

Monthly Wool Market Overview

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Wool news for May 2018

SA Merino indicator for May 2018

First sale: 19070c/kg
Final sale: 20723c/kg
Movement: 8,7%
Rand/US\$ at last sale: R12,57

SA Merino indicator for May 2017

First sale: 15944c/kg
Last sale: 15559c/kg
Movement: -2,4%
Rand/US\$ at last sale: R13,10

Australian Indicator for May 2018

First sale: 1873/kg
Final sale: 2011/kg
Movement: 7,4%

Indicator for season 2017/18

Movement since opening: 12,9%
Seasonal high: 20723c/kg
Seasonal low: 17264c/kg
Average for season: 18525c/kg
Average in 2016/17: 15594c/kg

Wool is experiencing a "super cycle"

The wool industry currently is in a "super cycle phase," says well-known Australian analyst Chris Wilcox.

Prices have been rising for weeks in a row, reaching fresh record highs. The Cape Wools Merino indicator on the last sale in May was up by almost 13% on the opening sale of the season (see **graph 1**).

In Australia, the indicator broke through the 20A\$/kg barrier, with current prices almost a third higher than at the same time last season (see **graph 2**).

What is fuelling this price increase? According to Wilcox drivers for wool demand include low global production, economic growth, consumer taste, price of competing fibres (Merino wool is eight to nine times more expensive than synthetics for example) and marketing.

He said in general a rise in Merino wool prices would coincide with a rise in oil and

metal prices. But Merino wool had performed best of all fibres in terms of price.

More wool is also being consumed within China than ever before, reflecting an increase in local consumption.

Wilcox said risks to global economic growth included rising interest rates, debt and credit risks in China, exchange rate volatility and the potential for trade wars.

He said the key to wool's future was innovation and product development, especially for mid-micron and broad wools. He believed the outlook was rosy for at least another 12 months.

This sentiment is echoed by Australian Wool Innovation CEO Stuart McCullough. He says the steady rise in demand (and therefore price) from existing and new markets such as sportswear gives weight to the theory that current prices can last for some time to come.

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

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	2 257 959 361	22 124 967	23 523 553	132 981	746 816	9 713	2 282 229 730	70,9
Czech Republic	411 213 471	5 438 301	0	0	0	0	411 213 471	12,8
Italy	111 132 501	790 656	59 194 805	375 170	146 570 164	688 693	316 897 470	9,9
Germany	0	0	24 126 487	185 042	31 016 385	165 501	55 142 872	1,7
Bulgaria	50 430 394	487 811	0	0	0	0	50 430 394	1,6
India	44 860 817	364 822	1 733 752	19 812	0	0	46 594 569	1,4
Egypt	31 277 289	228 321	0	0	0	0	31 277 289	1,0
USA	0	0	1 392 547	10 280	7 354 257	31 358	8 746 804	0,3
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	0,1

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 up to 27 April 2018

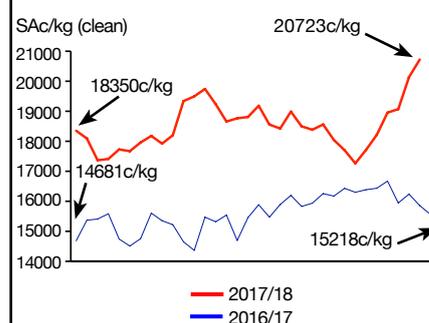
Wool receipts (kg greasy):

2017/18: 44 780 961,8
2016/17: 48 251 151,6
Change: -7,2%

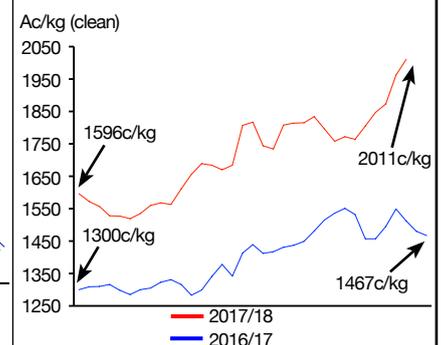
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2017/18:	168 067	114 626	282 693	42 402 891,1
2016/17:	171 673	109 388	281 061	42 461 525,5
Change:	-2,1	4,8	0,6	-0,1

Graph 1: Cape Wools' Merino indicator on 30 May 2018



Graph 2: Australian Eastern Market Indicator on 30 May 2018





Current wool boom looks more sustainable this time

The current wool boom, now into its third year, looks more sustainable this time around, says Australian Council of Wool Exporters and Processors executive director Peter Morgan.

"In the past, a period of good prices rarely went beyond a couple of years, this looks a bit different," Dr Morgan said.

Dr Morgan who attended the International Wool and Textile Organisation conference in Hong Kong last month, said processors were philosophical about the prices they currently had to pay.

"There appeared to be little concern compared to what we've seen in recent years," he said.

