

Monthly Wool Market Overview

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Wool news for February 2017

SA Merino indicator for Feb 2017

First sale: 16196c/kg
Final sale: 15937c/kg
Movement: -1,6%
Rand/US\$ at last sale: R13,08

SA Merino indicator for Feb 2016

First sale: 15686c/kg
Last sale: 15092c/kg
Movement: -3,8%
Rand/US\$ at last sale: R15,25

Australian Indicator for Feb 2017

First sale: 1431/kg
Final sale: 1449/kg
Movement: 1,2%

Indicator for season 2016/17

Movement since opening: 8,5%
Seasonal low: 14363c/kg
Seasonal high: 16196c/kg
Average to date: 15301c/kg
Average in 2015/16: 13745c/kg

Market prospects look promising

The wool market continues to perform strongly with fine-wool prices soaring, pushing the Australian market indicator to its highest levels in 29 years (see **graph 2**).

Interest in the broader wool types (18,5-21 microns) however, remains equally strong and supported the South African market. The Cape Wools Merino Indicator closed the month at R159, 37/kg clean despite a strong rand.

This was slightly lower than the seasonal peak of R161,96/kg achieved at the first sale of the month (see **graph 1**).

Analysts are optimistic about the short and medium term prospects for wool and believe there is further capacity for prices to improve.

Although wool supply continues to be tight, it is evident that demand is driven largely by improved market conditions.

According to Australian Wool Innova-

tion positive Chinese economic data, mainly stronger house and real estate prices, seem to indicate that current wool price levels are sustainable.

Most encouraging is that wool garments now regularly feature on the catwalks of the world as the fashion industry is rediscovering the versatility of the fibre.

That the end uses of wool have no limit is evident in the many new and innovative products that are seeing the light.

One new invention is a new generation urban facemask marketed to Asian consumers. These masks will contain a filter made from the wool of a specifically bred New Zealand sheep (see **p 2**).

Another new product developed by a young New Zealander and former mountain guide is an environmentally friendly blister protection and prevention pad to use in shoes.

Wool shipments to top 10 export destinations for July - December 2016

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 3538 12 220	15 764 749	24 930 550	161 181	0	0	19 063 232	66,2
Czech Republic	315 504 464	3 381 074	0	0	0	0	315 504 464	15,1
Italy	66 530 082	594 408	36 163 014	269 521	131 080 852	783 211	233 773 948	11,2
India	57 812 630	551 241	0	0	0	0	57 812 630	2,8
Germany	0	0	16 173 143	16 173 143	29 882 683	188 647	46 055 826	2,2
Egypt	13 653 858	116 658	0	0	0	0	13 653 858	0,7
France	0	0	0	0	8 843 332	49 068	8 843 332	0,4
USA	0	0	1 641 830	12 224	5 162 967	22 690	6 804 797	0,3
Mauritius	0	0	0	0	6 422 874	39 708	6 422 874	0,3
Bulgaria	4 960 043	43 535	0	0	0	0	4 960 043	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 22 February 2017

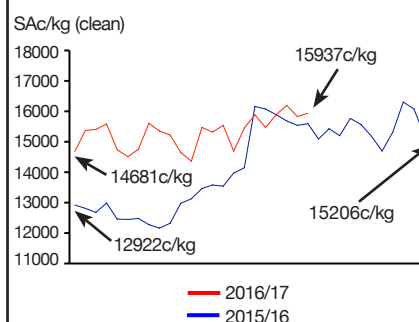
Wool receipts (kg greasy):

2016/17: 40 441 667,3
2015/16: 40 218 789,7
Change: 0,6

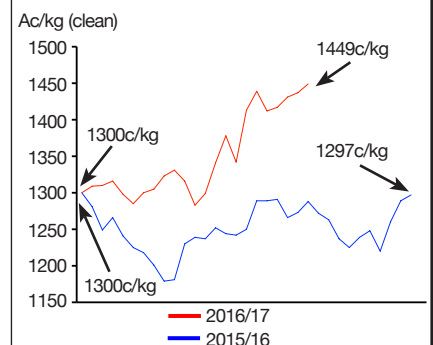
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2016/17:	132 472	96 461	228 933	34 461 888,7
2015/16:	135 319	85 484	220 803	33 085 259,1
Change:	-2,1	12,8	3,7	4,2

Graph 1: Cape Wools' Merino indicator on 22 February 2017



Graph 2: Australian Eastern Market Indicator on 22 February 2017





Merino wool still outperforming the major apparel fibres

The average Merino micron price in US dollar terms continues to outperform the major apparel fibres, according to the market analysis company Mecardo.

Mecardo regularly analyses the relations between Merino wool prices and major apparel fibre prices through their rolling five-year price ranks. This is done to gain some perspective as to whether wool prices are at sustainable levels.

