

MLS Decile Tool V1.0

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MLS Deciles Tool V1.0

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The MLS Decile Tool allows you to quickly ascertain the historic decile range for a given combination of micron, staple length, staple strength and vegetable fault, as well as the recent monthly average price and rank.

The MLS Decile Tool has been extracted from the MLS Analyser (spreadsheet based tool) which has been developed by Independent Commodity Services Pty Ltd, to assist producers, brokers and advisers in commercial decisions by identifying price, basis, premiums and discounts according to micron, length, strength and vegetable matter for merino wool between 12 and 26.0 microns in diameter.

If you have any questions regarding the ICS Decile Tool please contact Andrew Woods at Independent Commodity Services Pty Ltd. Email ic-s@ic-s.com.au or telephone +61 (0) 2 69215887.

1.0 Disclaimer

Independent Commodity Services Pty Ltd

ABN: 339 430 66093

AFS Licence No 223519

The information contained in this manual is to provide assistance in understanding the reports and analysis generated by the MLS Decile Tool. It is not intended to constitute advice for a specific purpose. Before taking any action in relation to information provided in this manual, you should seek independent advice from a qualified professional. The information is obtained from a variety of sources and Independent Commodity Services Pty Ltd is not liable for any loss or damage whatsoever that may arise from the use of the information or for any error or mis-statement contained in this manual.

2.0 Introduction

The Micron, Length and Strength (MLS) Decile Tool allows you to view and analyse merino wool prices according to fibre diameter, staple length, staple strength and vegetable matter. It provides current (monthly average) values and historic deciles.

The MLS Decile Tool draws on Eastern Australian monthly average prices from July 1995 (where available) onwards of subjective fault free merino wool sold at auction in Australia. You can select a fleece price series by a combination of fibre diameter, staple length, strength and vegetable matter (VM) categories shown in the table below.

The MLS Decile Tool is broken into 6 separate tools, one for each vegetable matter category.

| Choose any combination of | | | |
|----------------------------------|-----------------------------|-------------------------------|-------------------|
| <i>Micron Range</i> | <i>Staple Length</i> | <i>Staple Strength</i> | <i>VM</i> |
| 12.1 – 12.5 | 16 – 25 | 10 – 19 | 1F Fleece 0-2% |
| 12.6 – 13.0 | 26 – 35 | 20 – 24 | 2P Pieces 1-3% |
| 13.1 – 13.5 | 36 – 45 | 25 – 29 | 3F Fleece 2.1-4% |
| 13.6 – 15.0 | 45 – 54 | 30 – 34 | 4P Pieces 3.1-5% |
| 14.1 – 14.5 | 55 – 64 | 35 – 39 | 5F Fleece 4.1-7% |
| 14.6 – 15.0 | 65 – 74 | 40 – 49 | 8P Pieces 5.1-11% |
| 15.1 – 15.5 | 75 – 84 | 50 – 59 | |
| 15.6 – 16.0 | 85 – 94 | 60 – 69 | |
| 16.1 – 16.5 | 95 – 104 | | |
| 16.6 – 17.0 | 105 – 114 | | |
| 17.1 – 17.5 | 115 – 124 | | |
| 17.6 – 18.0 | | | |
| 18.1 – 18.5 | | | |
| 18.6 – 19.0 | | | |
| data extended | | | |
| to | | | |
| 26.0 micron | | | |

3.0 Operating the MLS Decile Tool

❶ After choosing the MLS Decile Tool icon on the ICS website (www.ic-s.net.au) the following screen will appear.

A range of selectors is shown on the left hand side of the page. These selectors allow you to drive the tool.

MLS Decile Tool - 1F

Selectors

Fibre Diameter
17.6-18.0 ❷

Staple Length
85-94 ❸

Staple Strength
35-39 ❹

Selection: 5

17.6-18.0 micron, 85-94 mm, 35-39 N/ktx, 1% VM fleece

| | |
|---------------|------|
| Low | 901 |
| 10% | 996 |
| 20% | 1050 |
| 30% | 1094 |
| 40% | 1217 |
| Median | 1275 |
| 60% | 1420 |
| 70% | 1511 |
| 80% | 1633 |
| 90% | 1945 |
| High | 2344 |
| Average | 1371 |

| | |
|--------------------|--------|
| Latest price: | 1063 |
| Rank | 24% |
| Last month quoted: | Aug-06 |
| % Time Quoted | 99% |

Select micron, staple length and strength using the selectors on the left hand side of the page. Current price deciles, most recent value and rank will be shown in the centre tables.

