

Monthly Wool Market Overview

Published by Cape Wools SA



Wool news for August 2015

SA Merino indicator for Aug '15

First sale in Aug: 12922/kg
Last sale in Aug: 12813/kg
Movement: -0,8%
Rand/US\$ at last sale: R12,88

SA Merino indicator for 2014/15

First sale Aug '14: 11163/kg
Last sale Aug '14: 11163/kg
Movement: 0%
Rand/US\$ at last sale: R10,66

Australian Indicator for Aug '15

First sale: 1300/kg
Last sale: 1281/kg
Movement: -1,5%

Indicator for season to end Aug 2015/16

Movement since opening: -0,8%
Seasonal low: 12813c/kg
Seasonal high: 12922c/kg
Average for season: 12868c/kg
Average in 2014/15: 11248c/kg

A shaky start for the new season

The wool market got off to a shaky start following the uncertainty caused by the turmoil in the Chinese economy.

And although the Merino indicator is down from the record levels achieved towards the close of the previous season, prices remain at healthy levels.

At the second sale of the season the indicator closed 13% higher than at the same sale the previous season (see **graph 1** below).

It is difficult to tell how long the uncertainty in the Chinese market will continue and what effect that will have on wool prices.

The International Monetary Fund (IMF) has issued a warning that the slower growth in China and continuing stock market uncertainty posed a threat to global economic growth.

The IMF said in a statement that

China's slowdown appeared to have bigger repercussions for other countries than had been expected and that these problems could lead to "much weaker outlook" for global growth.

The devaluation of the Yuan and subsequent fall in the currencies of the major wool exporting countries may provide some support to the market since wool will not be much more expensive for Chinese processors.

It is interesting to note that at the last sale in August this year the rand was trading at an average rate of R12,88 against the US\$. At the same sale a year ago, it was trading at R10,66 – a drop of almost 21%.

Test results for this past season show that there was virtually no change in the micron distribution of the clip compared to the previous season (see **p 2**).

Wool shipments to top 10 export destinations for 2014/'15 season

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 21 Aug 2015

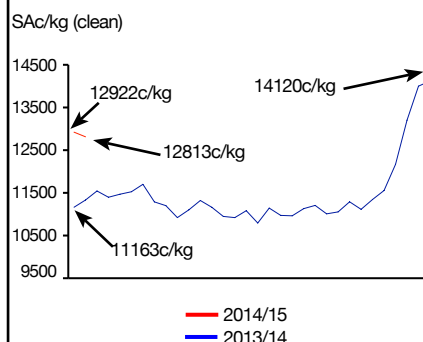
Wool receipts (kg greasy):

2015/16: 3 928 986,9
2014/15: 5 883 497,8
Change: -33,2

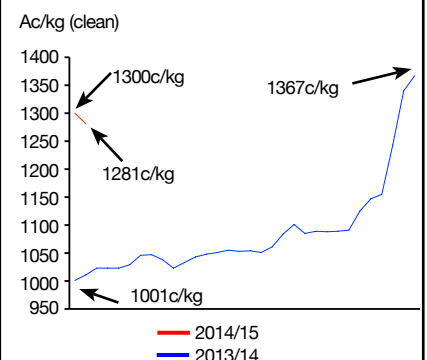
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2015/16:	9 766	1 787	11 553	1 774 586,8
2014/15:	23 005	3 890	26 895	4 066 216,9
Change:	-57,5	54,1	-57,0	-56,4

Graph 1: Cape Wools' Merino indicator on 19 August 2015



Graph 2: Australian Eastern Market Indicator on 19 August 2015





More wool in womenswear helps to drive demand

The wool market has in recent months shown resilience despite uncertain global economic conditions, particularly in China.

This can, in part, be attributed to solid demand. Part of this demand comes from the resurgence of wool in womenswear, says International Wool Textile Organization (IWTO) president Peter Ackroyd.

According to Ackroyd this market lost momentum about 30 years ago when tailored womenswear opted for synthetic fibres, a decision purely based on price pressures in the high street.

"The result was that the worsted wool industry lost considerable business in the 1980s."

Refined tailored look

He reports that just six months ago, runways, catwalks and fashion commentators in Paris, Milan, London and New York were witnessing strong evidence of wool's rapid autumnal return to quality womenswear.

"Initially chunky, tweedy and coarse, the woollen look easily lent itself to the trend for layering, with sweaters, stoles, scarves and capes that followed the return of traditional coats."

