



# WOOL MARKET WEEKLY REPORT

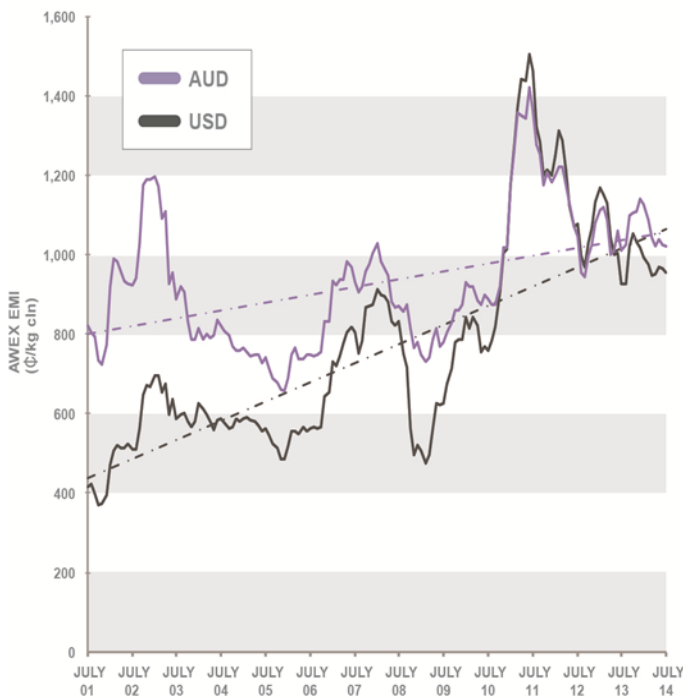
Sale Wk 8: Fri 22<sup>nd</sup> August 2014

THE WOOLMARK COMPANY

awil  
Australian Wool Innovation Limited

Offering		AWEX EMI				Currency movements		
Bales offered	29,374	AUD	1001 c/kg cln	-19 c/kg	-1.86%	AU:USD	0.9254	-0.46%
Passed-In (%)	17.0%	USD	926 c/kg cln	-22 c/kg	-2.32%	AU:CNY	5.6938	-0.47%
Re-offer (%)	6.4%	CNY	56.99 ¥/kg cln	-1.36 ¥/kg	-2.33%	AU:EUR	0.6985	+0.36%
		EUR	6.99 €/kg cln	-0.11 €/kg	-1.51%			

Monthly AWEX EMI Tracking



Sale week	2014/15 forecast	2013/14 actual
Week 9	46,708 Bales	39,321 Bales
Week 10	43,447 Bales	37,509 Bales
Week 11	42,300 Bales	48,862 Bales

Riemann Wool Forwards			
21 Micron		Values	
Maturity month	Sum of kgs	Low	High
Aug – 2014	55,500	1160	1170
Sep – 2014	26,500	1125	1150
Nov – 2014	10,000	1170	1170

Forward wool prices in the above table are in AU cents and supplied by Riemann, [www.riemann.com.au](http://www.riemann.com.au)

Sale days		Tue, Wed	
MPG	North	South	West
17	1226 -23	-	-
18	1200 -5	1181 -20	-
19	1138 -21	1138 -18	-
20	1100 -15	1106 -24	-
21	1098 -18	1100 -18	-
22	1094 -22	1089 -27	-
23	1087n -17	1089n -22	No
24	-	-	Sale
25	-	-	-
26	790n +2	778n -37	-
28	639 -7	645 -12	-
30	616 -17	629 -2	-
32	563n -8	-	-
MC	766 -21	764 -29	-

MPG and indicator data in AU cents and sourced from AWEX

ICAP Wool Forwards						
China Wool Type	54p (18.5 µm)		54 (19.5 µm)		T55 (21.0 µm)	
	Low	High	Low	High	Low	High
Sep-14	1115	1165	1089	1135	1075	1160
Oct-14	-	-	1079	1135	1065	1160
Nov-14	-	-	-	-	-	-

## AWI Commentary

Australian wool auctions continued the drift downwards this week as a few negative impacting market factors aligned to dampen any hopes of an immediate turn around. As a result, a disappointing 19 acent clean/kg was eliminated from the AWEX EMI (Eastern Market Indicator), just managing to hold onto 4 figures at 1001 acent clean/kg. The positive activity remained in play on all the better style and tested wools within the finer Merino categories, although the auction prices were largely maintained, rather than forging ahead as the past two weeks have witnessed. All other wool types suffered as a result of the weak Merino fleece sentiment and comparative narrowing of the price levels, and all segments recorded losses to varying degrees.

