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Wools sheds 36c/kg

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Boorowa woolgrower and real estate agent Jack Ryan had planned to sell his wool after the three-week recess, but given the micron indicator dipped almost 60 cents a kilogram last week for 19-micron wool at the Sydney sales, he is reconsidering his options

THE wool market has entered the new financial year on a downer, losing a massive 36 cents a kilogram off the Eastern Market Indicator (EMI) to close at 1011c/kg.
The first auctions for the 2013-14 selling season were two-centre offerings at Melbourne and Sydney where 33,840 bales were offered of which 13.6 per cent were passed in.

The biggest loss was 66c/kg off the 22-micron indicator at the Sydney sale which closed at 1101c/kg.

Across the board for the Sydney sales the indicator dropped 33c/kg to finish at 1026c/kg. In Melbourne auction rooms it was the 18 micron that bore the brunt, losing 63c/kg to settle at 1156c/kg. Across the board the indicator fell 37c/kg at Melbourne to close at 1000c/kg.

Merino cardings remains at near record levels and at Sydney only lost 1c/kg to settle at 828c/kg. Almost on par was Melbourne where it finished at 824c/kg following a 5c/kg dip.

An estimated 53,000 bales would be offered this week, the last week of sales before the three week recess. Elders national wool manager, Andrew Dennis, said there were a numbers of factors weighing on the market at the moment, including Europe heading into summer.

He said the credit squeeze in China was sending a chill through the Chinese trade.

“Some of the traders and mills are having trouble accessing the same amount of cash they normally do,” Mr Dennis said.

He said while the market would generally kick before the roster he expected that may not be the case this week, with the China financial issue and a larger rostered offering.

Mr Dennis anticipated the market would drift down a little bit more, as it did last year, when it resumed in August. He expected it would be late September to early October before the market started to lift.

Mr Dennis said the 21-micron indicator could get down to 1070c/kg – about 25c/kg below where its is now.

“There is a 25c/kg downside, but hopefully that is all and the support level will hold to provide a floor that we can launch off in late spring,” he said.

Techwool Trading manager, Josh Lamb, Melbourne, said the northern hemisphere summer always slowed purchasing at this time of year.

“In China they also can’t run their mills at full production schedules over the summer due to power restrictions, so that tends to have a bit of an effect on their orders; they tend to start booking wool for September rather than July and August,” Mr Lamb said.

He said that, coupled with issues regarding liquidity and banks in China, also had a negative effect on the market.

“China has gone back to very much hand-to-mouth buying as opposed to buying quantities forward in large licks and then sitting out for a few weeks. Lately they have been returning every week and buying consistently,” Mr Lamb said.

However, he said there had been a sign a fortnight ago that the Chinese economy wasn’t so good, hence, they had held off more in their purchasing.

Mr Lamb expected the Merino wools would ease another 10c/kg to 15c/kg this week before the recess.

“At this stage the market probably won’t open any better after the recess, but it may not be any worse either,” he said.