FEBRUARY 2017

WOOL

The Eastern Market Indicator reached a **5 year** high in January

ENSO is forecast to remain **neutral** until the end of Autumn

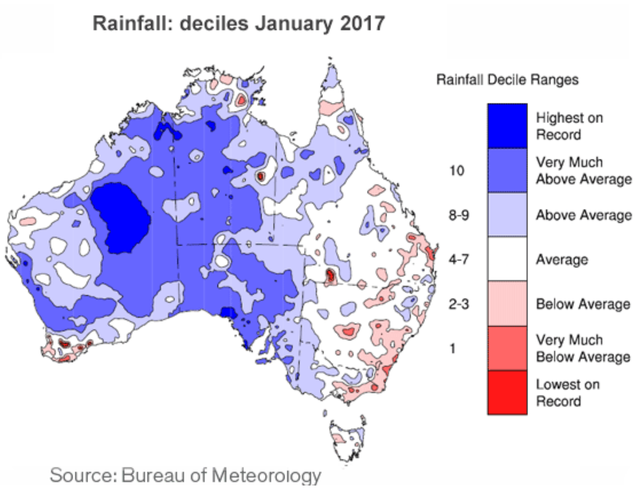
Australian shorn wool production forecast **2%** higher 2016/17

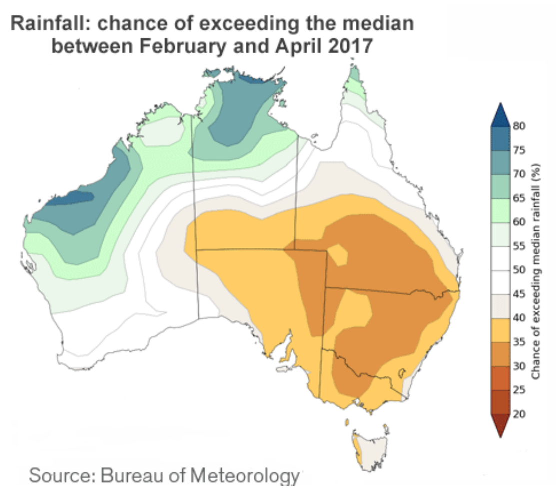
Wool growers are enjoying a good start to 2017, with fine and medium wool prices eclipsing five-year highs during January. Prices are expected to stay above the five-year average as sheep flock and shorn wool production remain historically low. Growth in world wool consumption is expected to be weak but will nevertheless contribute to demand. A small rise in the Australian dollar in recent weeks appears to have had little impact on local wool prices.

Australian wool exports in 2016 performed similarly to recent years. An increase in exports in 2017 is likely if prices remain strong and the forecast increase in shorn wool production, albeit modest, is realised.

The national vegetation index shows current vegetation density is average for this time of year, except in South Australia which is unusually high for late summer.

Early weather forecasts for autumn suggest that February to April rainfall is likely to be average for the period in Western Australia but below average in much of eastern Australia. That said, the El Niño–Southern Oscillation remains neutral and this is expected to persist into autumn meaning that there is a lower likelihood that eastern Australia's climate will be considerably wetter or drier than normal.

