1182 |
| 24 | - | 1101 | - |
| 25 | - | 924 | - |
| 26 | 823 | 822 +16 | - |
| 28 | 637 +11 | 632 +12 | - |
| 30 | 605 +24 | 593 +13 | - |
| 32 | 496 | 499 +7 | - |
| MC | 748 -10 | 749 +6 | 719 +0 |

| AWEX EMI | | |
|----------|---------------|--------|
| AUD | 1116 c/kg cln | +0.63% |
| USD | 1144 c/kg cln | +0.40% |
| CYN | 7116 c/kg cln | +0.29% |

| Forecast offering: current season on last season | | |
|--|--------------|--------------|
| Week 37 | 43,565 bales | 41,560 bales |
| Week 38 | 49,261 bales | 43,256 bales |
| Week 39 | 46,900 bales | 42,413 bales |

| Wool Forwards | | | | |
|---------------|-------|-------|-------|-------|
| | 19 um | 20 um | 21 um | 22 um |
| 10/04/13 | 1,320 | - | 1,230 | - |
| 10/07/13 | - | 1,213 | - | - |
| 23/10/13 | - | - | 1,190 | 1,150 |

Monthly AWEX EMI Tracking



COMMENTARY

One of the largest volume wool auctions of the season greeted buyers this week. Nationally, over 54,000 bales were put up for sale, and all the early show floor talk amongst the exporters pointed to a very difficult week for local grower sellers. The market was expected to wilt under the pressure of the supply outstripping the current demand and the initial opening to the series on Tuesday in Melbourne certainly had the market heading into cheaper territory, with all types opening 5 to 10cents cheaper. This downward trend was quickly arrested though and by the close of selling on Tuesday, the price levels of most types finished at a largely unchanged basis compared to the previous week's close, surprising many of the auction participants. Much larger volumes on Wednesday and Thursday were to be the true test of the strength of demand, and unexpectedly, the market not only stayed firm, it actually firmed throughout selling right to the close, with the mid-microns appreciating by as much as 20cents for the series.

Super fine Merino fleece and skirtings had a rather uneventful week compared to the other sectors on offer. With a variable in quality supply, the price levels remained at basically unchanged prices. Whilst the 17.5 to 18.5 micron area was quoted as being on par to 5ac dearer, the better tested lots were in fact up to 20ac dearer for the week. The large proportion of inferior types obviously influenced the quotations on average, as the lower types were out of favour with buyers, and were up to 20ac cheaper. All types finer than 17.0micron, apart from the odd spinners types which were well sought, were very subdued in demand and remained unchanged to 10ac cheaper.

Fine and medium Merino fleece and skirtings of 19 to 23 micron were again the centre of attention in all Australian auction markets. The very large volume of these types failed to dampen the enthusiasm of buyers in securing supply of these descriptions, forcing all price levels up to 20ac dearer for the series. The largest export houses all exhibited a voracious appetite for the wool in this sector and competition was intense right through to the finish of selling.

Crossbred and comeback types of all descriptions again came under intense scrutiny of buyers, forcing all sectors to appreciate by up to 20cents. Given the lower price basis, this represents a rise double that of their Merino counterparts in percentage terms. China and to a lesser extent India continue to place orders for these coarser, cheaper types and there appears to be quite a solid forward order book building into the immediate and near term shipment periods.

The tone of the auction rooms was the most confident we have witnessed since the Xmas recess, so this bears well for a positive market next week. With an offering of 20% less to be fought over next week, and the supply rumoured to be slowing off growers farms, this will place further upward pressure on price levels. With the better USD/AUD exchange rate also assisting the buyers who use USD, there is now a sense of the market having hit the bottom of this cycle as far as price goes, and as long as no unforeseen and significant event occurs, perhaps we have found a level where the market will trade at or above for some extended period of time.

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