

WOOL



The Eastern Market Indicator is

6%

above November 2015

Wool production for the year to October is

6.7%

lower than 2015

The volume of wool exports for Jan-Sep is

6.1%

higher than in 2015

With the Eastern Market Indicator approaching five-year highs in Australian dollar terms and off the back of good winter and spring rainfall, sentiment among wool growers is positive. To date, favourable seasonal conditions have seen above-average wool cut per head.

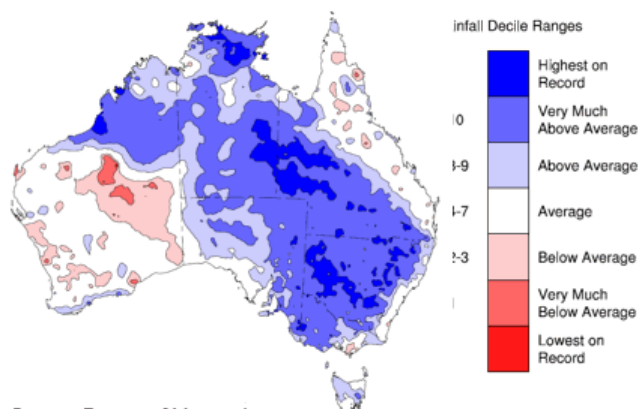
After one of the wettest springs on record, pastures are looking excellent. Combined with a very large winter crop and lower feed grain prices, supplementary feed costs will be lower this year.

The Bureau of Meteorology's Normalised Difference Vegetation Index (NDVI) shows that plant density and greenness is higher than normal

for spring especially in central New South Wales, the Yorke and Eyre Peninsulas in South Australia and in Western Australia's wheat belt. There is a forecast 50% chance that rainfall from November to January will exceed the median for the period across most grazing regions.

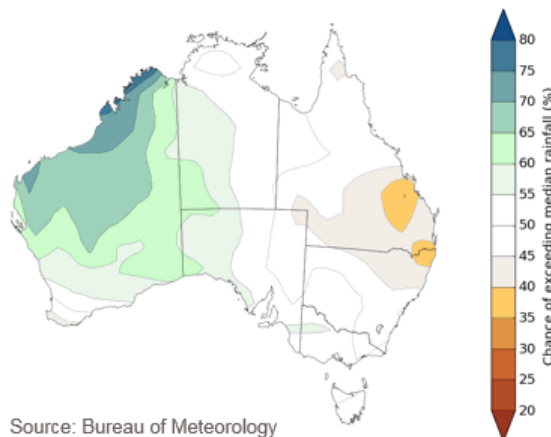
Fine wool production for the start of the 2016/17 season is down 7.1% compared to the same period in 2015/16. As a percentage of national production, fine wool has dropped from 46.8% to 45.1%.

Recent rainfall decile ranges for August to October 2016



Source: Bureau of Meteorology

Chance of exceeding the median rainfall between November 2016 and January 2017



Source: Bureau of Meteorology

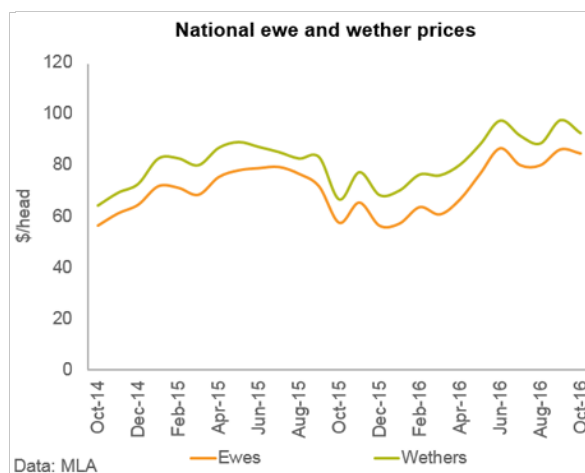
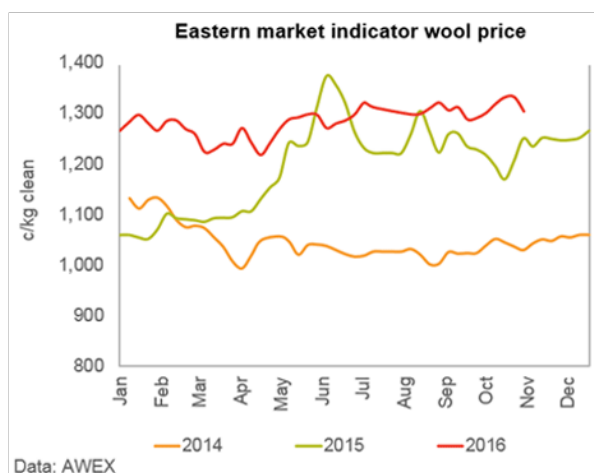
PRICE

