

The battle of the Bulge

You may remember that the issue of over width loads was causing problems for carriers, particularly across the Blue Mountains with some over zealous inspectors levying some hefty fines for loads over by 10-20 mm (less than an inch). At a roundtable held in Dubbo in early 2011 it was agreed that the wool industry would explore how to address the problem and in the meantime the RTA gave a two

year grace allowing the maximum load to go from 2.5m to 2.6m.

The Australian Wool Exchange is responsible for wool pack standards and accordingly has conducted trials of various redesigned wool packs to see if we can shorten the length. The outcome of those trials was recently released and a new version has been endorsed. This pack will have four seams instead of two, and have a bale

fastening guide on the flaps for wool pressors to pin the flaps to. In trials of over 500 packs this amounted to an average shortening of 14mm without effecting bale weight.

Whilst this will only partially help solve the problem, and the greater role is with the person pressing the bale, it will help.

The bottom line is that when the two year period is over and if wool packs are still well over 1.25m then this will cause

serious problems for all along the pipeline. What hasn't been countenanced is redesigning how we load the truck to completely conform. This would no doubt lead to less bales per truck which ultimately adds cost to freight which will come back to farm gate. The message is clear that wool pressors have to be more diligent in getting a shorter square bale.

Last Chance Ram Sale AND WOOLSTORE OPEN DAY

Saturday February 9, 2013

will mark the inaugural Open Day and Last Chance Ram Sale.

LUNCH WILL BE PROVIDED

courtesy of Rabobank with refreshments to cope with possible hot weather

THE FOLLOWING STUDS WILL HAVE RAMS FOR SALE:-

- | | | |
|---------------------|-------------------------|---------------------|
| • Allendale | • Anglemood | • Belmore Samms |
| • Booyamurra | • Cassilis Park | • Centre Plus |
| • Grogansworth | • Gullengamble | • Kerin Poll |
| • Langdene | • Maybrook | • Coddington Poll |
| • Parkdale | • Wyuna | • Mega Merinos MPM |
| • Talbragar Borders | • Roseville Park Dohnes | • Marocara Dorsets |
| • Ashbank Dorsets | • Corbie White Suffolks | • Merryanbone North |

The day will commence at 10am and will be under cover.

The day will include presentations from several key speakers on the global wool market, forward marketing, animal health and wool sampling will be in operation with AWTA displays.

In addition some 21 studs, all clients of Macwool, will have around 100 rams for sale plus displays. As the majority of breeders join in February/March, this will be the "Last Chance" to top up your ram needs. Rams will be offered for private sale between breeder and purchaser.

For the ladies, Woolerina will have their fantastic range of woolen clothing on display and for sale.

Metalcorp will have their range of stock handling equipment with sale day prices as will Furneys CRT with merchandise. In addition representatives from Coopers Animal Health, Bayer, Ancare, Virbac, Leader and Waratah will be on hand to discuss and explain any queries.



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Don Macdonald & Co

WOOLBROKERS

Wool growers poised for a good year - just add water!

Thank you to all our clients for your great support in 2012.

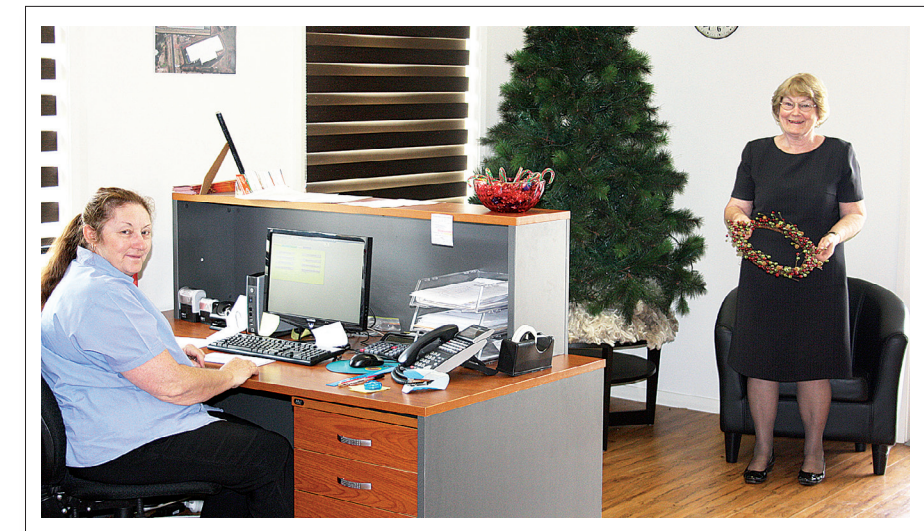
The late resurgence in the wool market has given us much to look forward to as we head towards 2013. In retrospect the wool market has performed reasonably well against some downward pressure, and certainly out performed the sheep/lamb market and cattle markets. It is pleasing to see wool re-establishing itself as one of the major agricultural mainstays.

