



## Good News for Wool Growers

*Peter Morris*  
PJ Morris Wools Pty Ltd



## Wool Supply

- No government stockpile  
\*\*\* never again allow bureaucratic organisations to meddle in a free market
- No grower stockpile
- Supply now **equal to or less** than Demand
  - Cotton in oversupply with Chinese stockpile - the same situation wool was in for years
  - Grains now in surplus supply (Black Sea, South American plantings)



## Industry Restructure

- **Wool Growers** – many loss making years
- **Exporters** – continued closure and withdrawal by corporates
- **Australian Early Stage Processors**  
– closure
- **Overseas Early Stage Processors**  
– capital destroyed



## Industry Efficiencies

- **Electronic Data** – AWTA / Brokers / Exporters / Service providers
- **Electronic Docs** – export documentation
- **Competitive Funding** – better rates than other agribusiness
- **Competitive Shipping** – ship containers to China for 2ac/kg
- **Future developments** – electronic tags



## Current Demand

-  CHINA
-  INDIA
-  EUROPE
- OTHER MARKETS



## China


### Restructure

- Finance – more profitable business models
- Reinvestment – improve manufacturing standards
- Environment
- Labour



## India

- FTA
- Increased investment – Corporations and Private companies
- Quality improvements
- Weak currency
- Labour
- Industry Expertise



## Europe

### *Western Europe*

- Full Capacity
- Future increasing capacity – spinning/weaving

### *Eastern Europe*

- Increased capacity – first stage processing & garment finishing
- Competitive sales of yarn & cloth into China



## Other Markets

### Ukraine / Bulgaria

- Garment making

### Asia

- Vietnam, Bangladesh, Sri Lanka – spinning, knitting

### Malaysia

- New top making plant



## Wool Prices - Percentiles

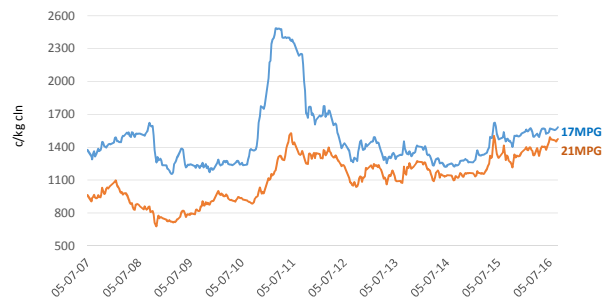
Current Price	1587	1557	1498	1462	1451	1440
Micron	17.0	18.0	19.0	20.0	21.0	22.0
50%	1398	1326	1213	1152	1137	1127
75%	1536	1464	1388	1313	1281	1252
80%	1570	1504	1412	1342	1318	1274
85%	1650	1537	1458	1371	1336	1304
90%	1763	1582	1498	1392	1368	1341
95%	2353	1989	1608	1437	1411	1386
100%	2486	2169	1773	1589	1527	1468

Data: 2007-2016



## Wool Price Expectations

17MPG vs 21MPG



## Wool Price Expectations

- Reduction in Volatility
- Increased premiums for fine wool
- Forward Market opportunities
  - ☐ Use of hedging tools offered through brokers  
Eg Southern Aurora Wool contracts



## How to Improve Returns

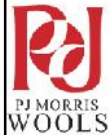
- Declarations
  - Non mulesed / Ceased / Pain relief
  - Chemical log books
- Match climate/geographical conditions to optimum wool type
- Well classed wool
- Forward Markets
  - lock in profits when available



## Forward Markets

← Markets Ribmann 21 Micron				
Maturity	Amt	Bid	Ask	Amt
28Sep16				
05Oct16				
12Oct16				
19Oct16	3,000	1,405	1,480	2,500
26Oct16	3,000	1,400	1,450	9,500
02Nov16				
09Nov16				
16Nov16				
23Nov16	5,000	1,375		
30Nov16				
07Dec16			1,420	2,500
14Dec16	20,0...	1,365	1,450	22,5...
11Jan17			1,400	2,000
25Jan17			1,100	5,000
08Feb17			1,410	2,500

SOUTHERN  
AUSTRALIA



QUESTIONS ?