

04 January 2013

Wool's expectations



THE outlook for the Australian wool market in 2012 was promising.

Following 2011, a year of robust and relatively steady prices with continued talk of Chinese growth, increased demand and a lower supply, all things were pointing to the good times continuing for wool in 2012.

It was clearly not that simple.

After starting out strongly with a Western Market Indicator (WMI) of 1197c/kg, prices steadily fell for the first half of the year to finish the selling season on 1096c/kg.

Wool supply was expected to be relatively tight over the first part of the year and wool agents and industry representatives were hoping for the rally which suggested a turn around.

But the slide continued and on the last week of the season the prices slumped to their lowest levels since 2011.

Things were only set to get worse as the first nine weeks of the new season prices nose-dived to reach a low point of 932c/kg in August.

Agents and farmers all hoped the market had found its base - and luckily for everyone it had.

Over the next few months the price steadily increased and by late October it had hit the 1000c/kg mark in most centres.

To get there, the WMI had to jump 55c/kg in a week, a rally which stumped most people in the industry.

Nevertheless, it seemed to signify a small turnaround and the WMI finished the year at 1095c/kg.

Elders wool sales manager Danny Burkett said despite the ups and downs experienced in price, the wool market was no more volatile this year than previous years.

He said the price traded in and around a 200c/kg band, which was fairly common.



AWGA - News Update

When reflecting on the highs and lows, Mr Burkett said one of the standout highlights for the season was the low point in the price for 21 micron wools.

He said the bottom price was 1040c/kg clean, which at 68pc yield on good fleece wools, returned growers \$1235 a bale.

"As a low point, it is one of my highlights," Mr Burkett said.

"This was also the third year in a row growers have been able to enter the market over a 12 month period and get good returns for their wool.

"This has got to have built a very solid foundation for a sound business strategy."

Over the coming year he said the supply and demand situation would continue to hold Australian wool producers in good stead.

"The volume of wool coming out of Australia is not going to change and that has been our greatest saviour in the last three years," Mr Burkett said.

"And I think it will continue to be a market saviour in the next five.

"Demand is still very solid out of China, which has taken nearly 70 per cent of our market.

"As long as China continues to perform well then our wool market, given the supply, will remain solid."

Australian Council of Wool Exporters executive director Peter Morgan said market was cautiously optimistic heading into the new year.

He said the news coming from China about their plans for the year were positive.

"Europe has problems but it is still a customer for high quality apparel, as are Japan and Korea," Dr Morgan said.

"Cotton and polyester prices have fared much worse than wool."

2012 was also a WoolPoll year with the Australian Wool Innovation (AWI) holding the tri-annual vote in November.

AWI was calling for a retention of the two per cent levy which, despite both WAFarmers and the Pastoralists and Graziers Association pushing for a 1pc vote, ended up being the result.

AWI was criticised by WAFarmers for not releasing the full State-by-State breakdown of the WoolPoll and said the company was ashamed of the votes that came out of WA.

AWI chief executive officer Stuart McCullough recognised WA producers had some soul-searching to do.

It also came under fire from WA Farmers wool section president Ed Rogister, who said the record number of grower votes in this year's WoolPoll was pleasing but the result was not.

Mr Rogister said WAFarmers was disappointed with the handling of the INF2 as well as the fact AWI refused to release the full breakdown of WoolPoll results.



AWGA - News Update

"AWI needs more consultation and better communication with its shareholders," he said.

"They need to become more transparent as we have become cynical of what this board is doing."

Mr Register said things were extremely tough for many wool producers who were struggling with rising costs and poor prices.

"There are some growers in the mid to broad microns who will be reasonably confident heading into 2013," he said.

"But those at the finer end will be finding it tough with returns close if not below cost of production."

<http://beta.theland.farmonline.com.au/news/state/livestock/wool/wools-expectations/2640692.aspx?storypage=0>