

Monthly Wool Market Overview

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Wool news for January 2015

SA Merino indicator for Jan 2016

First sale: 16161c/kg
Last sale: 15890c/kg
Movement for the month: -1,7%
Rand/US\$ at last sale: R16,40

SA Merino indicator for 2014/15

First sale Jan '15: 10793c/kg
Last sale Jan '15: 10972c/kg
Movement for the month: +1,6%
Rand/US\$ at last sale: R11,55

Australian Indicator for Jan '16

First sale: 1289/kg
Last sale: 1291/kg
Movement: +0,1%

Indicator for season to 29 Jan 2016

Movement since opening: +23%
Seasonal low: 12163c/kg
Seasonal high: 16161c/kg
Average to date: 13424c/kg
Average in 2014/'15: 11197c/kg

Market indicator at a record levels

The plummeting rand brought a welcome windfall for wool producers who saw the Merino indicator rising to a record high at the first sale after the Christmas recess.

The rand had lost 13% of its value against the dollar since the closing sale in December to mid January when sales resumed. Solid demand from all sectors also helped to push the indicator higher.

Another factor that undoubtedly is playing a role is mounting concerns about the availability of apparel wool in the coming months.

Australia's wool clip is forecast to drop by about 7% to around 322 million kg. Drought conditions are blamed for the drop in the number of sheep shorn and a decline in fleece weights.

The drought is also having an effect on South Africa's production, which is

expected to decline in 2015/16.

Australian production has not only dropped quite substantially over the past 14 years, there has also been a shift in the micron profile of the clip.

In 2001/02 the proportion of the clip finer than 24,5 microns was 87,1%. Last season, only 82,4% of all wools produced was finer than 24,5 microns.

In addition there has been a dramatic reduction in the availability of 21-22 micron wools. The production of 21-micron wools has fallen by more than 60% since 2001 and more than 70% since 1991/92.

For 22-micron wool the corresponding figures are 70% and 85%.

Good news is that several economic factors and an increased demand for quality was seeing buyers again look to Europe, particularly Italy, which is reflected in increased wool demand from the Euro zone.

Wool shipments to top 10 export destinations for July – Nov 2015

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	736 538 535	9 434 147	18 553 201	132 110	0	0	755 091 736	58,8
Czech Republic	231 012 715	2 872 078	0	0	0	0	231 012 715	18,0
Italy	72 033 989	772 064	16 712 809	160 193	52 186 488	347 833	140 933 286	11,0
India	58 413 039	682 962	2 348 440	28 478	0	0	60 761 479	4,7
Egypt	27 366 945	275 503	0	0	1 741 917	10 329	29 108 862	2,3
Germany	0	0	12 158 067	138 830	15 177 196	125 641	27 335 263	2,1
USA	0	0	2 433 259	18 735	10 926 249	68 677	13 359 508	1,0
France	0	0	0	0	11 501 757	72 231	11 501 757	0,9
UK	0	0	498 413	3 234	7026790	68987	7 525 203	0,6
Portugal	0	0	0	0	3 496 041	21 377	3 496 041	0,3

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 29 January 2016

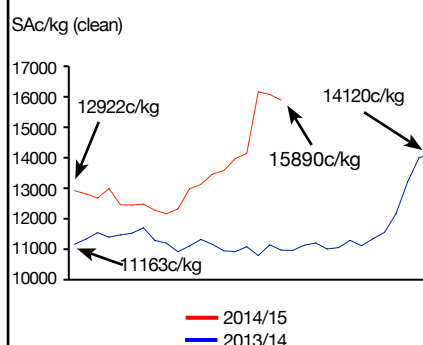
Wool receipts (kg greasy):

2015/16: 33 680 809,3
2014/15: 34 956 189,9
Change: -3,6%

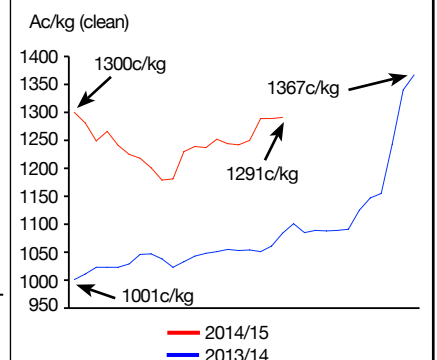
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2015/16:	126 718	71 468	198 186	29 674 581,0
2014/15:	138 833	72 165	210 998	31 551 698,9
Change:	-8,7	-1,0	-6,4	-5,9

Graph 1: Cape Wools' Merino indicator on 27 January 2016



Graph 2: Australian Eastern Market Indicator on 27 January 2016





Report on Aussie wool selling system review completed

The most significant examination of the Australian wool selling system since the digital age has just been completed.