Recently we assisted AWI to host three WoolPoll meetings at Dubbo, Nyngan and Louth (the latter the best attended!) and their presentations were genuinely upbeat and positive, particularly where China is concerned.

Whilst the market has closed lower than the same week last year (on average about 8-10%), there is more to be positive about than at

this time last year. The further time goes the less likely of a European economic collapse, which was feared this time last year. Throughout the early part of the year wool processors were running down their stocks of both greasy and processed wool. We're now pleased to report stories of many processors having low stocks and looking to replenish the pipeline. We have anticipated this for some months now and believed we would see something positive in the lead up to Xmas. It actually began a little earlier than expected.

The market bottomed out in early September with the EMI resting at 927 and 21 microns at 1041 cents clean. Since then it has been a stop start affair and only in the last few weeks has it genuinely recovered.



■ Sharon and Isoel prepare for Christmas in the office

Our second last sale on the 7th December saw some medium types up to 80 cents dearer in one day.

Medium merino wool (19.5 - 22.5) certainly has been flavor of the month with the Chinese and we see this trend continuing. Forward prices are now being offered right through into the winter at above 1200 cents for 21 microns underpinning our confidence with this sector

The news hasn't been so good for fine wool growers with the

European malaise having a greater impact. We do expect however to see renewed confidence in fine wool as the year progresses, whilst crossbreds have finished the year virtually unchanged and will probably remain that way. Cardings have excelled in recent weeks and are above the levels of 12 months ago.

Briefly, we have had a very exciting year re-establishing ourselves and the team both here and in Sydney will take a well earned break

over Xmas & New Year. You will read further on about our open day here in February, we hope to see as many as possible and we will do our best to make it not only informative, but enjoyable as well.

We would like to thank all of you who have helped make this year a success and wish you well for the festive season and may you tip plenty of rain from the rain gauge soon.

Best wishes

Don Macdonald

YOUR WOOL

... IN SAFE HANDS

				
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Currency and its effect on the wool market

The importance of the AUD:USD foreign exchange (FX) rate

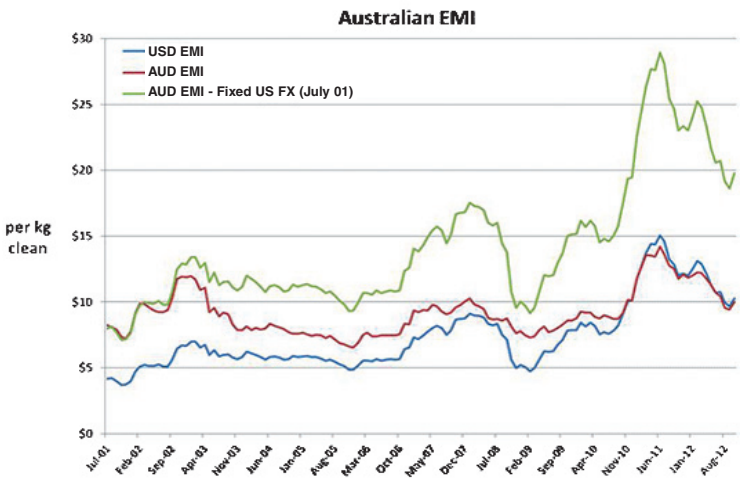
Since over 95% of the Australian wool clip is exported and ends up being consumed outside our borders, ours is an industry very exposed to fluctuations in our currency exchange rates – much more than the sheep meat industry, for example, where around half of the product is consumed locally. And since most export contracts are denominated in US dollars (USD), one can argue that the true value of the Australian clip is its USD value – this is what the world pays for our wool.

