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## Wool correction flagged

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A WOOL market correction of 10-30 per cent was expected in the next few months, according to European processor and trader Laurence Modiano.

“Although wool prices are historically high there still continues to be a great deal of interest in wool, certainly in Europe.

“I think that there is an expectation of a market correction at sometime in the next few months, but no-one expects it to be hugely significant,” he said.

“I think people are expecting a correction of between 10-30 per cent across all microns.

“I think the general impression is that fine wools will come off less because there will be relatively less fine wool around.”

Mr Modiano said it was expected there would be more wool hitting the market in October and November, there was a certain amount of resistance to the current price levels and more substitution from pure wool products to blends would take place.

“There will be more blends and fewer 100 per cent wool products.”

Cotton was still at a relatively high historical price ratio to wool, he said.

“I think the general feeling is that cotton prices, which have fallen, are not going to go back to the lows of 2008/2009, simply because more land is going to be used for biofuel and food production.”

Mr Modiano was cautiously optimistic about the prospects for wool.

“Even if the price of wool comes back as long as it comes back to levels that are viable for producers and for

the downstream industry and consumers, the future for wool looks rosy.”

Mr Modiano said the only recent campaign that has made any difference for the fibre has been the Campaign For Wool with Prince Charles as its patron.

“That is because Nicholas Coleridge (the managing director of Conde Nast in Britain) was requested by Prince Charles to lead the campaign, is a very powerful man in the world of media and has shone the spotlight on the benefits and advantages of wool to the consumer at large.”

Major buyers at the Australian Woolclassers Forum in Bendigo last week said current wool prices were sustainable and seemed likely to continue for some years.

G. Schneider Australia buyer Mark Symes said brokers’ wool stockpiles had been reduced to “a bare minimum” and about 30 exporters were competing for wool in Melbourne.

“There is healthy demand and I think it is here to stay.”



# AWGA - News Update

Trading manager for Techwool Trading Josh Lamb said his company believed current wool prices would be sustained for another couple of years, though with some volatility.

“It is definitely a new era and it certainly seems like these new levels are definitely sustainable right through the chain.”

Victorian Wool Processors wool trading manager Paul Ferronato said demand and interest seemed to be holding at current price levels.

“And that’s whether the Australian dollar is at US107 or US108 cents or US98 cents, there still seems to be that underlying demand.”

Mr Ferronato said the wool supply “is just not there”.

“So while we’ve got that issue of supply and giving growers confidence to get back into sheep I think we are going to find that this market is going to continue to go along at these levels.”

Landmark’s Wool Weekly said last week there had been considerable change in the past six months in the profile of demand for different fibres as the result of the record prices for cotton.

Landmark’s Wool & Livestock risk manager Anthony Boatman said global demand for cotton fell in 2010/11 and global cotton consumption fell by at least 2.7 per cent. The fall in consumption was most intense when a shortfall of supply and record high prices brought sharply lower demand for raw cotton.

However, with the recent sharp fall in cotton prices in response to the lower demand, spinners are reported to have significant amounts of high-priced cotton yarn stocks which they are having trouble selling, exacerbating the drop-off in demand for raw cotton, Wool Weekly said

“These high prices have resulted in mills substituting cotton with synthetic fibres, notably polyester and viscose (rayon).”

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