

Monthly Wool Market Overview

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Wool news for March 2018

SA Merino indicator for March 2018

First sale: 18043c/kg
Final sale: 17264c/kg
Movement: -4,3%
Rand/US\$ at last sale: R11,69

SA Merino indicator for March 2018

First sale: 16256c/kg
Last sale: 16385c/kg
Movement: 0,8%
Rand/US\$ at last sale: R13,07

Australian Indicator for March 2018

First sale: 1796c/kg
Final sale: 1772c/kg
Movement: -1,3%

Indicator for season 2017/18

Movement since opening: -5,9%
Seasonal high: 19743c/kg
Seasonal low: 17264c/kg
Average for season: 18389c/kg
Average in 2016/17: 15447c/kg

Optimism that market will improve

Although the wool market lost some momentum over the past few weeks, pushing the market indicators of both South Africa and Australia down, there is optimism that prices will improve.

The Cape Wools Merino Indicator has now dropped to below the opening level of the season but is still above levels achieved at the same time last season (see **graph 1**).

In Australia, the indicator has not dropped as much as the local indicator due to the high prices for fine wools (see **graph 2**).

The optimism for improved prices is based on evidence that consumer demand for wool has been driving the market over the past months.

According to Australian Wool Innovation analysts, more consumers across the world are looking for wool and not just in the cooler months of the year.

The advent of Merino wool as a superior fibre worn next to skin for leisure and for sport has seen steady growth in recent years.

Global companies such as Adidas, Nike and New Balance all use Merino wool in their ranges now and this trend can also be seen in outdoor companies such as Mountain Designs and The North Face over the past decade.

In addition, more and more consumers are selecting eco-friendly products, which is a positive trend for the future of wool.

Unfortunately, the high wool prices have forced Allbirds, the Merino wool shoe company founded by New Zealander Tim Brown, to add wood fibre to the range of materials it uses for a new range of sneakers.

The new collection sources eucalyptus fibres from South African farms that minimise the use of fertiliser (see **p.2**).

Wool shipments to top 10 export destinations for July - January 2018

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 978 819 202	19 157 828	23 523 553	132 981	746 816	9 713	2 003 089 571	71,1
Czech Republic	383 253 935	5 132 415	0	0	0	0	383 253 935	13,4
Italy	103 766 101	740 888	39 837 163	269 744	143 900 888	670 429	287 504 152	10,1
Germany	0	0	19 506 284	143 958	31 016 385	165 501	50 522 669	1,8
Bulgaria	43 931 415	410 955	0	0	0	0	43 931 415	1,5
India	36 953 989	301 007	1 733 752	19 812	0	0	38 687 741	1,4
Egypt	31 277 289	228 321	0	0	0	0	31 277 289	1,1
USA	0	0	1 392 547	10 280	5 314 452	22 314	6 706 999	0,2
UK	0	0	0	0	1 852 304	46 878	4 942 562	0,2
France	0	0	0	0	4 510 701	31 998	4 510 701	0,2

¹⁾ Total Rand value includes value of waste exported.

²⁾ FOB = free on board

Full export report (Shipments) available at www.capewools.co.za

Accumulative results up to 16 March 2018

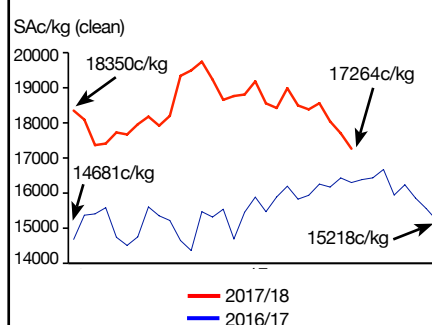
Wool receipts (kg greasy):

2017/18: 40 562 196,5
2016/17: 43 926 071,3
Change: -7,7%

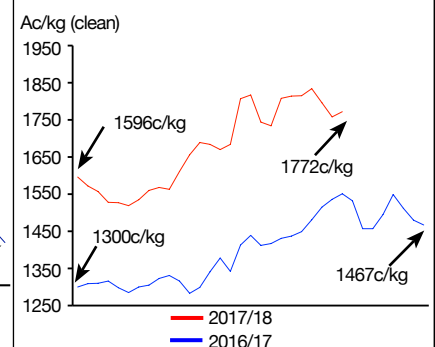
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2017/18:	143 820	100 520	244 340	36 361 298,8
2016/17:	147 424	107 733	255 157	38 630 909,7
Change:	-2,4	-6,7	-4,2	-5,9

Graph 1: Cape Wools' Merino indicator on 28 March 2018



Graph 2: Australian Eastern Market Indicator on 28 March 2018





Wool market driven by new surge in demand

The wool market is driven by a new surge in demand for wool and not by supply concerns, says Australian Wool Innovation trade consultant Scott Carmody.

Speaking at the Western Australia Stud Merino Breeders' Association's annual meeting in Perth recently, Mr Carmody said the increase in wool consumption was derived from growing incomes in key wool consuming countries.