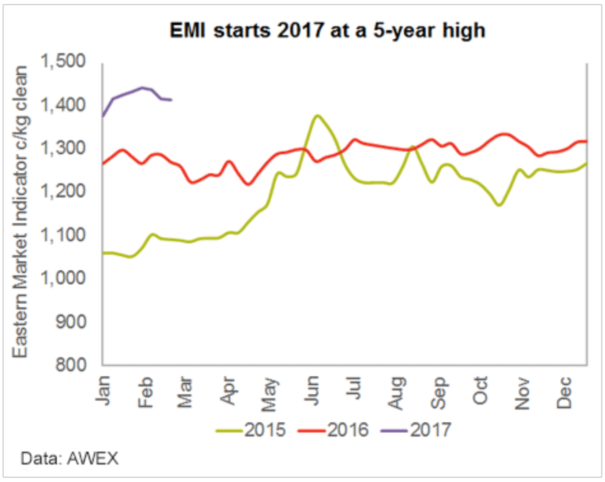


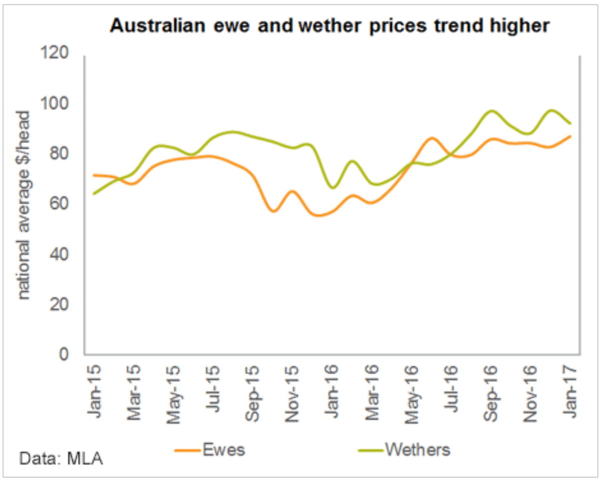


PRICES

	Current (16 Feb)	February 2016	Five-year average	80th percentile	20th percentile
17μ MPG					
North	2089	1578	1458	1590	1301
South	2057	1568	1451	1580	1292
West (18μ)	1952	1518	1384	1515	1223
20μ MPG					
North	1541	1406	1271	1411	1143
South	1543	1399	1279	1416	1149
West (22μ)	1371	1393	1249	1371	1130
28μ MPG					
North	685	838	705	806	637
South	685	828	708	808	629
West (Mer. Card.	1193	1096	908	1091	734
Ewes ($/hd)					
National average	86	63	62	76	87
Wethers ($/hd)					
National average	99	76	72	46	54
Australian Dollar					
	0.76	0.70	.0.88	1.03	0.75

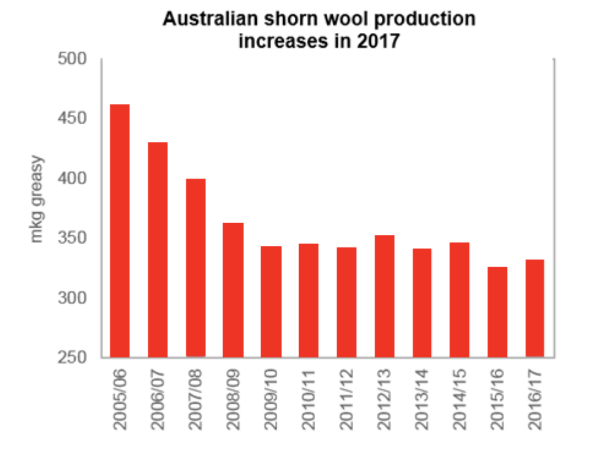
Wool prices have started 2017 strongly. The Eastern Market Indicator (EMI) rose 4% in January to a high of 1439 cents/kg. The EMI continues to rise, ensuring the continuation of a two-and-a-half year upward trend in wool price growth for fine and medium wools. Prices are expected to remain strong with Australian wool production reaching a low in 2015/16 and world wool production expected to be stable year-on-year. Further, cotton prices began rising again in mid-2016, improving the price competitiveness of wool.