Mecardo expects the finer micron Merino prices to continue outperforming the other fibres due to lower supply.

SUPPLIES

However, the broader Merino categories will have increased supplies coming onto the market that will make continued out-performance difficult.

Auction data supplied by the Australian Wool Testing Authority (AWTA) for Merino combing wool for the three months to end January shows a continued swing to the broader half of the Merino distribution from 17-19 to 20-22 micron.

The increase in 21-micron volumes of

35% is greater than anticipated at this time.

Overall AWTA volumes were up by 9% in January and up by 11% for the three months to January.

Mecardo says although cotton prices have increased over the past few months, prices remain under pressure due to high stock levels.

If the cotton price remains around current levels then the rolling five-year price rank will ease slightly.

This means the wool price rank will be facing some downward pressure from the cotton section of the apparel fibre markets.

POLYESTER PRICES

Forecasts for polyester staple prices are for prices to ease slightly in 2017, which translates into a slightly lower price rank.

Low polyester staple prices are a worry for the cotton industry, where substitution seems to be more prevalent.

As the gap between the wool and polyester staple price rank continues to widen, substitution could also become a worry for the wool industry.

Wool used for urban facemasks

Auckland-based company Texus Fibre recently signed an investment and distribution agreement with another Auckland company, Healthy Breath Ltd, to use the wool-based Helix Filter from Texus in a new generation of facemasks marketed to Asian consumers.

Specifically bred sheep, developed by wool producer Andy Ramsden, would be used to provide the wool.

Texus Fibre chief executive Nick Davenport said the potential for the business was "huge", while Mr Ramsden believed it could be a game-changer in the sheep industry.

TOXIN REMOVAL PROPERTIES

Helix Filters harness and enhance wool's natural toxin removal properties to stay drier and work for longer, Mr Davenport said.

This makes it easier for people to breathe in the masks while also making them more effective at blocking out pollution. Breath is a particularly humid environment and wool functions well in it.

"Wool is one of the most positively electrostatically chargeable fibres that exist," he says.

"We have examined what the traits are to produce that and what it takes to produce a good filter. An electrostatic air filter takes microscopic nano-sized particles, the harmful particles that injure your lungs,

out of the air as though it were a virtual dust magnet.

"A filter may hold only a gram of wool, but you would pay a reasonable price for a filter which is the most comfortable, easiest to breathe through and protects you from particles and toxins. There are millions of people around the world who are in need of protection."

The company's latest deal is a distribution agreement for greater Asia, of which China is the most affluent and receptive market but no means the only one.

Many people in Asian countries use surgical masks which are only nominally effective against air pollution and other industrial products.

FILTER MEDIA

The white disposable facemasks people are wearing in industrial situations are not very comfortable and are designed to meet workplace regulations, Mr Davenport says.

"We don't make masks, we make filter media that enables people to make the best masks in the world."

World Health Organisation statistics showed poor air quality claimed seven million lives annually and urban air pollution accounted for four million of those fatalities.

Consumers in countries such as India and China bought facemasks worth \$US2 billion last year.

Source: Ruralnewsgroup

Mixed results for grease wool exports

While China imported more grease wool in the period July to December 2016 than during the corresponding period the previous season, exports to other major grease-wool destinations declined.

Grease-wool exports to China increased by 1,6 million kg to 15,7 million kg.

Shipments to the Czech Republic dropped by almost 15%, while Indian imports declined by 40%, and exports to Egypt were down 65%.

The total value of exports for this period came to R2,08 billion compared with R1,8 billion the previous season.

The higher value can be ascribed to the fact that Italy and Germany increased their orders for processed wool.

South African blade shearers come up tops

South Africa's blade shearers walked away with top honours at the recent World Shearing and Woolhandling Championships held in Invercargill, New Zealand.

Mayenseke Shweni successfully defended his title by beating New Zealanders Tony Dobbs and Phil Oldfield who came second and third respectively.

Shweni's teammate Bongani Joel was placed fifth.

The two South Africans also won the team blade-shearing event, with New Zealand second and Australia third.

Merino foot patches for blister prevention

A young New Zealand entrepreneur and former mountain guide Lucas Smith is now at the helm of a foot-care business, Walk On, using Merino wool.

Walk On was designed as a natural, biodegradable product to prevent blisters and "make foot care glamorous again".

While a mountain guide, Lucas got frustrated when he witnessed several people being evacuated due to infected blisters.

He was convinced that there was a better way to make an environmentally friendly blister protection and prevention product than the petrochemical pads that were being used. He found the answer: wool.

Walk On pads are crafted from ultra-fine Merino wool that binds to cotton or woollen socks, keeping it firmly in place. It protects areas of irritation, separates toes, cushions feet and is biodegradable.