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Quiet months ahead for wool



To hold wool at present will be a long-term strategy ...

It could be six more months before producers see a lift in the "lacklustre" wool market, say industry analysts.

The Australian Wool Exchange (AWEX) eastern market indicator (EMI) closed at 1035 cents a kilogram last Thursday, falling another 19c/kg - the third consecutive week the market closed on a negative.

Losses of 20 and 30c were common across the micron price indicators with the greatest falls of 38c/kg clipped from the 16.5 and 17 micron indicators at Sydney and Melbourne, which closed at 1335c/kg and 1256c/kg respectively.

Independent wool consultant Andrew Dennis, Rosewood Wool Services, Adelaide, South Australia, said the wool market was marking time at present, which unfortunately was with a downward bias.

Mr Dennis, who is currently in China travelling with the Elders wool grower tour, said the Chinese market had an appetite for crossbred wool, even if only because the funding requirements were lower.

"Although the final product for crossbred does have some better demand compared to Merino fleece," he said.

Mr Dennis said carding wools continued to receive strong demand based on fashion demand for knitwear products.

"The worsted sector (fleece) is still fairly lacklustre with the continued restrictions on new uniform orders at a Chinese government level, and there is no sign of when that may be relaxed," he said.

Mr Dennis said other markets for wool - such as Korea, Japan and South East Asia - were quite good, but were not enough to compensate for a lack of Chinese domestic demand.

He said growers holding wool may not see much improvement until after June.

"To hold wool at present will be a long-term strategy," he said.



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Mr Dennis said the wool futures market indicated not much more downside from this point, but it was not showing much improvement either.

Australian Wool Network NSW state manager Mark Hedley, Goulburn, said the credit squeeze in China and the Russia political unrest were both taking a toll on export demand for wool.

"The market seems to be in the lap of the gods at the moment," he said.

Mr Hedley said the market "chart plotters" expected the market would find a level around the current pricing.

"But if we don't find this level, we are in for further price decline," he said.

He said the higher than normal pass-in rates over the last six weeks indicated growers were not happy to sell with the sort of money offered at the moment.

"The quantities that are coming onto the market are also down on this time last year, which further reflects growers won't settle for these lower rates."

He said the upside to this was the supply pipeline would eventually thin out, which in time would help lift prices.

Mr Hedley said while prices for 20 and 21 micron wools had come back, they were still at reasonable levels.

"No one is really holding onto 20 and 21 micron wools, and no one should be holding onto crossbred and carding wools because they are selling quite well," Mr Hedley said.

He said the wools that were suffering the price pinch were the 18 micron and finer fleeces, with any better style wools really bearing the brunt.

AWEX senior market analyst Lionel Plunkett, Sydney, said this was traditionally the time of year when bale volumes began to drift off.

"The downward price is not due to oversupply because for the last three weeks it has been hovering around 40,000 bales a week, which is back on the same time last year," he said.

Mr Plunkett expected the supply of fresh and better wools to steady now until September, after the July-August recess. Hence, there was relatively good demand for better wools as they were limited in supply.

"A lot of summer affected part tender, lower yield wools and wool with vegetable matter (VM) were coming onto the market now, so any wool that are high yielding with low VM were attracting reasonable demand and were buyers first choice," he said.

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