Monthly Wool Market Overview

Published by Cape Wools SA — Wool news for October 2019

SA Merino indicator for Oct 2019

First sale Oct:	16760c/kg
Final sale Oct:	18148c/kg
Movement:	**8,3%**
Rand/US$ at final sale of Sept:	R15,09

SA Merino indicator for Oct 2018

First sale Oct:	22395 c/kg
Final sale Oct:	21780 c/kg
Movement:	**-2,75%**
Rand/US$ at final sale:	R14,72

Australian Indicator for Oct 2019

First sale Oct:	1558/kg
Final sale Oct:	1594/kg
Movement:	**2,3%**

Indicator to date for 2019/20

Movement since opening:	22,89%
Seasonal high:	18148c/kg
Seasonal low:	14770c/kg
Average to date: 2019/20	16768c/kg
Average to date 2018/19:	23522c/kg

Market less volatile in October

Wool prices improved considerably during October as markets became less volatile and a degree of confidence returned.

Cape Wools' Merino indicator not only gained 8% but also closed the month at R181,48/kg (clean) – its highest level this season (see **graph 1**).

Prices were supported by the weaker rand which dropped by 3,3% against the US dollar at the last sale in October.

In Australia prices were also on the up with the Eastern Market Indicator gaining 2,3% for the month (see **graph 2**).

With the season now well underway shipment cycles are returning to normal and wool receipts at brokers' stores are fairly stable.

Good top makers and spinners style long and medium length Merino wools were in strong demand.

Cape Wools accumulative results up to 25 October shows only a 2,2% decline in wool receipts compared to the corresponding period the previous season despite continuing drought conditions in some parts of the wool-producing areas.

Sheep numbers are falling across the world. According to a report released by New Zealand, its lamb crop is forecast to fall 2,4 per cent this year, with a decline in the number of breeding ewes.

Their beef cattle herd has increased by 2,6 per cent year-on-year up to end June 2019.

More news from New Zealand is the development of the world's first sheep facial recognition software, which is set to be prototyped this year.

This will enable farmers to cheaply re-identify sheep, potentially removing the need for ear-tags while also solving other farm management issues **(see p2).**

Wool shipments to top 10 export destinations for July '19 - Sept '19

Country	Greasy		Scoured		Tops & Noils		Total [1]	% of total FOB [2] value
	R	Kg	R	Kg	R	Kg	R	
China/HK/Macau	**918 951 978**	6 603 754	0	0	0	0	918 951 978	85,4
Bulgaria	49 638 535	429 978	0	0	0	0	49 638 535	4,6
Italy	24 795 019	167 730	14 492 552	100 345	0	0	39 287 571	3,6
Czech Rep	29 099 080	254 039	0	0	0	0	29 099 080	2,7
India	**12 336 059**	92 184	0	0	0	0	**12 336 059**	1,1
Egypt	14 150 003	97 231	0	0	0	0	14 150 003	1,3
Germany	0	0	10 212 987	108 841	0	0	10 212 987	0,9
USA	2 894 638	20 262	0	0	0	0	2 894 638	0,3
UK	0	0	0	0	0	0	0	0
T0TAL	**1 051 865 312**	**7 665 178**	**24 705 539**	**209 186**	**0**	**0**	**1 076 570 851**	**100,0**

[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 25 October 2019

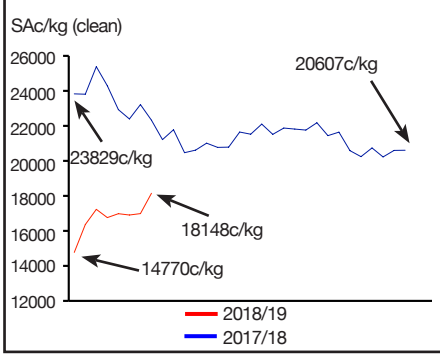
Wool receipts (kg greasy):

2019/20:	15 712 634.3
2018/19:	16 070 554.8
Change:	-2,2%

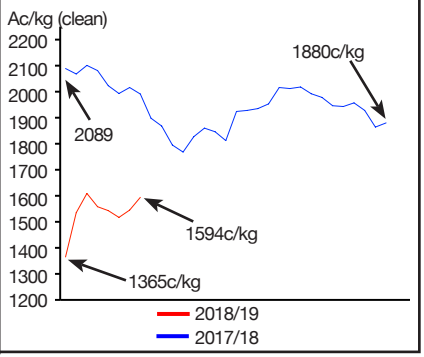
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2019/20:	57 446	8 887	66 333	10 547 535,2
2018/19:	48 244	7 512	55 756	8 498 839,4
Change:	19,1	18,3	19,0	24,1

Graph 1: Cape Wools' Merino indicator on 31 October 2019



Graph 2: Australian Eastern Market Indicator on 31 October 2019



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Degree of stability returns to the wool market

October saw the wool market moving into more positive territory with less volatility after a rather stormy first three months.