	Current (7 Nov)	November 2015	Five-year average	80th percentile	20th percentile
Northern region indicator (c/kg clean)					
Indicator	1375	1259	1155	1278	1051
18 micron	1622	1469	1368	1513	1237
28 micron	706	863	703	810	625
Southern region indicator (c/kg clean)					
Indicator	1274	1219	1137	1252	1027
18 micron	1605	1470	1359	1502	1229
28 micron	705	861	709	820	623
Western region indicator (c/kg clean)					
Indicator	1363	1284	1200	1350	1076
18 micron	1611	1423	1364	1499	1222
28 micron	1346	1266	1239	1357	1127
Australian dollar					
AUD/USD	0.77	0.72	0.89	1.03	0.76

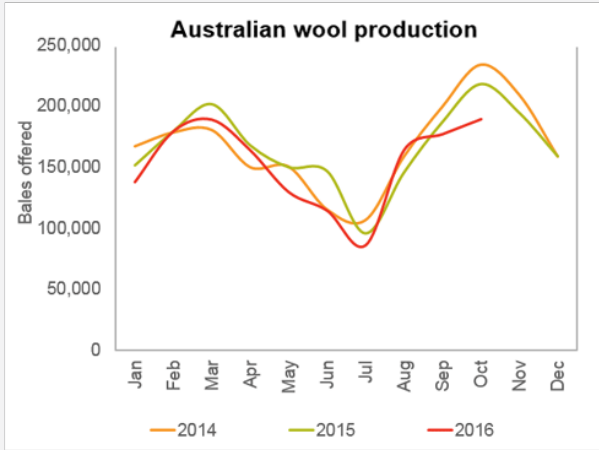
Data: Australian Wool Exchange (AWEX), Meat and Livestock Australia (MLA), Reserve Bank of Australia

Wool prices continue to trend higher in 2016. The Eastern Market Indicator reached 1331 in late October, the highest price since June 2015. The growth has been driven by fine wools, while crossbred wools (28 micron and above) have been in decline. Improving global demand and flat global wool production should continue to support wool prices.

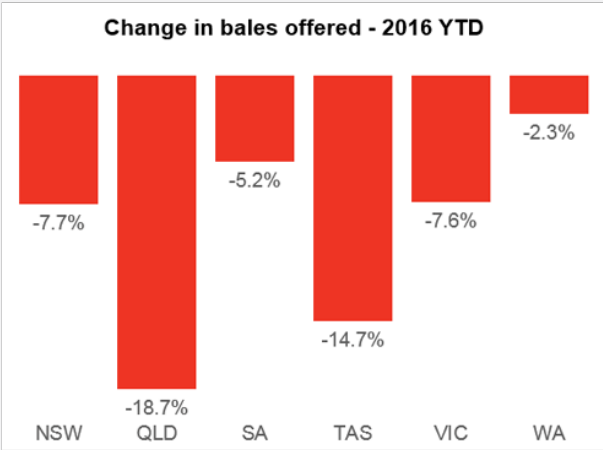
In relation to wool prices, headwinds to watch include the Australian dollar, which continues to trend gradually higher, and price competitiveness with competing fibres. The wool to cotton price ratio has been trending higher for the past two years.



