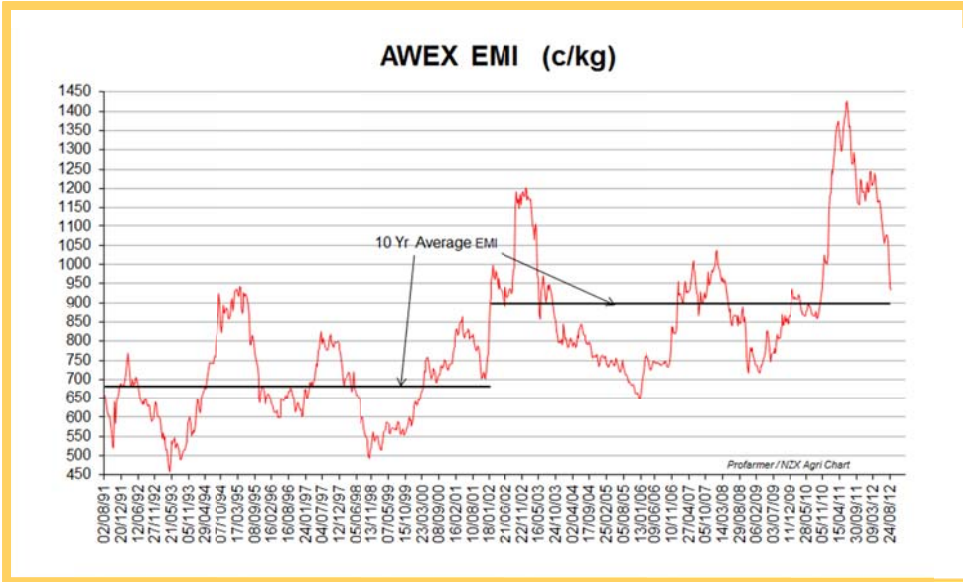




Profarmer Wool & Sheep AUSTRALIA



The price declines have continued with the market now having fallen for four of the first five selling weeks so far for this selling season. The only week to post a gain was week 1. The EMI was up 1!

The EMI has fallen 142 c/kg since the end of June or 13.8 percent. 17 micron wools are close to the levels seen in the 2008/09 market bottom. Most other wools still have a long way to go to hit those targets if that is where we are headed. Mid micron wools are only about 60 percent of the way there.

LAST WEEK'S MARKET		
AWEX EMI c/kg clean	934	-7
AWEX US\$ EMI	965	-25
US\$ Exchange Rate US cents	103.36	-1.88
AWEX Southern Indicator	926	-5
AWEX Northern Indicator	945	-10
AWEX Western Indicator	932	-42
19 Mic Ind Clip c/kg grsy**	683	-13
22 Mic Ind Clip c/kg grsy**	663	-19

** Net of Selling Costs Before Wool Tax

YEAR ON YEAR PRICE MOVES					
Micron	Melb	Current	Change		
	02/09/11	31/08/12	c/kg	%	
ASF4 80	17	2200	1191	-1009	-45.86%
MF4 80	18	1760	1148	-612	-34.77%
MF5 90	19	1570	1083	-487	-31.02%
MF5 90	20	1367	1065	-302	-22.09%
MF5 90	21	1337	1060	-277	-20.72%
MF5 90	22	1275	1007	-268	-21.02%
MF5 90	23	1155	1010	-145	-12.55%
MF5 90	24	1000	955	-45	-4.50%
MF6 100	25	886	913	27	3.05%
MF6 100	26	831	828	-3	-0.36%
EMI	A\$	1270	934	-336	-26.46%
US\$ EMI	US\$	1359	965	-394	-28.99%