Various factors beyond the control of the wool industry influenced market movement. The major factor of these was concern about the effect of the US/China trade war on the global economy, while Brexit caused further uncertainty.

According to Australian Wool Innovation's latest market intelligence report demand for wool from all global sectors has been dwindling over the past 12 to 18 months as political events saw consumers reigning in their spending in the wake of a slowing global economy.

These days, however, the Chinese domestic and European markets are the main areas of sales.

Chinese consumers are increasingly important and linked inextricably to the fortunes of woolgrowers.

An estimated 60% of China's wool imports has remained in China for domestic consumption.

This is a far cry from just 10 years ago when China was processing an equivalent 75% of the wool imported of which almost 100% of the finished goods were exported mainly to the Northern Hemisphere, the report says.

It is quite evident now that the Chinese middle-class consumer is the single largest influencer of wool retail purchasing globally.

The report emphasizes that demand for wool products remains the key driver. Restoring confidence and building demand levels back up is paramount to keeping wool at the forefront as part of farmers' production choices.

The report concludes that until true demand returns, instability and volatility will be in play.

NZ company develops facial recognition software for sheep

The world's first sheep facial recognition software, developed in New Zealand, is set to be prototyped this year.

Sheep NN, a project created by artificial intelligence and machine learning company Iris Data Science, has received a sizeable grant from Callaghan Innovation towards the project that will take the model to prototype by the end of the year.

Iris Data Science was co-founded by Greg Peyroux and Benoit Auvray, who have been working on the project to cheaply re-identify sheep, potentially removing the need for ear-tags while also solving other farm management and broader issues.

The team recently began collecting data and developing similar technology for other livestock, including cattle and goats, and expected that it would be available shortly after the sheep prototype.

Once prototyped, it could be presented to industry and potential investors and they were hoping to do so by early next year, Peyroux said.

The project created interest when it was displayed at an annual event showing digital technologies for the agricultural, horticultural and forestry sectors.

Sheep face images were collected from around Southland, Canterbury and Otago, and fed into a machine-learning model. It slowly learned automatically to identify sheep by finding recognisable features.

Since taking the first pictures more than a year ago, the company had collected "thousands'' of images and hours of high-resolution video footage from farms to create a deep learning identification pipeline that would be further developed in the coming months.

As more farmers moved towards management technologies such as digital scales and automatic drafting gates, a reliable low-cost method of identification was essential, Peyroux said.

Sheep were originally chosen since the company wanted to be first in the world to develop the technology for sheep recognition; now people had told them that there were other opportunities, such as goats.

Interest had been shown by the likes of software and hardware manufacturers, mostly overseas, particularly Australia.

The challenge had been to get the technology working on farm as soon as possible, so people could see it running, and the funding would help them do that, he said.

Future applications for the technology were broad and included tracking animal locations to prevent stock rustling, monitoring animal behaviour, estimating weight, diseases, welfare, or other characteristics, or estimating parentage without the need to observe lambing or do DNA parentage testing.

Other projects included a pasture quality system and optimising fertiliser application.

Source: nzherald.co.nz

Soldiers to test lightweight shirt with wool inside

Hundreds of soldiers will test a new lightweight shirt with wool inside and designed to keep soldiers dry and warm as the service looks for lighter, better-fitting cold-weather gear.

Polartek, a fabric technology company, has created a new shirt soldiers can wear as a layer in cold-weather environments. The olive-coloured shirt features a zip collar and a "no-melt, no drip" design that, if it catches fire, will not stick to soldiers' skin.

What makes the shirt unique is how the manufacturer laid a synthetic material over that so it's not wool on the outside. The company had the item on display at a recent annual Association of the U.S. Army meeting.

NZ sheep numbers expected to fall in 2018/19

NEW Zealand's lamb crop is estimated to fall 2,4 per cent this year, with a decline in the number of breeding ewes, according to the country's annual stock number survey.

Beef + Lamb New Zealand (B+LNZ)'s annual stock number survey between 30 June 2018 and 30 June 2019 indicates there are now 27,4 million sheep and 3,8 million beef cattle in the country.

The North Island lamb crop is estimated to decrease 1,8 per cent, largely driven by fewer breeding ewes available and fewer hoggets to run with rams. The South Island lamb crop is estimated to decrease by 3 per cent to 11,56 million head, also due largely to fewer breeding ewes available.

With 16,97 million ewes, each one percentage point change in breeding ewe lambing percentage is equivalent to around 170 000 lambs, B+LNZ said.

New Zealand's beef cattle herd increased by 2,6 per cent between 30 June 2018 and 30 June 2019, while the sheep flock increased by 0,4 percent.

Otago and Southland were the fastest growing regions in beef cattle, up by 12,9 and 12 per cent respectively, due to high pasture growth and feed availability encouraging farmers to keep cattle on hand.

The growth in the number of total sheep was more subdued, with little variability by region.

B+LNZ Economic Service chief economist Andrew Burtt says a drier summer and late arrival of rain in autumn reduced feed availability during the middle of the season in the North Island.