According to him a more refined tailored look is now a key trend for this au-

turn and drape is an essential element in the new look that British Vogue in its August edition called the 'Suit...Reboot'.

"We noticed last year several leading couture houses in Paris were sampling fine worsted qualities traditionally associated with menswear for their womenswear collections. Some excellent business ensued and we expect the interest to be much stronger next season," noted Richard Boide, Commercial Director of Dormeuil in Paris.

The Woolmark Company Chief Marketing Officer Rob Langtry agrees.

Sourcing guide

"The Wool Lab, our inspirational sourcing guide, has researched and resourced this relatively new phenomenon of women seeking more sustainable solutions to both formal and informal dressing. I see a pivotal role for finer micron wools in womenswear as consumers seek more environmentally acceptable solutions each season."

Further evidence of this trend may well be seen in September at Milano Unica and Première Vision trade events. More than 200 weavers of worsted Merino wool, predominantly from Italy, China, UK, India and Turkey, will be showing fabric collections for the Northern Hemisphere winter 2016.

Overgrown sheep's fleece weighs 40 kg

An overgrown Australian sheep found wandering near Canberra has set an unofficial world record with a fleece weighing 40 kg.

Following an urgent appeal by the Australian RSPCA for a shearer, four-time Australian shearing champion Ian Elkins volunteered to shear the sheep, dubbed Chris. Elkins described the marathon shearing session as one of his biggest challenges, saying he had never seen anything like it in 35 years of work.

The sheep had to be sedated during the very delicate operation.

This fleece tops that of New Zealand's hermit ram dubbed Shrek who took six years to grow his massive fleece that weighed 27kg when it was shorn in 2004.

Chris appeared to be in a good condition after parting with his fleece. A new home will now be found for him.

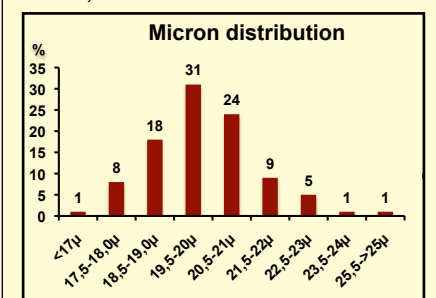


Little change in micron distribution of clip

Wool testing results for the 2014/15 season show little change in the micron distribution of the clip compared to the previous season.

The largest percentage of all wool tested fell in the 19,5-20 micron category. The second largest category was wool of 20,5-21 microns (see bar chart below).

Only 1% of the clip tested 17 microns and finer, while 2% tested 23,5 microns and stronger. The average mean fibre diameter for the clip was 20,2 microns and 19,6 microns for Merino wool.



Aussie production forecast to decline to a 60-year low

Fewer sheep are expected to be shorn in Australia in the 2015/16 financial year, leading to a 4,3% decline in shorn wool production to 332 mkg.

The Australian Wool Production Forecasting Committee (WPFC) said in a media statement that its wool production forecast reflected a 3,7 fall in shorn sheep numbers, due to the continued high slaughtering rate of sheep and lambs in 2014/15.

Average fleece weights are also expected to be 0,7% lower in 2015/16 than in 2014/15.

The committee estimates shorn wool production for 2014/15 at 347 mkg, up by 1,8% from 2013/14. This is the result of higher fleece weights in 2014/15 more than offsetting a 1,3% decline in shorn sheep numbers.

Committee chairman Russell Pattinson, said seasonal conditions are quite mixed, but the fall in average fleece weights reflects difficult seasons in several regions, including the western part of Victoria.

The AWPFC said the 1,8% increase in shorn wool production to 347 mkg

in 2014/15 follows, but is less than the increase seen in AWTA tests, ABS wool receipts and AWEX auction offerings for 2014/15.

Part of the increase in wool tests, receipts and auction offerings late in the 2014/15 season was attributed to the release of on-farm stocks held over from the previous seasons as well as the forward offering of wool held in brokers' stores and earlier than usual deliveries of recently shorn wool in response to the spike in wool prices in May and June, the committee said.

The overall increase in shorn wool production in 2014/15 is also a result of improved fleece weights, which partly offset the decline in the number of sheep shorn last season.

The committee noted that wool test data for the 2014/15 season showed a reduction in volumes of wool of 17,5 microns and finer, but an increase in the volumes 18-20 microns, 22-23 microns and broad (27 microns and broader) wool.

This resulted in a 0,1 micron increase in the mean fibre diameter for Australian wool.