EMI 2010/11	Actual to Date	Forecast*
Av to Date	1004.8	
Trading Range	941 - 1077	

WEEKLY PRICE MOVES BY MICRON					
Micron	Melb	Melb	Change		
	24/08/12	31/08/12	c/kg	%	
ASF4 80	17	1268	1191	-77	-6.07%
ASF4 80	18	1175	1148	-27	-2.30%
MF5 90	19	1115	1083	-32	-2.87%
MF5 90	20	1078	1065	-13	-1.21%
MF5 90	21	1082	1060	-22	-2.03%
MF5 90	22	1045	1007	-38	-3.64%
MF5 90	23	1047	1010	-37	-3.53%
MF5 90	24	960	955	-5	-0.52%
MF6 100	25	907	913	6	0.66%
MF6 100	26	804	828	24	2.99%
EMI		941	934	-7	-0.74%
19 M Clip	c/kg Grsy	696	683	-13	-1.87%
22 M Clip	c/kg Grsy	682	663	-19	-2.79%

Auction Offerings and Clearances				
LAST WEEK'S SALE DATA				
	Final Roster	Actually Offered	Sold	Passed In %
Sydney	14,061	13,296	12,236	8.0%
Melbourne	17,694	16,185	14,393	11.1%
Fremantle	9,773	9,027	7,221	20.0%
Total Aust	41,528	38,508	33,850	12.1%
N Z				

YEAR ON YEAR CHANGES IN AUSTRALIAN CLEARANCES				
	Last Year	This Year	Change Bales	Change %
Cleared Wk 9	33,850	37,408	-4,107	-10.82%
Season to Date	245,065	207,657	-37,408	-15.26%

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WOOL SELLING ROSTER		
	Sold Last Week	Next Roster
Sydney	12,236	14,859
Melbourne	14,393	19,954
Fremantle	7,221	5,696
Total Australian	33,850	40,509

WOOL

Last Week

The market tumbled further last week extending the losing streak to 5 weeks in a row. The AWEX EMI closed the week on 934 c/kg, down 7 c/kg for the week. In US\$ terms the market was down 25 c/kg to 965 US\$/kg. The 1.88 US\$/c drop in the value of the A\$ shielded the Australian market from the full drop seen in US terms.

In Newcastle the fine wools gained ground, but in Melbourne the losses for fine types around 17 micron continued with a drop of 77 c/kg in the type that we track. For the market from 18 to 23 micron the price falls were of the order of 22 to 38 c/kg, with the exception of the 20 micron type we track, which only fell 13 c/kg. The broader types were more stable with 24 micron types we track falling 5 c/kg and the broader types gaining in value.

The 19 micron Indicator Clip fell 13 c/kg, with support from the 20 micron wools in that clip. The 22 micron clip fell by 19 c/kg, hit harder by the falls in the 21 and 22 micron types. The gap between the two clips has opened up to 20 c/kg in favour of the finer clip, which is better than a few weeks ago when the broader clip had a higher valuation than the finer clip.

Year on Year Price Moves

The year on year price moves are just not pretty. Right out to 23 micron types the price falls are in excess of 140 c/kg, with the 17 micron wools now down by more than 1000 c/kg. That is a big price fall in just 12 months. The EMI, down about 26 percent, is representative of the overall pain across the market, with respite from the bulk of the price falls only kicking in at the 23 micron point.

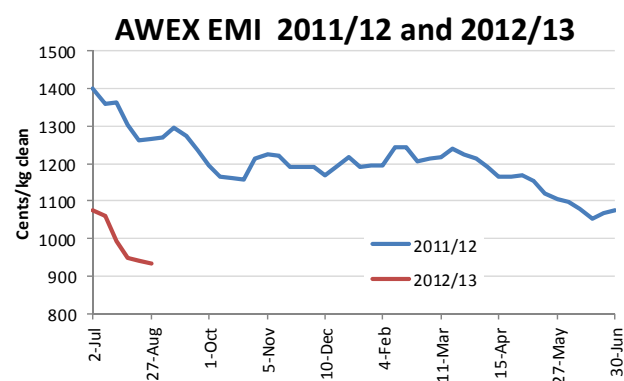
Prices last week were also showing a higher trend than we have seen in recent weeks as well. There are some suggestions that this sign of strength in the forward market may be heralding a stop to the current downward price trend. However, forward prices were reported to have pulled back to a 30 c/kg discount to the current market by the middle of Friday, indicating potential for more downside in the spot market this week.