Dr Morgan said it was unlikely that prices would continue to rise at their almost exponential rate, but stable production and wool's increasing popularity in active sportswear, as well baby clothes, is keeping demand high.

"Wool is an incredibly healthy product and there is growing demand for next-to-skin garments for babies with eczema," he said.

On the supply side, the size of the Australian flock has dropped significantly since its heyday.

Big investments in cropping land and

the high price of meat has also kept wool production low.

The other factor supporting the price hike is the parched conditions across much of Australia's best pastoral lands.

In addition, we are seeing the best conditions for world synchronised growth since the global financial crisis, particularly in China, Germany, France, Italy, USA, UK and Korea, analyst Chris Wilcox said.

He told the conference consumer confidence was at the highest levels seen in the millennium, both in the United States and Europe since the late 1990s.

He said a resolution of the trade disagreements between the US and China would remove one of the potential external triggers of a slide in what he described as "this superb wool market."

The reaction of Chinese woollen mills to recent high wool prices included that there have been "manageable" reductions in margins through to the retail level and some substitution of wool with other fibres.

He said other triggers to a "super-cycle" downturn could be rising official interest rates in the US and Europe dampening economic growth or debt levels and credit risk in China.

Sources: *abc.net.au* and *Sheep Central*.

Blowfly research may lead to vaccine

Sheep farmers across Australia have been trapping blowflies and posting them to Melbourne to help scientists create a vaccine to protect sheep against fly strike.

The University of Melbourne is conducting a study of the blowfly genome to find which genes are important when fly maggots are growing in sheep.

School of BioSciences research associate Dr Trent Perry said once those particular genes were found, scientists would investigate if they could be effectively shut down by a vaccine or another control.

It follows research published in 2015 where the blowfly's entire genome was mapped.

"What we're hoping to use the genome for is to try and understand which genes are important when the blowfly maggots are starting to parasitize sheep," Dr Perry said.

"In order to look at these genes we need to have a great blueprint, and that's what the genome provides us with.

"We're trying to understand which genes might be critical for that development phase of the maggots. The longer term aim is to try and understand whether it would provide some better control if we were to inhibit those either through vaccine or other means."

To find the most common blowfly

genes, a broad spectrum of fly samples from across Australia were required for the research.

Dr Perry said farmers were happy to assist. "Some farmers were kind enough to get out some nets and actually catch some flies that were hanging around the sheep."

"We've processed over 130 samples from 18 different locations and we're about to send them off for sequencing. At present, we don't really know much about the biology of the blowfly.

"Until we fully understand how much of an effect you can have on them when we impact those genes, that is when we will be able to understand whether this is most likely to function as a good vaccine and a good level of protection," Dr Perry said.

He said even if the research were to be positive, a commercially available vaccine for sheep producers was still many years away.

He was hopeful a laboratory trial of a potential vaccine could be underway in two to three years.

The Genetics of Blowfly Parasitism project has been running for approximately two years and is funded by Australian Wool Innovation.

Source: *abc.net.au*

Calls for AWI to be terminated and wool levy to cease

Calls for Australian Wool Innovation (AWI), the Australian research, developing and marketing body, to be dissolved and the compulsory wool levy to cease are among the grower submissions to the latest performance and governance review of the body.

Some submissions thought the body was doing a good job while others were not very complimentary.

The review follows damning revelations of AWI chairman Wal Merriman swearing at journalists, secretly observing competing stud breeders in a research focus group behind a one-way mirror and overseeing a widely criticised election process.

In its review submission, the Australian Wool Growers' Association (AWGA) recommends that the AWI and its compulsory wool levy be scrapped in favour of a model similar to New Zealand Merino where growers are able to voluntary support AWI if it delivers profit, dividends or benefits.

AWGA submits that the AWI board has consistently interfered with the WoolPoll process and that levy payers have never voted on the levy split between research and marketing.

Peak woolgrower body WoolProducers argues that the manner in which AWI biennial director elections and the triennial vote in the WoolPoll are conducted, despite being managed in accordance with relevant requirements and regulations, are heavily influenced and controlled by the AWI board.

Source: *Sheep Central*

Kuwait looking for new livestock suppliers

Kuwait's Livestock Transport and Trading company (Al Mawashi) is in talks with possible new livestock suppliers, including South Africa, after an Australian lawmaker proposed legislation to ban the export of live sheep, its chief executive Usama Khaled Boodai said last month.

The proposal followed an outcry in Australia after footage emerged showing 2 400 sheep dying from heat stress on a ship bound for the Middle East last year.

He said the Kuwaiti company was in talks with South Africa, Sudan and Horn of Africa countries as part of its efforts to diversify its sources of livestock.

Kuwait in 2017 imported 1,28 million of the total of 1,88 million sheep exported live from Australia.

While the bulk of Australia's meat exports are processed, markets such as the Middle East and Indonesia prefer to buy live animals.

Source: *Reuters*