

Monthly Wool Market Overview

Published by Cape Wools SA



Wool news for July 2015

SA Merino indicator for May/June '15

First sale in May: 13202/kg
Last sale in June: 14120/kg
Movement: 6,9%
Rand/US\$ at last sale: R12,33

SA Merino indicator for 2013/14

First sale May '14: 11643/kg
Last sale June '14: 11291/kg
Movement: -3%
Rand/US\$ at last sale: R9,83

Australian Indicator for May/June '15

First sale: 1243/kg
Last sale: 1367/kg
Movement: 10%

Indicator for season to end June 2014/15

Movement since opening: 26,5%
Seasonal low: 10793c/kg
Seasonal high: 14120c/kg
Average for season: 11531c/kg
Average in 2013/14: 11374 c/kg

Short-term outlook remains good

The wool market ended the previous season on an all-time high. The big question now is whether it will be able to maintain its momentum.

Australian industry analyst Chris Wilcox is fairly upbeat about the short-term outlook.

In a recent interview on ABC radio he said the short-term demand for wool was the best since the global financial crisis, while wool production was at a 50-year low worldwide.

"The short term is going to be driven in part by what happens in retail in the coming Northern Hemisphere's autumn/winter and the prospects there are pretty good," he said.

He was confident that demand for raw wool over the next six months would remain fairly constant.

He said that while there might be

some volatility from week to week, prices would remain at their current high levels.

Apart from low production, other factors that may play a role are low stocks of raw wool and low stocks in the pipeline.

China will remain the biggest driving force. Figures show that about half of the wool products produced in China are consumed locally at retail by its rapidly growing middle class.

South African export statistics for 2014/15 show an increase in shipments to China compared with 2013/14 (see p 2).

Grease-wool shipments rose 15%, scoureds were up by almost 22% and tops and noils increased by 121%.

Calculated on a value basis China last season took up 69,8% of the total value of exports.

Exports to the EU countries, however, were down.

Wool shipments to top 10 export destinations – July 2014 to June 2015

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	2 004 184 171	33 895 897	32 902 219		23 146 451	246 829	2 060 232 841	69,8
Czech Republic	293 495 744	4 198 933	0	0	0	0	293 495 744	10,0
Italy	91 033 443	1 277 424	53 288 061	585 371	131 626 146	1 602 769	275 947 650	9,4
India	124 779 871	1 967 554	8 074 925	125 222	0	0	132 854 796	4,5
Egypt	69 543 044	821 515	2 699 800	30 656	1 711 840	11 964	73 954 684	2,5
Germany	0	0	32 152 411	412 779	11 907 609	86 796	44 060 020	1,5
UK	622 515	20 500	0	0	26 301 016	231 988	26 956 563	0,9
USA	0	0	2 970 746	24 467	10 268 192	70 152	13 238 938	0,4
Mauritius	0	0	0	0	7 662 051	66 185	7 662 051	0,3
France	0	0	0	0	6 739 636	58 072	6 739 636	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 end June 2015

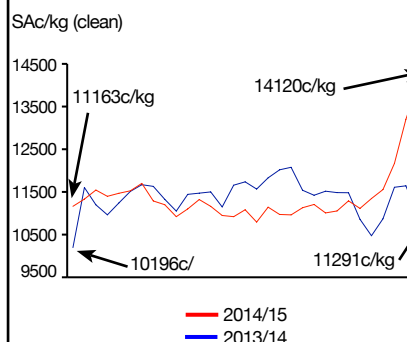
Wool receipts (kg greasy):

2014/15: 49 788 439
2013/14: 50 506 131
Change: -1,4

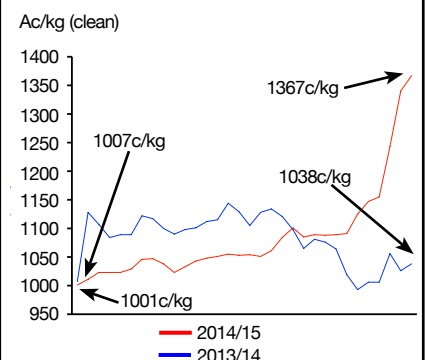
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2014/15:	205 998	110 001	315 999	47 832 215,2
2013/14:	213 651	100 464	314 115	47 538 942,8
Change:	-3,6	9,5	0,6	0,6

Graph 1: Cape Wools' Merino indicator on 10 June 2015



Graph 2: Australian Eastern Market Indicator on 10 June 2015





Slight drop in wool production

South Africa's wool production for 2014/15 came to 49 788 439 million kg, which is slightly lower than that of the previous season when production totalled 50 506 131 million kg (mkg) – the highest level in 10 years (see **fig 1**).

These totals include wool from Lesotho and Namibia, all of which is sold in South Africa (see **table**).

Total production for South Africa came to 45,6 mkg, which was a 0,5% increase on the previous season.

Lesotho produced 4,2 mkg – down from 4,9 mkg last season, while Namibia's production has fallen to 3 755 kg from 6 902 kg in 2013/14.