The inferior sector of the Merino fleece selection is causing a major concern amongst exporters, as relatively large volumes of weaker strength, higher POBm (position of break in the middle) sale lots are dragging overall price levels down and weakening competition. Whilst the rains back in February and March across Eastern Australian wool growing districts were much needed to break the dry and retain stock, that rapid change in nutrition is now playing havoc with the wool being shorn. Brokers are reporting from across the affected regions that high mid break wool will be the norm for at least another month or two before the weaker staple point will then skew towards the base. Processing performance is very poor when weak staple strength wool shows a breaking point in the middle.

The announcement before the start of the selling week that the international trading company, Olam International, would be closing their export operation, Queensland Cotton, sent a shudder through the industry. As one of the largest buyers of Australian wool, and indeed the last of the "corporate" operators, this decision had immediate repercussions, with overseas users predicting a "sell off" of stocks held by that company. Reports emanating off shore of amounts held may be significantly over-estimated and the

sooner this is made clear the better as this speculation could unfairly harm the Australian market.

Exporters reported that new business has been very hard to come by, and any opportunity is seen as a gamble that the market would be weaker in order to execute the contract at anywhere near a profitable level. Towards the end of the selling week, some trickle of better business was becoming available, as the fact remains that greasy wool in front of machines is at a dangerously low level compared to global processing capacity, and wool needs to be bought if machines and factories are to remain viable.

Merino wool types were all basically 15 to 25 acent clean/kg cheaper this week. Within the individual superfine Merino fleece micron brackets we once again saw extreme gaps appearing, with the 38 Nkt (Newtons per kilotex, wool staple strength) plus best style sale lots achieving premiums well over 100 acent clean/kg. The continued absence of one of the major buyers impacted more heavily this week on the carding and woollen system types, and 20 to 25 acent clean/kg was lost from the established indicator quotes. The Crossbred sector of 25 to 32 micron struggled to find levels, with results varying from centre to centre wildly, but a very general 15 acent clean/kg reduction was resultant by the close of selling.

A large volume of 47,000 bales is currently rostered to sell next week, as all three centres across Australia will be in operation. An expected lower figure of bales available is likely, as growers may choose to hold off selling until a more stable price base comes into play.

## Industry News

Retail shares were among the biggest fallers last week as financial markets reacted to President Vladimir Putin's retaliation to the imposition of sanctions on Russia. While the ban was imposed on food and agricultural imports, the apparel industry is unlikely to be immune from the effects of the standoff, with majors like Adidas already suffering long-standing issues in the country.

A rise in US cotton ending stocks is predicted to result in the largest carry-over since 2007-2008, according to the latest forecast. World ending stocks are now projected at 105.1 million bales, with stocks outside of China expected to grow by around 4 million bales from 2013/14.

## Commentary from Riemann

Despite the spark in trading activity seen last week, the lower physical wool prices this week weighed down on buyer's interest on the Riemann Forward Market. After close to 20,000kgs clean of 21MPG contracts for September delivery were traded last week, and prices varying from 1125¢ to 1138¢/kg clean, bidding for the fine and medium wool contracts was relatively restricted. However, there has been a shift in interest towards the coarse wool contracts as producers look to get some cover for early 2015. With some fresh offers coming in-line with buyer's expectations, 4,000kg of the 28MPG contract traded at 625¢/kg clean for mid-February 2015 delivery and 4,000kg of the 30MPG contract at 600¢/kg clean with the same maturity date.

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