Changes in Forward Prices			
	Last 2 Wks	This Week	Change
5/09/2012		1080	
19/09/2012	1110		
17/10/2012	1070	1095	25
31/10/2012	1070		
12/12/2012		1075	
9/01/2012		1065	
23/01/2012		1085	
24/04/2013	1060		
19/06/2013	1050		
21/08/2013	1020		

Current Market Levels

The market is currently still well above the lows seen in the last cyclical downturn in 2008/09. Having said that, the fine end of the market is nearly there in that 17 micron wools are now just holding a 41 c/kg premium to the low seen in February 2009.

The rest of the fine wools out to 19 micron are closer to 20 percent above those last lows at the moment. There is a clear cut in the market at the 20 micron point, where wools 20 to 24 micron are still holding a 32 to 35 percent premium to the last cyclical lows. The broader wools are a bit more resilient still.



Current Price Compared to 2008/09 Low and Potential					
Downside					
	Micron	2008/09 Low	Current Price	Difference	% Fall To Match
ASF4 80	17	1150	1191	41	3.44%
ASF4 80	18	956	1148	192	16.72%
MF5 90	19	870	1083	213	19.67%
MF5 90	20	717	1065	348	32.68%
MF5 90	21	690	1060	370	34.91%
MF5 90	22	680	1007	327	32.47%
MF5 90	23	655	1010	355	35.15%
MF5 90	24	635	955	320	33.51%
MF6 100	25	562	913	351	38.44%
EMI		722	934	212	22.70%

Last Week's Clearance and Forward Roster

Every week this year, clearances at auction have fallen behind the same week last year. For the season to date, the market has bought 15.26 percent less at auction that at the same time last year. This equates to 37,408 bales.

The pattern may be broken this week, with 40,509 bales rostered for auction, against 35,181 offered last year, but then the next two weeks have indicative rosters that go back under the offerings of the comparable week last year.

We should quickly get to the point where the shortfall in auction clearances equates to more than one full weekly sale volume.

Reimann Wool Forwards

There was a modest lift in activity in the forward market last week, and at prices running at a premium to the current 21 micron MPG.

Week Ending August 30 2012: Reimann Wool Forwards 21 Mic					
	Kg Traded	Low	High	Current MPG	Spread
5/09/2012	1000	1080	1080	1057	23
17/10/2012	32000	1075	1095	1057	38
12/12/2012	24000	1075	1075	1057	18
9/01/2012	15000	1065	1065	1057	8
23/01/2013	20000	1075	1085	1057	28

When we compare the current prices against the most recent highs, we again see the market split into three, with the fine wools up to 19 micron suffering the greater falls, followed by the mid micron wools from 20 to 22, and then smaller falls for the 23 micron and broader types.

Price Fall to Date from Recent Highs					
	Micron	Recent High	Current Price	Price fall To Date	% Fall To Date
ASF4 80	17	2450	1191	-1259	-51.39%
ASF4 80	18	2121	1148	-973	-45.87%
MF5 90	19	1775	1083	-692	-38.99%
MF5 90	20	1590	1065	-525	-33.02%
MF5 90	21	1535	1060	-475	-30.94%
MF5 90	22	1460	1007	-453	-31.03%
MF5 90	23	1342	1010	-332	-24.74%
MF5 90	24	1205	955	-250	-20.75%
MF6 100	25	1049	913	-136	-12.96%
EMI		1436	934	-502	-34.96%

If we then look at the total fall that will have to occur to take each wool type down to their respective 2008/09 lows, we see that the 17 micron type we track has already fallen by 96.85 percent of that move. The critical mid micron wools in the 20 to 22 micron range have absorbed around 60 percent of the total possible move down in price.