Impacts of FX on our wool industry

Changes in the strength of the Australian dollar against the US dollar affect the returns to growers in a particular way. In general, a weaker Aussie dollar acts to strengthen local Australian wool prices. In contrast, a stronger Aussie dollar weakens local Australian wool prices.

When the Australian wool stockpile was finally liquidated in July 2001, the AUD was worth 52 US cents. A decade later, the AUD is worth around 104 US cents – a doubling of the strength of the Australian currency. This has had a profound effect on the price of wool received by Australian growers – largely hiding from view the slow growth (5-8% per annum) in value of Australian wool on the international market post stockpile.

The following chart illustrates the point, showing the historical Australian EMI in AU (red line) and US dollar (blue line) terms since July 2001, but also a hypothetical AUD EMI if the AUD had stayed at 52 US cents since July 2001 (green line).



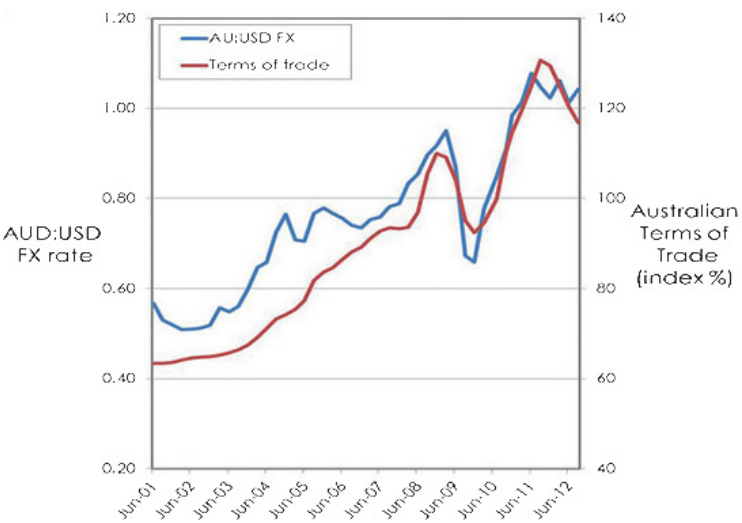
In short, if the AUD remained at 52 US cents today, the Australian EMI would theoretically be around AUD20 per kilogram clean!

Now, while it is rather nice to daydream about a 20-dollar EMI, the point of the exercise is to illustrate an important point – that the fortunes of our industry in Australia over the coming years depend in part on what happens to the strength of our currency. For this reason, it is important to understand what drives the strength of our currency.

What drives the AUD:USD exchange rate?

In a nutshell, the two major influences on our currency are (1) our terms of trade, and (2) the difference between our local interest rates and those in economies underpinning the major global ‘reserve’ currencies (the USD, and the Euro). Of these, our terms of trade are the most important.

When an economist speaks of our ‘terms of trade’, what is being referred to is the total value of the goods and services we export, compared to that



which we import. Over the past decade, Australia’s terms of trade have climbed steadily on the back of booming resource sector, and as a consequence, the value of the Australian dollar has risen. The following chart illustrates the point – since June 2001, there has been around a 96% correlation between our terms of trade and the AUD:USD FX rate.

The second major influence are interest rate differentials – the difference between the reserve bank bond rates of the US or Eurozone, compared to ours.

Under the current global market conditions, a general trend is that currency investors are seeking to diversify their portfolios away from the EU and US. Currently, the European Central Bank rate is 0.75% per annum, and the US Federal Reserve rate is at 0.25%, as the central bankers try to stimulate economic growth and reduce systemic risks. By comparison, the Reserve Bank of Australia rate is 3.0% with AAA investment rating. This significant interest rate differential has led to an

increase demand for the Australian dollar, due to strong capital inflow into the safer investment of Australian government bonds (the so-called ‘carry trade’).

What does this mean for growers?

The general view among forecasters is that the decade of rapid strengthening of the AUD is now behind us, and the coming years will see the AUD:USD FX rate plateau, or decline. Our expectation is that AUD:USD FX rate will remain around \$1.03-1.05 for the remainder of 2012/13 financial year, before slowly softening below parity over the following years.