INFORMATION
IN CONTEXT

This web tool allows in depth analysis of merino wool prices by micron, length and strength (MLS.) Price deciles, averages, current monthly value and its percentile rank are shown. In addition the number of months that the category has been sold at auction is shown.

The data applies to merino fleece with vegetable fault levels under 2% and no subjective faults (such as cott.)

| | |
|-----------------|---|
| Lookback years: | 10 |
| Currency: | 6 AUD |

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- ❷ The first selector is the micron indicator selector.
- ❸ The second selector allows you to specify a staple length (it is in 10 mm increments.)
- ❹ The third selector allows you to specify a staple strength range.
- ❺ Each time a selector is altered the MLS Decile Tool changes automatically, with the combination of selected characteristics shown in the selection table.
- ❻ The look back period used (10 years in this example) and the currency the data is expressed in is shown in the bottom left hand corner of the web tool.

- 1 To select a half micron category left click on the down arrow on the right hand side of the indicator selector. A drop down box will appear offering a selection of categories. To view more categories drag left click on the side slide of the drop down box and move it up or down. When you have found the category you need, left click on it to select it.

MLS Decile Tool - 1F

Selectors

Fibre Diameter

17.6-18.0 ▼

12.1-12.5 ▲

12.6-13.0

13.1-13.5 ▼

Staple Length

85-94

Staple Strength

35-39


Selection:

17.6-18.0 micron, 85-94 mm, 35-39 N/ktx, 1% VM fleece

| | |
|---------------|------|
| Low | 901 |
| 10% | 996 |
| 20% | 1050 |
| 30% | 1094 |
| 40% | 1217 |
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| | |
|--------------------|--------|
| Latest price: | 1063 |
| Rank | 24% |
| Last month quoted: | Aug-06 |
| % Time Quoted | 99% |

Select micron, staple length and strength using the selectors on the left hand side of the page. Current price deciles, most recent value and rank will be shown in the centre tables.



INFORMATION
IN CONTEXT

This web tool allows in depth analysis of merino wool prices by micron, length and strength (MLS.) Price deciles, averages, current monthly value and its percentile rank are shown. In addition the number of months that the category has been sold at auction is shown.

The data applies to merino fleece with vegetable fault levels under 2% and no subjective faults (such as cott.)

| | |
|-----------------|-----|
| Lookback years: | 10 |
| Currency: | AUD |

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Repeat this process for the staple length and staple strength selectors, so that you have selected the required combination of characteristics.

4.0 MLS Decile Tool output

- 1 The selection table shows the combination of characteristics selected.

Selectors ①

Fibre Diameter
17.6-18.0

Staple Length
85-94 ②

Staple Strength
35-39

MLS Decile Tool - 1F

Selection:
17.6-18.0 micron, 85-94 mm, 35-39 N/ktx, 1% VM fleece

| | |
|---------------|------|
| Low | 901 |
| 10% | 396 |
| 20% | 1050 |
| 30% | 1094 |
| 40% | 1217 |
| Median | 1275 |
| 60% | 1420 |
| 70% | 1511 |
| 80% | 1633 |
| 90% | 1945 |
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| Latest price: | 1063 |
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Select micron, staple length and strength using the selectors on the left hand side of the page. Current price deciles, most recent value and rank will be shown in the centre tables.

This web tool allows in depth analysis of merino wool prices by micron, length and strength (MLS.) Price deciles, averages, current monthly value and its percentile rank are shown. In addition the number of months that the category has been sold at auction is shown.

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| | |
|-----------------|-----|
| Lookback years: | 10 |
| Currency: | AUD |

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- 2 The middle table shows the historic deciles plus the average price for the past decade. Generally this analysis is drawn from the past decade.
- 3 The latest monthly average price is shown in the right hand table, along with the historic price rank (percentile), the month the latest price data was recorded in and the proportion of months that the combination of characteristics was represented in auction sales. This latter feature is added as a check on some rare combinations of characteristics. If the proportion of time quoted drops then you need to keep in mind that the historic deciles and ranking may be skewed, and so give an unreliable result.

