

Monthly Wool Market Overview

Published by Cape Wools SA



Wool news for July 2018

Wool sales until December 2018

15 Augustus
22 Augustus

05 September
12 September
19 September
26 September

03 October
10 October
17 October
24 October
31 October

07 November
14 November
21 November
28 November

05 December

Wool prices up, production down

Woolgrowers have had an excellent wool season with the market performing at much higher levels than the previous season.

According to Cape Wools statistics the average Merino Indicator for the 2017/18 season came to R186,04/kg (clean), which is 19,39% higher than the average for 2016/17.

The average price for Merino wool was R113,37/kg (greasy) and for other white wool R78,12/kg (greasy). The overall average price for all wool delivered was R100,24/kg (greasy).

The recorded gross value of sales for wool sold at auction came to R4 803,13 million, up 14,1% on the previous season.

Total receipts for 2017/18 dropped to 48,9 m/kg, down 6,6% on 2016/17.

The Eastern Cape remains the top wool-producing province, delivering 17,6 million kg, or 36%, of total receipts,

followed by the Free State with 8,5 mkg (17%), and the Western Cape with 7,5 mkg (15%).

The three top wool-producing magisterial districts were Caledon (1 107 340 kg), Bredasdorp (973 370 kg) and Barkly-East (884 457 kg).

A large percentage of the clip, 51%, tested finer than 20µ. The bulk of the clip (around 42%) still falls in the medium-fine category (20 - 22µ).

An analysis of export data shows that South Africa is primarily a grease wool exporter, with 49 231,1 metric tonnes of grease wool shipped during the year. This represents 94% of the total value of exports.

Processing statistics show a large decrease in local primary processing with the production of tops down 72,2%. Carbonised production increased by 7,3%.

Wool shipments to top 10 export destinations for July '17 - June '18

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg	R	
China/HK/Macau	3 554 294 650	35 117 659	23 523 553	132 981	1 027 278	17 679	3 578 845 481	67,3
Czech Republic	679 221 397	7 564 152	0	0	0	0	679 221 397	12,8
Italy	487 616 744	4 231 653	62 111 619	396 693	14 7514 886	697 200	697 243 249	13,1
Bulgaria	123 266 945	1 188 161	0	0	0	0	123 266 945	2,3
India	90 916 259	724 525	3 394 300	42 798	0	0	94 310 559	1,8
Germany	0	0	35 081 986	246 503	31 016 385	165 501	66 098 371	1,2
Egypt	44 161 905	320 088	0	0	0	0	44 161 905	0,8
USA	0	0	1 392 547	10 280	9 446 072	40 395	10 838 619	0,2
Mauritius	0	0	0	0	11 208 012	67 911	11 208 012	0,3
Australia	6 901 129	63 447	0	0	0	0	6 901 129	0,1

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 for 2017/18

Wool receipts (kg greasy):

2017/18: 49 160 200,5
2016/17: 52 421 066,3
Change: -6,2%

Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2017/18:	193 489	121 985	315 474	47 472 154,9
2016/17:	200 092	115 572	315 664	47 800 095,8
Change:	-3,3	5,5	-0,1	-0,7



One Australian farmer has been forced to feed onions to his sheep because of a shortage of feed caused by the dry conditions (see p2). Picture ABC.net.au



Is wool pricing itself out of the market? Not necessarily

Is wool pricing itself out of the market? This is the question asked by many after the dramatic increase in wool prices over the past season.

Where wool has traditionally traded at between 3 and 4 times the price of cotton, since around 2014, the price of wool has pulled away from the traditional price ratios for not only cotton but the man-made fibres and has therefore become relatively more expensive, according to the latest monthly Market Intelligence report of Australian Wool Innovation (AWI).

According to the report the June 2018 wool:cotton ratio is now 7,1. The price of wool is currently 2,49 times the price of nylon.

To find an answer to the above question woolgrowers should be placed in the same context as fabric-makers, fashion designers and retailers.

The reason is that just as most wool-growers have the choice as to what to produce from their land, often a choice between wool and meat sheep, beef production or cropping, those further along the wool production chain have a choice about what to produce also.