"As economies such as China and Japan grow, income levels are expected to rise — allowing the purchase of premium products and clothing, creating new markets," he said.

"US and China are the only countries with over one million households earning over \$US300 000 per annum and joint \$US440 billion spending on goods and services including luxury goods in 2016.

"India is expected to double its \$US90 billion spend in the next five years.

"The resulting demand scenario from excess disposable income is leading the wool price charge."

Carmody said some gains in individual micron levels were impressive.

The past two years, 17, 19 and 21 micron wools have gradually climbed the price chart while recently fine and superfine wool has broken away from broader types with prices reaching record levels.

"A large order for finer micron uniforms out of China helped push the prices up in 2017 and this continues today as garment makers around the globe fight to source the fabrics for finer apparel orders."

He said supply in the form of sheep numbers had stabilised between 2010 and 2017, but exceptionally good meat prices and widespread food, rather than fibre, strategic advice moved producers away from pure Merino production.

Mr Carmody said wool accounted for less than 1,5 per cent of global fibre consumption.

"As the value of acrylic, nylon, polyester and cotton remains lower or in decline due to oversupply or low soft crude oil prices, the value of wool should hold true," he said.

Consumers are also increasingly calling for eco-friendly products so they can make sustainable choices.

"These advocates expect ecologically unobjectionable fabrics to reduce emissions and pollutants.

"In the long-term, prospects for wool are positive as retail drives next-to-skin sportswear and leisurewear through education and promotional programs run by AWI, The Woolmark Company and the Campaign for Wool," he said.

Source: *The West Australian*

AWI's performance and governance to be reviewed

The Australian Departments of Agriculture and Water Affairs has appointed the accountancy firm Ernst & Young to undertake the independent review of Australian Innovation's (AWI) performance and governance.

Agriculture minister David Littleproud in announcing the move, said the review would look at AWI's delivery of its core objectives, such as research, development, extension and marketing services to woolgrowers as well as additional matters of public interest.

The review is expected to be completed by July, with the findings made available before this year's WoolPoll, in which the AWI board must propose three to five levy options to be polled (including zero). Voting starts on 17 September.

Wool shoe company now also makes wood fibre shoes

Allbirds, the Merino wool shoe company co-founded by former New Zealand football star Tim Brown, is adding wood fibre to the range of materials it uses for a new range of sneakers, at a time when wool prices have climbed 50 per cent.

San Francisco-based Allbirds started selling its minimalist woollen sneakers direct to consumers in March 2016 and has online operations in the US, New Zealand and Australia and shops in San Francisco and New York.

The company says it is now branching out from wool with a range of forestry-based products, using tenecel lyocell, a fibre made from cellulose found in wood pulp.

Allbirds, the world's largest direct-to-consumer footwear brand, began with a research grant from New Zealand's wool industry, and an initial Kickstarter campaign in 2014.

"The Tree collection features ethically sourced eucalyptus fibres that use only 5 per cent of the water and one-third of the land compared to traditional footwear materials," the company said, adding that its manufacturing is also safer and cleaner than conventional practices.

The insoles of the shoes are made from renewable castor bean oil and lined with wool, while the shoelaces are made from recycled bottles.

The company sources its eucalyptus from South African farms that minimise fertiliser and rely on rainfall rather than irrigation.

Source: *business.scoop.co.nz*

Chinese fashion trends influence prices

Winter fashion trends in China could determine the direction the wool market takes in the next few months.

The influence of Chinese fashion was evident in the past two northern hemisphere winters when stylish women's fashion jackets made in a variety of styles, lengths and colours from an innovative double-faced woollen fabric, were the main drivers for apparel wool demand.

As a result, Chinese winter fashion trends are expected to play a big role in determining demand and price levels into the future.

Analysts say although it is spring there now, winter is only nine months away, and fashion houses are already looking ahead at what garments they will produce and promote for next winter.

They are also looking at what fabrics they will use and at the latest fabric innovations on offer.

The decisions those fashion houses make in the next month or so on what they produce and stockpile over summer and autumn and promote for next winter, will have a significant influence on whether the wool market continues to rise into next season.

The big question is whether the double-

faced women's jackets will be a big fashion item for the third winter in a row.

It is nevertheless expected that wool will be a part of any replacement fashion trend.

AWI publishes guide for planning to stop mulesing

Australian Wool Innovation (AWI) has released a report to assist woolgrowers planning to move to a non-mulesed Merino enterprise.

The publication was compiled after interviewing 40 Merino woolgrowers from across Australia who have made this move.

It outlines the many detailed and thorough decisions to consider when planning to move to a non-mulesed operation, such as planning sheep type, management changes and financial considerations.

According to AWI only 7 per cent of the Australian clip (less than 24,5 microns) and 14 per cent of wools finer than 17,5 microns was declared non-mulesed through Australian Wool Exchange's National Wool Declaration.

Source: *sheepcentral.com*