Commissioned by the Board of Australian Wool Innovation (AWI), the Wool Selling Systems Review has examined in detail the opportunities for innovation in the exchange of wool from the farm gate until it passes the ship's rail for export.

The 68-page report, now available on wool.com/wssr includes a number of significant findings or recommendations including the need for, such as:

- Cost savings associated with a merger of the Australian Wool Testing Authority (AWTA) and Australian Wool Exchange (AWEX),
- Greater transparency of all selling costs,
- The potential for a tax-equivalent R&D investment to be made by AWTA given its current tax-free status potential problems with the current commission buying arrangements in the auction system,
- * A differentiated approach not necessarily requiring sample display of all wool and making greater use, where appropriate, of sale by description.

Many of the issues raised amongst the submissions and others such as centralisation of selling could be addressed with the development of an online wool exchange portal.

Such a development would cater for new selling and buying options, enable growers to compare available selling options and a more efficient exchange of information.

AWI CEO Stuart McCullough said the review involved some of the greatest competition and business minds in Australia.

"This very significant review was conducted at arms length to AWI. It involved almost 100 submissions and many more issues raised from a wide variety of viewpoints and much discussion and debate.

"This review explores some great opportunities to reduce the cost of selling wool for growers, reduce the barriers for those wanting to buy wool and to help bring the wool industry into the digital age."

The Wool Selling Systems Report will now be discussed as part of ongoing consultation with shareholders.

Source: AWI

Wool receipts down but prices increase

Accumulative auction results up to 27 January show that wool receipts at brokers are down 3,6% compared to the corresponding time last season.

The number of Merino bales received for auction is down 8,7%, while the volume of wool (kg) sold has dropped by 5,9%.

Due to the higher prices obtained this season, the total sales value of the wool sold up to end January is up 23% on last season.

The average greasy price for Merino wool rose to R81,54/kg compared to R67,19 last season.

The average greasy price for all wool came to R75,22/kg, which represents an increase of almost 30%.



The Shaun The Sheep animation film produced by Aardman Studios has received a nomination at this year's Oscar's in the best animation category.

Merino wool arm-knitted blankets sell like hot cakes

Arm knitting is the latest craze to hit the do-it-yourself crafts community and a young Ukrainian woman is making a small fortune by selling massive wool blankets she knits without needles.

Anna Marinenko (27) started knitting the blankets with her hands instead of knitting needles a year ago after she found a huge spool of Merino wool top

"This unusual material awakened my imagination," she said. "I did not have any knitting needles, so I just started to knit using my hands and arms."

The blanket she made had gigantic magnified stitches. It is beautiful, soft and lightweight.

The blanket immediately became a hit and she ordered more wool top and had it dyed into different colours.

She also started selling her blankets on the website Itsy under the shop name Ohio.

She charges up to \$900 for one of her deluxe large blankets.

Anna has expanded her business by designing giant knitting needles, which are made by a friend and which she now offers, together with the 23-micon wool top, to clients who want to do their own knitting.

This arm method of knitting gained

popularity during 2013 and 2014. According to issue 13 of *Yarn Magazine* published in March 2009, the technique was developed "about 10 years ago" by fibre artist Marta Cantos, who produced thick and thin yarn for her yarn shop and taught the technique to many others.

Although Ohio is not the only chunky-knit blanket store in Itsy it is one of the most popular with customers raving about her blankets.

Her store has over 34 000 "admirers" and 27 600 followers on Instagram.

Source: Tech Insider

Right: The chunky blankets knitted by Anna Marinenko with her arms and hands that are selling like hot cakes. The arm-knitting technique was developed in the late nineties by a fibre artist and is currently gaining in popularity.