Percentage of Total Potential price Fall Already in Place

	Micron	Potential Fall	% of Fall In Place
ASF4 80	17	1300	96.85%
ASF4 80	18	1165	83.52%
MF5 90	19	905	76.46%
MF5 90	20	873	60.14%
MF5 90	21	845	56.21%
MF5 90	22	780	58.08%
MF5 90	23	687	48.33%
MF5 90	24	570	43.86%
MF6 100	25	487	27.93%
EMI		714	70.31%

News from the Trade (Sources AWEX, Roberts Wool, Landmark, Elders, ICS)

- Last week saw the first Newcastle fine wool offering for the season, as well as the return of the West to sales.
- The Newcastle catalogue had a range of well styled ultrafine types that received strong support, with higher prices early before some easing mid week, and then a rally on the final day.
- The fine wools in Melbourne were not as stylish and some losses were suffered.
- Medium to broad wools struggled against the support for finer types, and closed down 20 – 30 c/kg.
- Crossbred and carding wools also did well last week.
- The lift in Reimann forward prices was reported as a supportive, and may mean a temporary end is in sight for the current downturn in prices.
- However, the forward bids did drop away to a 30 c/kg discount to spot prices in Friday, so there may be a little more downside on 21 micron types this week.
- While fine wool prices have pulled back sharply over the last 12 months, and are approaching the lows seen in 2008/09, some are suggesting that they are not cheap enough to warrant holding for 3 to 6 months to see if a significant price rally can be achieved.
- For example, 19 micron wools are still around decile 6 to 6.5. Holding wools at decile 3 would make more sense, which is where some 17 micron types have fallen to.
- Some exporters are suggesting that broader merino types will ease from current levels this season.
- Elders view the market as trading water last week, with the drop in the dollar helping to support prices on the last selling day.
- That statement is on the back of just a 7 c/kg drop in the EMI.
- Continually slowing economic activity in China is causing ongoing concerns for the textile industry.
- Chinese topmakers are now reported as working at just 50 percent of capacity, after stagnant demand from spinners in recent weeks.
- At this stage they are expected to continue operating to avoid a costly shutdown.
- Traders are also holding stocks of wooltops and discounts are appearing to tempt spinners.
- Elders are saying that just triggers further hesitancy as spinners hold out to see if prices fall further.
- There are also credit restrictions looming for some Chinese processors who are holding large stocks.

SHEEP AND LAMBS

LATEST NEWS (Source: MLA)

- Increased throughput of lambs in Vic and WA saw the national numbers increase by 2 percent this week.
- Lamb prices increased a little against this slightly larger yarding.
- Trade lambs were up 36 c/kg, and heavy lambs kicked 25 c/kg.
- The lower dollar over the week was seen as a positive.
- Apparently beef export volumes are down year on year for August, but lamb and mutton exports are set to remain above year ago levels.

- Against that outlook, Australian exporters are facing stiff competition from New Zealand, which is symptomatic of a sluggish market in the EU.
- MLA are reporting a tighter lamb supply this winter compared to the same period last year. Supply at markets was down 2 percent year on year.
- NSW winter turnoff was 1 percent lower, but in SA it was down 11 percent.
- Victorian lamb throughput lifted 4 percent this winter. The turnoff of light lambs in Victoria doubled on last year.
- Season wise eastern states received average rainfall leading into and during winter. The Vic and SA mallee was below average as were parts of WA.
- In WA the lamb turnoff was 20 percent lower than the same period last year, with more focus on flock rebuilding.
- Nationally the light lamb percentage yarded during winter was 28 percent, up slightly on last year.
- Trade lambs account for 34 percent this year against 41 percent of the total in winter last year.
- Heavy and export lamb numbers were up this winter with producers took advantage of strong prices in June.
- In July and August there has been a steady decline in the number of heavy lambs offered for sale.

WEEKLY NATIONAL SHEEP AND LAMB INDICATORS

	This Week	Last Week	Change	% Change
Saleyard Indicators				
Restock/fder lambs (\$/hd)	\$58.00	\$55.00	\$3.00	5.45%
Merino Lamb 16-22 kg	331	303	28	9.24%
Light Lamb 12 – 18 kg	367	344	23	6.69%
Trade Lamb 18 – 22 kg	433	397	36	9.07%
Heavy Lamb 22+ kg	415	390	25	6.41%
Mutton 18 – 24 kg	235	239	-4	-1.67%
Over the Hooks Indicators				
Med Trade Lamb 18-20kg	425	431	-6	-1.39%
Hvy Trade Lamb 20-22 kg	422	427	-5	-1.17%
Heavy Lamb 22kg-24 kg	415	419	-4	-0.95%
Mutton 18 – 24 kg	238	240	-2	-0.83%

