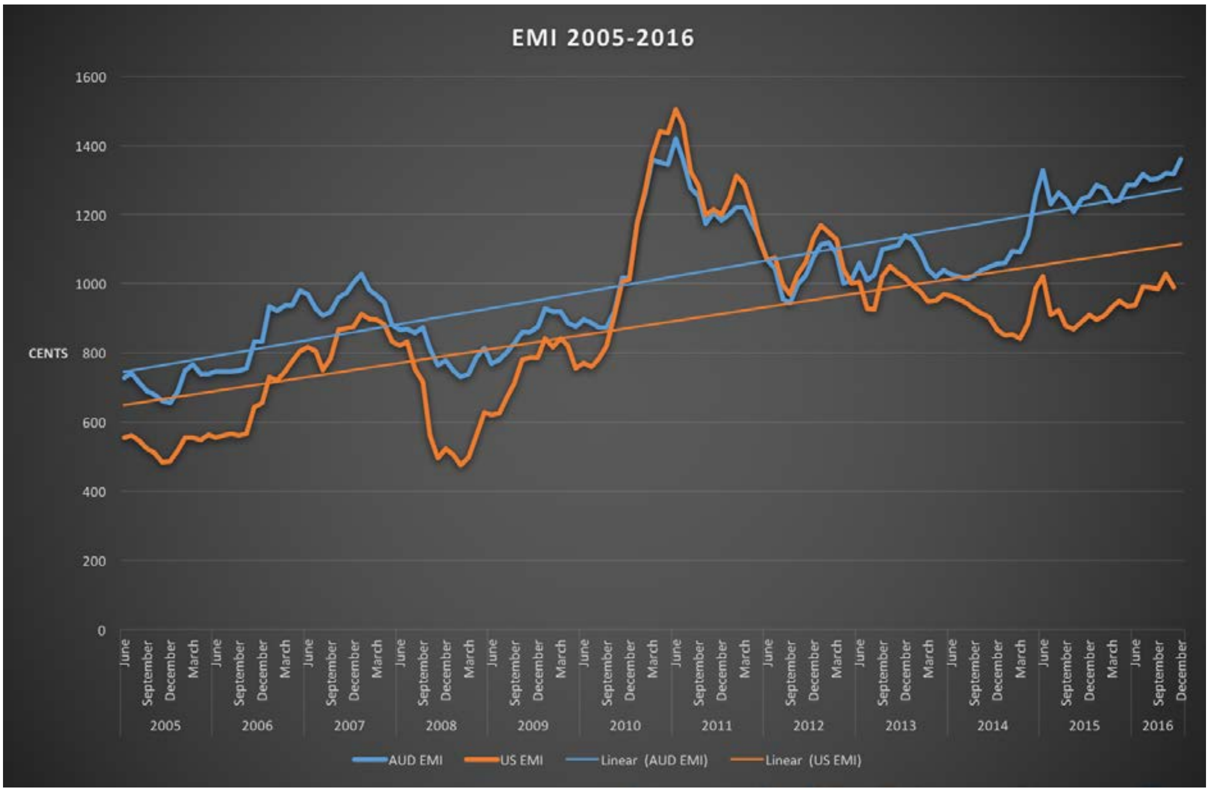
AWI MARKET INTELLIGENCE

December 2016

As we enter the Christmas period and the 3-week selling recess, the market is in a strong position for woolgrowers after a positive start to the 2016/17 season. We have enjoyed a relatively stable market for the past few years, and 2016 has only been a continuation of this.

The EMI has performed well in this first half of the 2016/17 season; a year on year comparison shows a gain of 90 ac clean/kg at the close of sales at 1355 cents (+7.1%). In US terms, the EMI has performed even better to close with an increase of 98 US cents since close of sales last year to finish at 1006 US cents (+10.8%). A late push to secure orders for the recess period has given an extra boost coming into December, a good Christmas present for growers.



In 2016 we saw the highest turnover ($2.5 billion AUD) since 2002 where turnover reached $2.9 billion (AUD). However, in 2002 the volume was recorded at 62% higher than 2016. Contributing to the large turnover was the average bale price in 2016 that finished at $1478 (AUD), the highest average bale price recorded by AWEX since 1997.

Encouragingly for woolgrowers, these higher prices have occurred despite a large increase of wool coming through the auction system in 2016, hopefully putting to rest the myth that increased demand is purely a result of lower supply. An extra 62,148 Bales (+7.5%) have come through the auction system across the year, and yet pass-in rates have still reduced by 1.8%.

The price gains in the current season are very positive for the superfine and fine wools and not so kind to the broader cross-bred types. Wools of 21 micron and finer are in high demand due to the low volume of greasy wool tops kept for storage in China forcing a 'hand-to-mouth' buying operation, increasing competiveness within the sale room.

So far, the season averages for 17 and 19 micron types are 121 and 128 ac clean/kg higher respectively in the 2016/17 season when compared to last season. The 17 micron wools are at an average of 1,632ac clean/kg while 19 micron sits at 1,540 ac clean/kg.

For 21 micron wools the average 2016/17 price is 76 ac higher than the previous season, sitting at an average 1,423 ac clean/kg. While some strong grains have been made for the medium type wools of 23-25 micron, the cross-bred types have suffered so far this season. Large storages of cross-bred wool top in China have caused a large drop in demand for this product since last season with no clear increase in the foreseeable 6-month period. The average price of 28 micron wool is 109ac clean/kg lower so far this season than the 2015/16 season. This drop is explained further by Lizzy Chen in the latest episode of 'The Yarn', AWI's podcast which is available free at iTunes and wool.com/podcast.

While a drop for the broader types has occurred, the increasing price for the finer wools should be encouraging for all. The technical advancements of wool have reached new highs this year, from the use of Merino wool for the ailment of skin conditions, to the water and wind resistant Optim WR jacket made from 100% Australian 19 micron Merino wool. We are beginning to see Merino wool used in innovative fabrics that will continue to drive demand for the fibre, and put the future of wool in a bright place.

From all at AWI we wish you a safe and Merry Christmas and a prosperous New Year.