

Monthly Wool Market Overview

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Wool news for September 2018

SA Merino indicator for Sept 2018

First sale: 25382c/kg
Final sale: 22928c/kg
Movement: -9,7%
Rand/US\$ at last sale: R14,30

SA Merino indicator for Sept 2017

First sale: 15408c/kg
Last sale: 14509c/kg
Movement: -5,8%
Rand/US\$ at last sale: R13,52

Australian Indicator for Sept 2018

First sale: 2101/kg
Final sale: 2023/kg
Movement: -3,7%

Indicator for season 2018/19

Movement since opening: -3,8%
Seasonal high: 25382c/kg
Seasonal low: 22928c/kg
Average to date: 24048c/kg
Average in 2017/18: 17769c/kg

Strong demand fuels market

The new season got off to a good start with the Cape Wools Merino Indicator reaching record levels in the first week of September

The market has been driven by strong demand fuelled by supply concerns following the drought in Australia, while a weaker rand also contributed.

The indicator lost some steam towards the end of the month when the rand unexpectedly strengthened and demand became sluggish following a small offering at the final sale (see **graph 1**).

Prices also retreated in Australia (see **graph 2**).

The effect the drought in Australia has had on production is evident in the latest wool production forecast of a 5,7% drop compared with last season.

This reflects not only the reduction in sheep numbers but also lower

fleece weights.

The worst affected areas are New South Wales and South Australia.

As far as the market outlook for 2018/19 is concerned, the Australian Bureau of Agriculture and Resource Economics and Sciences (Abares) is forecasting prices to rise further.

Abares cautions that there are risk factors to be taken into account, one of which is the ongoing China-US trade tensions (see **p2**).

Other interesting developments are an eco-friendly surfboard that uses wool instead of fibreglass, and a research project to automate wool harvesting (see **p2**).

The aim is to develop a prototype machine for fully automated end-to-end wool harvesting to fill the shearer shortage gap.

Wool shipments to top 10 export destinations for July '18 - August '18

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	180 340 958	1 322 966	0	0	0	0	180 340 958	58,2
Czech Republic	95 971 725	601 023	0	0	0	0	95 971 725	31,0
Italy	2 054 963	25 384	21 262 865	116 796	0	0	23 317 828	7,5
Germany	0	0	6 186 297	50 864	0	0	6 186 297	2,0
Mexico	0	0	1 885 776	10 059	0	0	1 885 776	0,6
India	0	0	743 963	8 170	0	0	743 963	0,2
USA	0	0	1 622 945	9 469	0	0	1 622 945	0,5
Bulgaria	0	0	0	0	0	0	0	0
UK	0	0	0	0	0	0	0	0
Egypt	0	0	0	0	0	0	0	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 7 September 2018

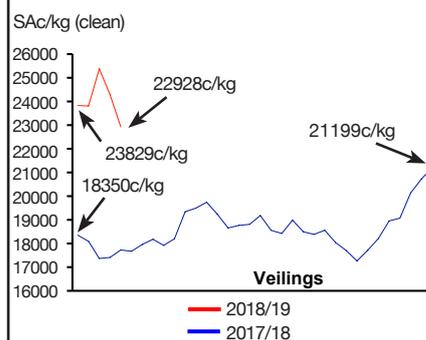
Wool receipts (kg greasy):

2018/19: 6 454 645,6
2017/18: 7 204 713,9
Change: -10,4%

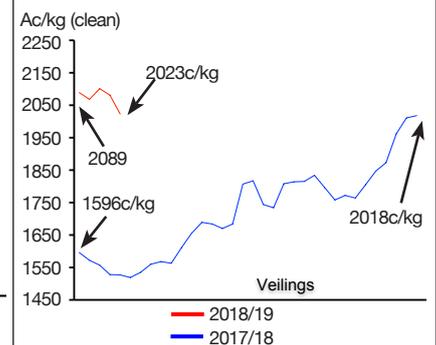
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2018/19:	28 483	3 396	31 879	4 885 616,8
2017/18:	28 349	4 949	33 298	4 980 011,2
Change:	0,5	-31,4	-4,3	-1,9

Graph 1: Cape Wools' Merino indicator on 26 September 2018



Graph 2: Australian Eastern Market Indicator on 26 September 2018





Australian wool production forecast to decline by 5,7%

Australia's wool production for the 2018/19 season is forecast to fall by 5,7% to 322 mkg greasy.

This is a historical low and a far cry from the late 1980s when Australia produced over 800 mkg wool.

In 1989/90 production reached an all-time high of 1 030,9 mkg on the back of historical high prices during the so-called "wool boom".

According to the Australian Wool Production Forecasting Committee this fall reflects an expected reduction in both the number of sheep shorn and average wool cuts per head as a result of the dry seasonal conditions across most of the country.

According to committee Chairman, Russell Pattinson, adverse seasonal conditions in many sheep producing areas across Australia have resulted in a high sell-off of sheep and lambs. It will also mean lower average fleece weights in several states.