5.0 How to use the output.

The MLS Decile Tool output is designed to provide accurate historic deciles and recent value and rank for specific, selected combinations of micron, length, strength and vegetable matter fault (VM.) While the official Micron Price Guides (MPG) do a good job in monitoring the general movement in the market they are not designed to help tell us where specific type prices are or have been. So historic deciles, current price levels and rank for a MPG will not necessarily tell you for example the price for a long, very low strength 18 micron fleece types or how this price stands in relation to history. In contrast the MLS Decile tool will.

The historic deciles can be used as target price levels for selling wool, either wool in store or physical forwards. Again the beauty of the MLS Decile Tool is that it allows you to focus in on quite specific combinations of wool characteristics.

The MLS Decile Tool can be used in combination with valuations of specific lots from any source (as long as they are a reasonable estimated) such as a broker or website. If the market is flat and not moving much then the price average shown in the MLS Decile Tool from the previous month will be provide a good idea of the value for a specific combination of characteristics.

6.0 Frequently Asked Questions

What if the wool that I have has an extreme mid-break level?

Mid-break (along with style) is not specified in the MLS Price Decile Tool as it would break the data up too much, especially for very low fibre diameter categories. ICS suggests that if mid-break is extreme then you adjust the staple strength of the category under investigation. For example; if a lot of wool has a mid-break of 10% (very low) and a staple strength of 30 N/ktx, then set the staple strength to the 35 – 39 N/ktx level. In other words upgrade the staple strength one level. The reverse applies in the case of extremely high mid-break levels, in which case you will downgrade the staple strength of the elected type by a level. This is a crude way of mimicking the actual market, where mid-break levels affect the estimated average length of wool in the top (hauteur) as estimated by the Team 3 calculations.

What are deciles?

Deciles show the percentage of time a type of wool was at a particular price or lower for the period the data has been extracted, usually 10 years. For example, the price at 0% was the lowest price for that wool during this period; the price at 100% was the highest. A price at 60% indicates that for 60% of the time, the price was lower than shown, but higher for 40% of the time. Keep in mind that some of the micron, length and strength combinations may have little history as they may be comparatively rare, and some of the finer categories have only appeared in recent years. Combinations with a low percentage of time quoted will help identify this problem.

What use are deciles?

Deciles can help you determine whether the price of your wool is historically high or low. When prices are in high deciles (closer to 100%) it is historically high, while low deciles (closer to 0%) are historically low. Knowing the price of your wool relative to historic prices can help you determine the likelihood of a price rise, so assisting your decision on whether to sell or hold wool. For instance, wool priced in a high decile has historically less chance of rising, than wool currently priced in a low decile.

While there is always the chance that the price for a particular type could go beyond the historic highest and lowest prices used in the MLS Decile Tool, conditions that have caused previous highs or lows may or may not be repeated, meaning that there is also a chance that prices will not reach those highs and lows again. In other words, you can't count on the price rising to a previous high, but likewise you cannot discount the possibility that it could be exceeded.

What if the combination of characteristics I am interested in is on the edge of the selector ranges?

Sometimes the characteristics being investigated such as 17.0 micron on 16.6-17.0 micron or 85 mm long (the selector is 85-94 mm.) In this case you need to check the data for a few combinations around the preferred combination such as the 16.6-17.0 and the 17.1-17.5 micron. You may need to average the result to fit it in with your lot.

If my wool has some subjectively assessed fault such as H2 colour and C2 cott what should I do?

The wool data used in developing the MLS Decile Tool has no subjectively assessed faulty wool, such as heavy colour or cott. In this instance you will have to either select the base combination of characteristics and discount the result given for the subjectively assessed fault (AWEX produces estimates of premiums and discounts) or downgrade the selected combination of characteristics to account for the fault (for example drop staple strength or increase VM for wool with cott.) This latter technique is an effort to mimic the effect of the fault on the wool in processing.