

05 June 2012

Wool's run unravels

The Land

AUSTRALIA'S wool market is heading into uncharted territory as weakening global economic conditions, the depreciating dollar and competing fibres all take their toll on prices, market commentators say.

Tight Australian wool supplies, new fears over the financial stability of the European Union and reduced overseas demand are all playing havoc with industry confidence.

The lower dollar, while usually good for Australian exports, has pulled back Chinese interest in wool as buyers hold out to see if further currency falls will force wool prices down again in the short-term.

But with many Chinese processors buying hand-to-mouth for the past six months, delayed buying tactics cannot last for long before manufacturing stalls and workers are put off.

The Eastern Market Indicator (EMI) was 1104 cents a kilogram last week. While still in the top 20 per cent of prices, it was below the average EMI so far this financial year at 1214c/kg and 2010-11 at 1143c/kg - but still far above the 2009-10 average of 872c/kg and 2008-09 of 794c/kg.

Independent agribusiness and wool consultant Michael Blake said the global slowdown was reaching further into the wool market.

He said in 2009-10 the wool industry did not feel the GFC's effects as much because China dropped import duties for wool to encourage its industries to continue.

"Global cotton prices have come off, man-made fibre prices are generally easing, so that adds to the downward pressure that the China textile processors are feeling and therefore they won't buy more wool, they'll place less orders," Mr Blake said.

"Because supply the world over is tight – there's no wool at this time of year in South Africa, South America or New Zealand for Merino types – all the market looks to Australia for May, June and July supply and they are just not chasing it. Demand is not strong enough to pull our prices up."

Australian wool exports are down 12pc on the previous year.

Australian Wool Exchange figures show the volume sold from July 2011 to March 2012 was 252 million kg greasy compared with 287mkg greasy for the same period in the previous financial year.



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