For Australian woolgrowers, the likely plateauing of our currency against the USD will have a very positive impact over the coming decade – at the very least, the underlying upward trend in wool prices, driven by the emergence of affluence in countries such as China, will be far more tangible.

Source: AWI Market Intelligence.

Footnote:- The Chinese who purchase the majority of our wool have their currency fixed to the USD which is why the AUD:USD exchange rate is so critical. It is popular belief that over time the Chinese will either relax their grip on the USD which will mean their currency will appreciate in value making imports cheaper. They have resisted to date to maintain an advantage with cheaper exports. When the time comes that they are less dependant on export and have higher domestic consumption, we could see this happen gradually.

PREPARING your rams FOR JOINING

BY ANDREW MILLS

With joining only 8 weeks away for some, I thought that we should give a bit of thought to the Pre Joining Ram Check List to make sure that your rams are in optimum condition for joining:

The 4 “T”s (teeth, toes, testes and tossle) still form the basis on determining whether your rams will be able to successfully work and impregnate ewes over joining. From a practical point of view the most important test is the physical examination of the ram. All rams should be checked when determining replacement requirements and again before joining. This breeding soundness examination should be done at least eight weeks prior to joining.

Managing rams for joining

Ram Body condition score should be 3.5 at mating. Feed lupins or high protein feed for 50 days prior to joining to ensure maximum testes size and sperm output (up to 750g/h/d).

Rams should not be lame, so if required, trim their hooves to a normal shape.

Testicles should be firm, springy on palpation with scrotal circumference above 28cm with no abnormal lumps on palpation. If your rams have abnormal lumps on their testicle, get a blood test to check for ovine brucellosis.

Examine prepuce and penis for evidence of inflammation and damage.

Rams should be vaccinated with 6-in-1, and jetted on the poll (and body) to avoid flystrike.

Shear rams at least eight weeks before joining as shearing cuts and resulting fever, or compromising temperature change, may affect semen quality.

Join rams at 1% plus one extra ram for mature ewes (at least five rams for a mob of 400 ewes), at least 1.5% for maiden ewes and 2% for ewe lambs.

Higher ram joining rates are necessary in large paddocks with multiple watering points

or when rams are joined outside the main breeding season.

Avoid joining inexperienced rams with maiden ewes.

If ewes are being supplemented during joining, make sure rams are accustomed to the same supplementary feed as ewes to avoid rumen acidosis.

Semen production and mating activity

Ram management leading up to joining can affect the number of ewes which conceive. Good ram management involves careful preparation for mating. From the start of the development of sperm until they are ready takes about seven to eight weeks.

Old rams which have low sperm production - smaller or soft testes - should be culled. Young rams (two-tooth) being joined with ewes for the first time require a higher flock

proportion (up to 4 per cent) than do the older rams - the minimum number joined should be five.

Maiden ewes have a shorter oestrus than older ewes and tend to seek rams less actively than older ewes. Therefore, maiden ewes should be mated separately and with a higher ram percentage.

Mating efficiency

In the agricultural areas, mature rams often dominate younger rams and prevent them from mating ewes. Therefore, do not join two-tooth rams with the same flock as older rams.

In the pastoral areas, large paddocks and low stocking rates reduce the opportunity for mature rams to dominate inexperienced rams and young rams need not be segregated during joining. Previous mating experience improves the efficiency of rams.

References: www.dpi.nsw.gov.au
www.makingmorefromsheep.com.au



Robert Gill and Macwool Express

Macwool Express

One of the new services we provide is on farm pick up from farm to wool store. We have over the years found it sometimes difficult to obtain a carrier for small loads of 15-30 bales. When my neighbour, semi retired former Tullamore merino enthusiast Robert Gill asked me about any odd jobs I might have, I thought I've got just the job for you!

We soon found that not all properties have a loader on hand, so Robert set about designing a bale loader for our truck. His device modelled on the old wheat bag loaders has been a hit and already has had some queries about replicating it.

Anyway, if you are having trouble tracking down a local carrier or don't want to cart your own, feel free to call Robert on 0427 937236 or call your wool rep and let him know.