Mr Pattinson said the Committee's first forecast for the 2018/19 season made in April at 333 mkg assumed that normal seasonal conditions would prevail, which had not been the case.

As a result, wool production is expected to fall in all states except Tasmania. The largest reductions are expected in New

South Wales (down 8,9%) and South Australia (down 6,0%). How the season progresses over the next couple of months will be very important for overall production levels this season.

The Committee estimates that shorn wool production for 2017/18 was 341 mkg a 0,3% increase in production compared to 2016/17.

Wool production reductions were greatest in Western Australia (down 8,5%) and Queensland (down 3,0%), while Victoria showed the largest increase (+ 8,9%) with increases also in South Australia (+2,7%) and Tasmania (+1,5%).

The estimated 0,3% increase in production in 2017/18 is consistent with Australian Wool Testing Authority (AWTA) test weight data for the season (+0,6%) and AWEX first-hand offerings (+2,2%).

AWTA test data for 2017/18 by micron showed reductions in the weight of wool tested between 19,6 and 24,5 micron (down 11,3%) while there was an increase in weight of wool tested between 16,6 and 19,5 micron (+11,7%) as well as over 26,6 micron (+11,7%).

Production of wool 16,5 micron and finer fell by 10% last season.

Source: AWI

Prices forecast to rise in 2018/19

Australia's market indicator is forecast to increase year-on-year in 2018/19.

Declines in Australian shorn wool production and sustained global demand for fine and superfine wool are expected to drive this increase, says the Australian Bureau of Agriculture and Resource Economics and Sciences (Abares) in its September quarter Wool Outlook.

Assumed income growth in major textile-consuming markets – such as China, the United States and the European Union – continues to underpin global demand for fine and superfine wool.

However, wool prices are likely to face downward pressure if textile industries substitute to lower-cost fibres.

According to Abares the ongoing China-US trade tensions remain a risk factor to global economic activity and the outlook for global textile markets. A significant proportion of wool processed in China is exported to the US as textiles and apparel.

Currently no additional tariffs have been imposed by the US on woollen imports from China. However, there is a risk that they could be included in future escalations of the dispute.

The dispute could also lead to lower consumer confidence and demand both in

the US and globally.

A second risk factor is that wool has become less price competitive than alternative fibres such as cotton and polyester staple fibre. The wool content of textiles can be locked in for the duration of production contracts. This limits the ability of manufacturers to respond to price rises.

However, new season contracts provide textile manufacturers with an opportunity to revise the wool content of products. The magnitude of this substitution and its effect on prices is difficult to predict, but it poses a significant downside risk to the current forecast.

The price threshold for textile manufacturers to switch to lower-cost fibres is likely to have been rising gradually over the last decade. Fine wool is a niche product in the global fibre market. It is now more likely to be used in specialised applications that have fewer substitutes.

Despite rising prices, consumer demand for wool has continued to grow, reflecting rising incomes. However, high prices tend to lead to the development of new substitutes and supply sources. This poses a significant longer-term risk to continuing high wool prices.

Source: Abares

Wool replaces fibreglass in revolutionary new surfboard

A New Zealand entrepreneur has developed a revolutionary new surfboard using wool to replace the traditional fibreglass.

The boards will be released in Australia early next year under the Firewire Surfboards brand 'Woolight'.

The wool composite technology used was created by Paul Barron in cooperation the New Zealand Merino Company.

Barron believes the wool surfboard is only "a drop in the ocean" of potential uses for wool composite materials in water sports and other products.

He says the performance matches traditional fibreglass boards. However, the wool allows more flex to be built into the board due to the fibre.

He also finds wool far nicer to work with, there is less waste since he can reuse the wool on the cutting floor; and it requires less resins.

Source: SheepCentral

Automated shearing the way forward?

Automated shearing could be the way of the future for shearing sheds around Australia following the launch of an Australian Wool Innovation (AWI) funded research project to automate wool harvesting from sheep.

In partnership with Ranken Research and Robo Shear, the four-year project is a practical engineering research and development project that aims to design, construct, field test and evaluate a proof of concept prototype machine for fully automated end-to-end wool harvesting.

Australian Wool Innovation General Manager Research, Jane Littlejohn said the research was a long-term project that was seeking to develop a prototype machine to fill the shearer shortage gap.

Robo Shear Project Director Richard Lyons said the final product envisaged is a modular, portable, reliable machine that can fully automatically harvest traditional fleece wool from a sheep.

"Our long-term aim is to develop a readily available and capable automated alternative to manual shearing that will provide a range of benefits including ensuring the welfare of the sheep and reduces the risk of both human and animal injury," Mr. Lyons explained.

"It is critical the end product of our project ensures the quality of the fleece with a target rate of 1 500 de-fleeced sheep in a continuous 10-hour period."

Source: AWI