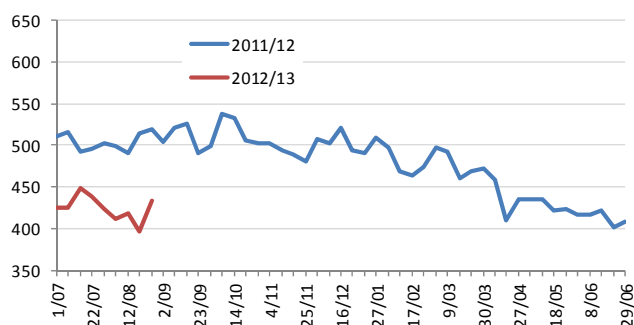
Source: Meat & Livestock Australia

YEAR ON YEAR NATIONAL SHEEP AND LAMB INDICATORS

	This Week	Last Year	Change	% Change
Saleyard Indicators				
Restock/fder lambs (\$/hd)	\$58.00	\$55.00	\$3.00	5.17%
Merino Lamb 16-22 kg	331	303	28	8.46%
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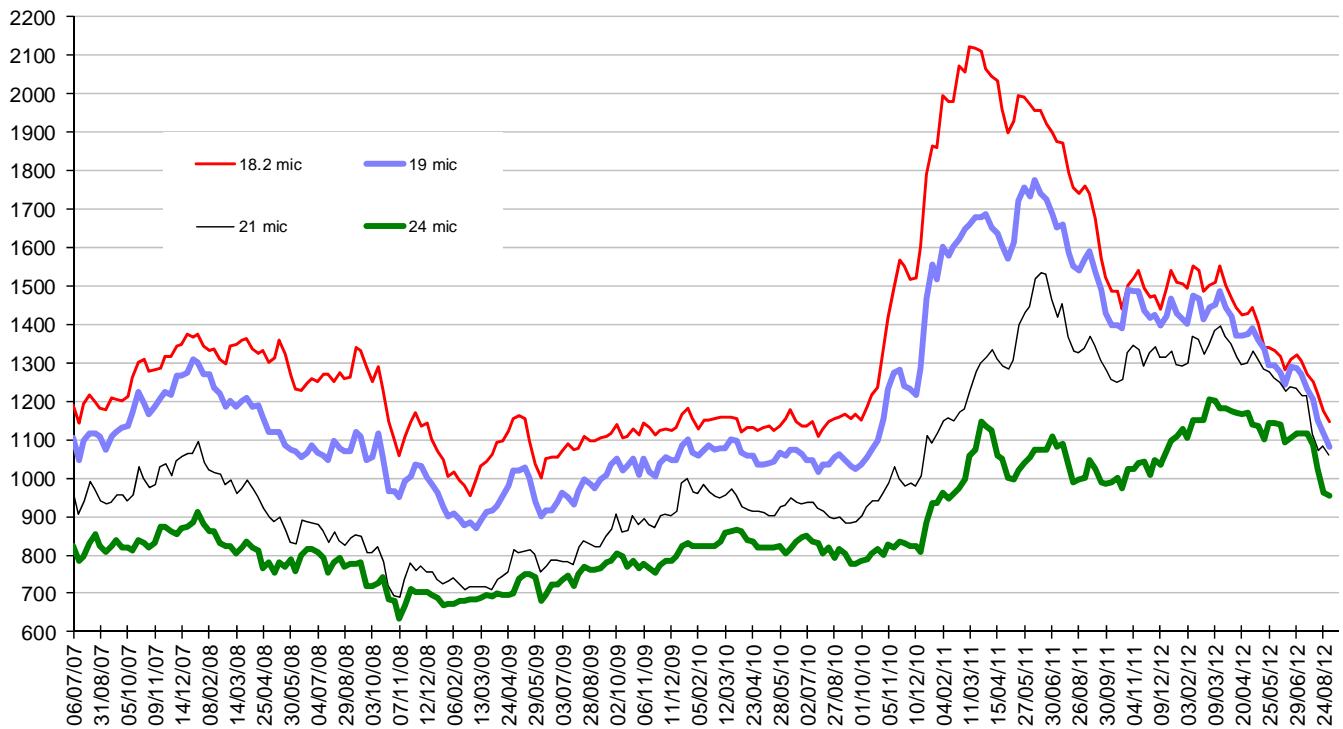
Trade Lamb Prices Year on Year