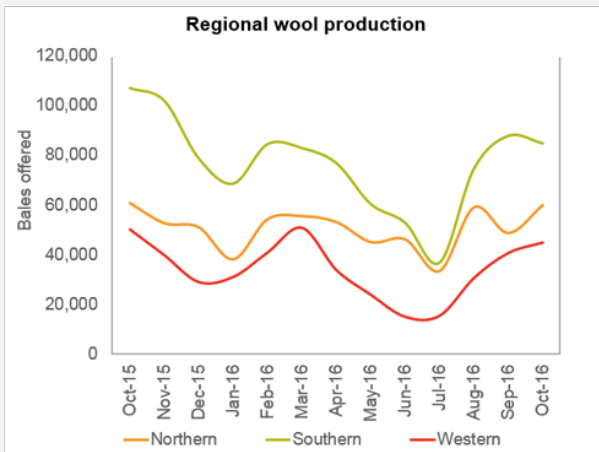
PRODUCTION



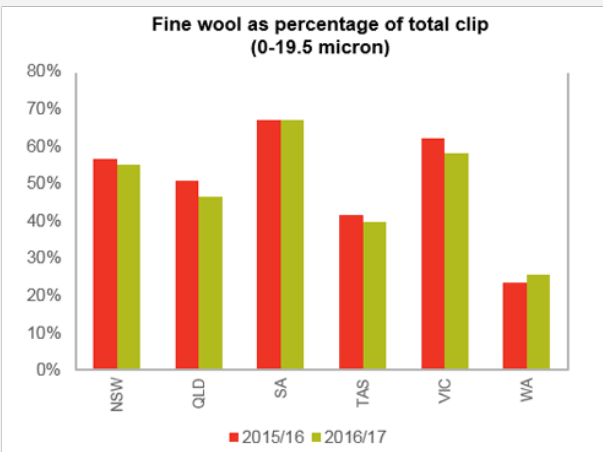
Data: AWTA



Data: AWTA



Data: AWTA



Data: AWTA

Annual Australian shorn wool production has been steady at around 356,000 tonnes per year since 2010. The national wool clip is expected to be lower in 2016/17, down to 325,000 tonnes (Australian Wool Innovation, 2016). Forecast lower wool production reflects lower sheep numbers in Australia as the national flock declined to 68 million head at June 2016 (ABARES, 2016). World wool production is forecast to be similar to last year.

The very wet winter has impacted on the timing of

shearing. A large proportion of wool that would have been sold a month ago is just coming onto market now. The condition of stock was impacted by the wet winter and may put a break in some fleeces as well as some lambing losses.

The wet conditions have also created more health issues than normal with foot abscess, lame sheep and increased parasite risk due to wet pastures and soils.

DEMAND

The value of wool exports
for Jan-Sep 2016 is

13.6%

above the 5-year average

September wool export
volumes were

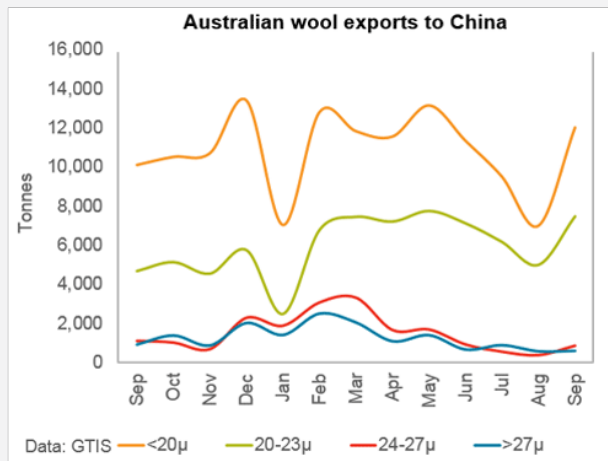
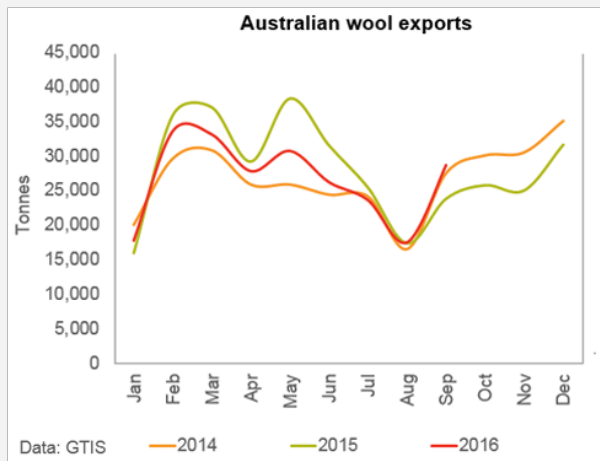
20%

above September 2015

The volume of wool exports
to China for 2016 YTD is

7.1%

lower than in 2015



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