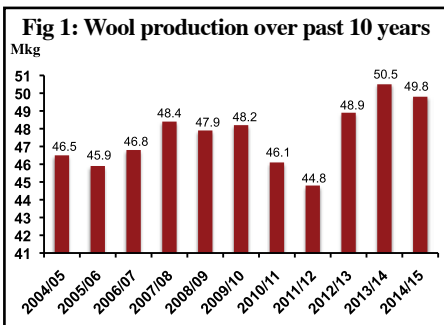
The Eastern Cape remained the largest wool-producing province, producing 16,1 mkg – an increase on last season's 15,5 mkg. This can be probably be ascribed to an increase in production in the former Ciskei and Transkei areas.

The Free State was the second largest wool-producing province, followed by the Northern Cape and Mpumalanga.

A total of 13 magisterial districts produced 700 000 kg and more (see **fig 2**). Of these, only three produced over a million kg, namely the Western Cape's Caledon, Bredasdorp and Swellendam.

In the Eastern Cape, the major wool-producing districts were Barkly East, followed by Cradock, Somerset-East and Albert.

The top wool districts in the Free State were Ladybrand, Vrede, Frankfort and Harrismith.



Wool production

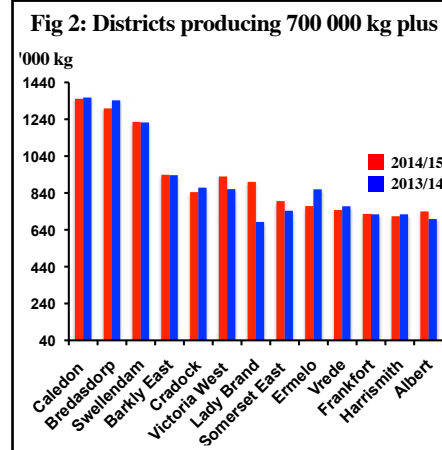
Province	2014/15 Kg greasy	2013/14 Kg greasy
Eastern Cape	16 141 396	15 529 348
Western Cape	9 120 053	9 051 541
Northern Cape	5 945 549	6 043 433
Free State	10 112 388	10 326 986
Mpumalanga	2 438 164	2 627 280
Limpopo	7 841	16 569
Gauteng	304 805	262 683
North West	601 419	679 581
KwaZulu-Natal	769 491	758 802
Direct Purchases	167 961	291 566
Subtotal: SA	45 609 066	45 587 790
Namibia	3 755	6 902
Lesotho	4 175 618	4 911 439
Total: SA	49 788 439	50 506 131

In the Northern Cape Victoria West was the largest producer, followed by Calvinia, De Aar and Richmond.

In Mpumalanga Ermelo held its position as the top wool-producing district, followed by Standerton, Wakkerstroom and Bethal.

In KwaZulu Natal the only districts producing more than 100 000 kg were Mount Currie and Utrecht.

The largest wool-producing districts in Lesotho were Mokhothlong, Maseru, Thaba Tseka and Leribe.



Iran clones rare wild sheep

Scientists at the Royan Institute in Iran have successfully cloned an Esfahan mouflon, a rare wild sheep that is nearly extinct due to poaching.

The wild mouflon is thought to be one of the first sheep to be domesticated. It took place in ancient Mesopotamia between 11 000 and 9 000 BC.

The little mouflon, named Maral, has been alive for over three weeks at Royan farm and holds a long-shot promise of rejuvenating the species.

The success could open up new strategies for conservationists trying to bring species back from the brink of extinction, but critics warn cloning does nothing about the fundamental problems that lead to extinction and risk the health of the specimens involved in the process.

Royan's head of biomedical research centre, Mohammad Hossein Nasr-Esfahani, said the project had been in the making for over four years.

"Conservation of wildlife is an important concept in developing countries, and so far a few successful projects involving birth of wild animals by interspecies cloning have been achieved worldwide."

The institute's herd of cloned goats and cloned sheep had already survived for five years. The country's Shia clerics have given their blessing to researchers.

Below: Maral, the cloned mouflon. Far below: An adult mouflon sheep.



China increases market share

Exports to China (on a value basis) have increased in the 2014/15 season (see **fig 3**).

The total value of the wool shipped there amounted to R 2 060-million, or 69,7% of the total value of exports, compared with R1 890-million, or 60,3%, in 2013/14.

But exports to the second largest (see importer of South African wool, the Czech Republic, have declined. In 2013/14 wool to the value of R454-million, or 14,4% of the total value, was shipped to the Czech Republic. In 2014/15 the figure was down to R293-million, or 10%.

Exports to other European countries

were down across the board.

These include Italy, the third largest importer, which placed fewer orders for greasy and semi-processed wool than in the previous season.

Shipments to India, the fourth largest importer, were also down and the value of wool shipped there came to 4,5% of the total value of exports, compared with 5,4% the previous season.

Although greasy-wool shipments to Egypt were down, the country for the first time also imported some scoureds and tops.

Fig 3: Main importing countries July 2014 - June 2015