Micron	Type	Length	Southern Region Prices By Micron					Season		AWEX Micron Price Guides			
			Melb 13/07/12	Melb 10/08/12	Melb 17/08/12	Melb 24/08/12	Melb 31/08/12	High	Low	Micron	24/08/12	31/08/12	Change
17	MF4	80	1412	1355	1308	1268	1191	1435	1191	17.5	1231	1256	25
18	MF5	80	1270	1250	1220	1175	1148	1305	1148	18	1190	1166	-24
19	MF5	90	1230	1204	1149	1115	1083	1270	1083	18.5	1156	1134	-22
20	MF5	90	1200	1119	1088	1078	1065	1234	1065	19	1113	1094	-19
21	MF5	90	1214	1115	1073	1082	1060	1215	1060	19.5	1083	1075	-8
22	MF4	90	1215	1120	1060	1045	1007	1229	1007	20	1078	1066	-12
23	MF5	90	1215	1117	1070	1047	1010	1215	1010	21	1078	1057	-21
24	MF5	90	1115	1086	1024	960	955	1115	955	22	1055	1035	-20
25	MPG	100	1049	1000	930	907	913	1049	913	23	1045	1015	-30
26	MPG	100	939	872	852	804	828	939	828	24	967	966	-1
28	XF5	110	625	571	548	550	557	625	557	25	907	913	6
Mo PCS 21 m	MP5	80	1055	965	915	890	880	1105	880	28	553	562	9
Mo LKS 21m	MZ5		525	515	465	465	505	530	505	MC	530	548	18
Mo CRT 21 m	MC2		650	570	560	580	625	650	625	EMI	941	934	-7

Clean Wool Prices

Prices from 1/7/07 Onwards



19 MICRON INDICATOR CLIP						
	Style	Mic	VM	Yield	c/kg Grsy	
	32 AAAM	MF5	19.9	0.4	70.1	752
	12 AAAM	MF5	16.9	0.5	67.2	716
	14 AAAM	MF5	19.8	0.2	68.6	740
	6 BBB	MF5	20.7	0.4	70.4	752
	10 PCS	MP4	17.9	1.8	61.3	613
	8 BLS		18.0	2.8	54.1	449
	12 TDR		18.6	0.4	68.4	653
	2 B/C					697
	Average		19.1	0.7	67.3	
	Gross Auction Price (Greasy)				697	c/kg
	Auct. Price net of sell. Costs				683	c/kg
	Wool Tax				14	c/kg
	Net Grower Returns				669	c/kg
	Total Clip Value				\$120,228	
	Net Value per Bale				\$1,252	/bale

22 MICRON INDICATOR CLIP						
	Clip 2	Type	Mic	VM	Yield	c/kg Grsy
	32 AAAM	MF5	22.9	0.8	72.1	730
	12 AAAM	MF5	19.9	0.6	69.2	742
	14 AAAM	MF5	22.8	0.4	70.6	716
	6 BBB	MF5	23.7	0.7	72.4	696
	10 PCS	MP4	20.9	2.1	63.3	559
	8 BLS		21.0	2.9	56.1	410
	12 TDR		21.6	0.5	70.4	659
	2 B/C					677
	Average		22.1	1.0	69.3	
	Gross Auction Price (Greasy)				677	c/kg
	Auct. Price net of sell. Costs				663	c/kg
	Wool Tax				14	c/kg
	Net Grower Returns				649	c/kg
	Total Clip Value				\$116,737	
	Net Value per Bale				\$1,216	/bale

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