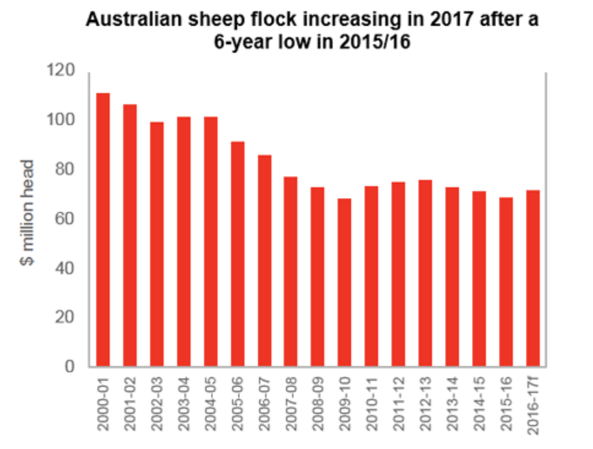


PRODUCTION

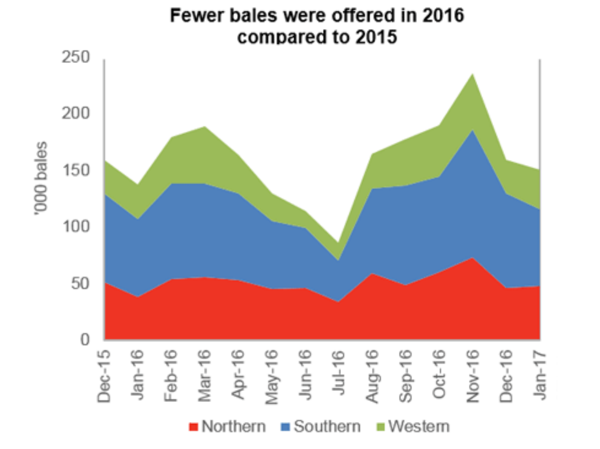
Data: Australian Wool Innovation Limited



Data: Australian Wool Innovation Limited



Data: MLA



Data: AWTA

World wool production has been flat since 2014. Only a small increase is expected this year. World fine wool production is dropping with declining sheep numbers and the increasing proportion of meat breeds in flocks. These trends are reflected in the Australian industry. Annual Australian shorn wool production remains historically low, although production is expected to rise slightly in 2017. Fine wool will constitute a smaller share of the clip in 2016/17 than the previous year, except in WA. Forecast lower wool production reflects lower sheep numbers in Australia as the national flock declined to 68 million head at June 2016.

The very wet 2016 winter delayed shearing and may have put a break in some fleeces. On the other hand, pasture has been abundant and grain prices for supplementary feeding are likely to remain low for the foreseeable future.

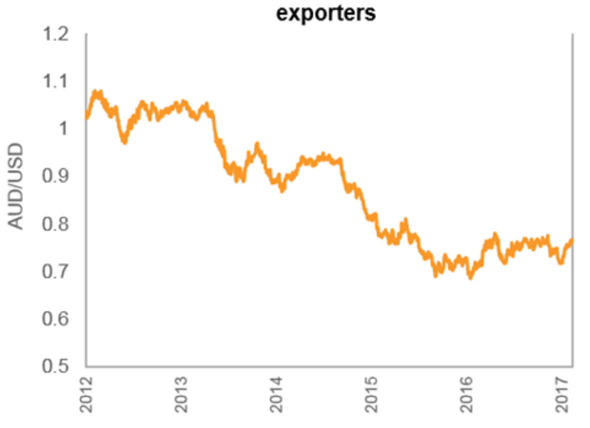
TRADE

The volume of Australian wool exports dropped by
2.5%
in 2016

The Australian dollar is below the 5 year
20th
percentile

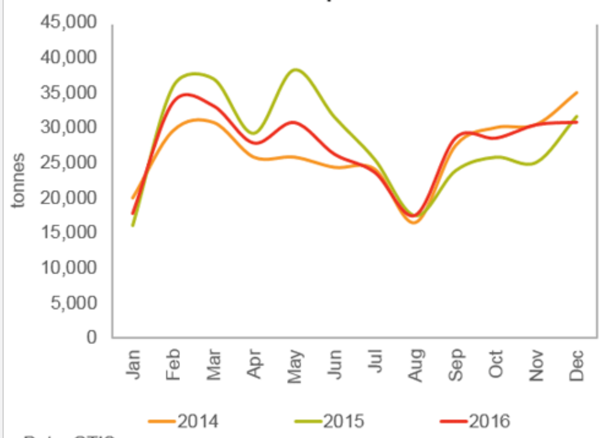
Wool exports to the European Union were
4%
lower in 2016 compared to 2015

The Australian Dollar remains favourable to exporters



Data: RBA

Australian wool exports declined in 2016



Data: GTIS

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