Fashion designers must choose a look, a design, made from fabric and the manufacturer and retailer also. In fact, ultimately the consumer makes a choice about what to purchase and in essence this is the most important transaction in the entire wool industry as until the consumer purchases a wool product, no one along the entire industry has actually sold any wool at all.

On the question whether wool is substituted for cheaper fibres as wool prices increase the answer is yes. When the price

of wool lifts for a sustained period of time fibre substitution is first seen in the stores where sales volumes are high and margins are low.

Essentially the change happens from the lower end of the fashion pyramid, and this is exactly why many wool marketing efforts occur towards the top of the fashion pyramid.

"As a marketing body, AWI/Woolmark wants to be working with retailers and brands that are willing to pay more for wool, that have what economists call a higher price elasticity; partnering with companies who have a longer-term commitment to using wool and who recognise the need to pay woolgrowers a sustainable price and can also absorb higher prices."

The report states that there is a case for optimism.

Merino wool was compared with cotton, or nylon, polyester and acrylic as substitutes to a certain degree, however there is a more precious and rare fibre with which Merino wool compares very favourably, both in price and functionality, and that is cashmere.

Merino wool is, on average, a little broader than most cashmere fibres but is easier to process and more durable to wear as anyone who owns a pure cashmere jumper will attest to.

Current prices show that cashmere is roughly four times the price of fine Merino wool.

The question is what would a designer, retailer or brand looking to create a functional, durable, stylish garment that people are willing to pay a premium for, choose? *Source: AWI Monthly Market Report*

Drought forces Aussie farmer to feed onions to his sheep

A South Australian farmer has resorted to feeding onions to his sheep because of a shortage of feed caused by the dry conditions.

Grantley Doecke farms at Sutherland, about an hour and 40 minutes north of Adelaide, has fed his sheep hundreds of tonnes of onions.

He said he has never seen the area so dry in his life.

"It doesn't look like we're getting any more rain anytime soon."

Mr Doecke acquired the onions after speaking with a friend at church who he said "knew someone who knew someone" who had onions that could not be sold and needed to be disposed of.

He said his sheep did not take to the onions for the first week but by the second week they were more enthusiastic.

The harsh reality of drought continues to be felt across New South Wales, with some farmers claiming a shortage of bullets to euthanase emaciated stock.

It is a scenario repeated across much of the state as farmers try to source feed elsewhere.

In the Hunter, sheep and cattle graziers are offloading stock at a rapid rate, while others are shooting dead those deemed too weak to be transported to the market.

Source: ABC.net.au

Sheep shortage in Middle East due to exports halt

Australia's markets in the Middle East for live sheep exports are turning to other alternatives as a stalemate between live exporters, the regulator and Animals Australia continues to stall shipments from Western Australia.

Middle Eastern countries, including Qatar, the United Arab Emirates and Kuwait are reportedly facing sheep shortages in the lead up to the annual Festival of the Sacrifice or Eid-al Adha, starting on 24 August because shipments from Australia have ceased.

Sheep are normally exported from Australia every two weeks in the lead up to the Eid festival. Shipments had to be halted after the largest exporter and its subsidiary's export licences were suspended.

About 60 000 sheep were left in a feedlot outside Perth after the licence suspensions. Some have been sold to processors.

Qatar has recently sourced sheep from Somalia, Sudan and Armenia.

China imports more grease wool

China's grease-wool imports from South Africa for the 2017/18 season has increased by almost 6% year-on-year (see pie chart).

Exports to Czech Republic, the second largest grease wool importer, were up by 1,7%.

While grease-wool exports to the other major importers, Egypt and India, were down, a new player, Bulgaria, emerged to become the third largest importer of grease wool from South Africa.

Calculated on a value basis Italy remains the third largest importer.

The other major im-

porters are India, Germany and Egypt.

Due to the large increase in wool prices, especially during the latter half of the season, export earnings for 2017/18 were up 23,9%, totalling R5,3 billion.

