

# Monthly Wool Market Overview

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Wool news for November 2016

## SA Merino indicator for Nov 2016

First sale: 14649c/kg  
Final sale: 15540c/kg  
**Movement: 6,0%**  
Rand/US\$ at last sale: R13,95

## SA Merino indicator for Nov 2015

First sale: 13127c/kg  
Last sale: 13540c/kg  
**Movement: 3,1%**  
Rand/US\$ at last sale: R14,12

## Australian Indicator for Nov 2016

First sale: 1316/kg  
Final sale: 1378/kg  
**Movement: 4,7%**

## Indicator for season 2016/17

Movement since opening: 5,8%  
Seasonal low: 14509c/kg  
Seasonal high: 15584c/kg  
Average to date: 15104c/kg  
Average in 2015/16: 12816c/kg

## Chinese interest boosts market

**Chinese buying** to stock up before the Christmas recess boosted the market and the Cape Wools Merino Indicator closed higher at the last sale of November despite the rand strengthening (see **graph 1**).

In Australia, the indicator rose to its highest level in five years on the back of strong Chinese demand for fine and superfine wools (see **graph 2**).

New orders for railways, police and corporate uniforms in China resulted in strong demand for wools of 18,5 micron and finer over the past few weeks.

In the past few years, the Chinese purchased wool of 21 to 22,5 microns for these uniforms in order to reign in spending and consolidate the economy.

It is evident that the government is following a more traditional pattern by buying wool of 16 to 19,5 microns, Techwool

Trading export manager Josh Lamb said. The uniform market in China is a large and important user of wool.

Wool is currently in high demand and used in a variety of end products, including next-to-skin protective clothing for astronauts, fire fighters and Special Forces, and in uppers for sports shoes.

According to the Australian company, Mecardo Expert Market Analyst, Merino wool remains the top fibre when price comparisons are made between wool and other major apparel fibre prices (in US dollar terms).

An analysis of the relationship between Merino wool prices and major apparel fibre prices over the past five years shows that Merino cardings and combing wool are the best performing apparel fibres through the company's rolling five year price ranks (see story on **p2**).

## Wool shipments to top 10 export destinations for July to October 2016

Country	Greasy		Scoured		Top & Noils		Total <sup>1)</sup> R	% of total FOB <sup>2)</sup> value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	569 463 858	6 178 691	10 981 861	70 743	0	0	580 445 719	62,2
Italy	41 814 404	394 435	21 355 303	157 670	75 655 671	460 553	138 825 378	14,9
Czech Republic	110 094 605	1 180 586	0	0	0	0	110 094 605	11,8
Germany	0	0	11 780 658	91 498	23 358 462	140 479	35 139 120	3,8
India	30 746 773	280 887	0	0	0	0	30 746 773	3,3
Egypt	9 187 333	78 383	0	0	0	0	9 187 333	1,0
France	0	0	0	0	8 843 332	49 068	8 843 332	0,9
Mauritius	0	0	0	0	6 422 874	39 708	6 422 874	0,7
USA	0	0	265 653	1 933	3 027 922	13 961	3 293 575	0,4
Mexico	0	0	1 854 573	10 352	0	0	1 854 573	0,2

<sup>1)</sup> Total Rand value includes value of waste exported.

<sup>2)</sup> FOB = free on board

Full export report (Shipments) available at [www.capewools.co.za](http://www.capewools.co.za)

## Accumulative results up to 23 November 2016

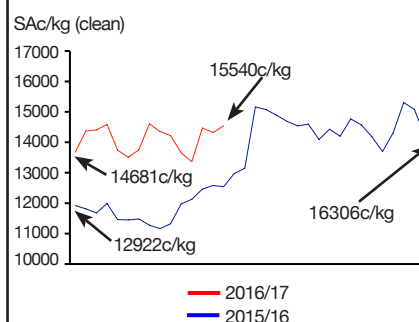
### Wool receipts (kg greasy):

2016/17: 26 076 648.2  
2015/16: 26 516 754.2  
Change: -1,7

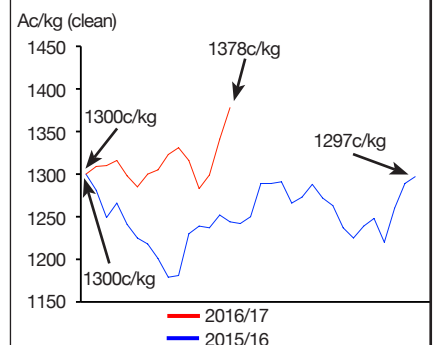
### Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2016/17:	89 929	44 156	134 085	20 061 775,3
2015/16:	100 128	35 793	135 921	20 344 469,2
Change:	-10,2	23,4	-1,4	-1,4

**Graph 1: Cape Wools' Merino indicator on 30 November 2016**



**Graph 2: Australian Eastern Market Indicator on 30 November 2016**





# AWI gives green light for a new, online wool-selling platform

**Australian Wool Innovation (AWI)** has given the green light for a new, online wool-selling platform, giving sellers and buyers access to information 24/7.

The industry's wool selling systems review panel has proposed an online portal for wool, expecting it to be cheaper, more transparent and provide more options for wool growers than the open cry auction, such as forward contracts, futures options and direct sales to mills.

Auctions are currently held in three centres - Sydney, Melbourne and Fremantle - down from 13 selling centres 20 years ago.

## CENTRALISED WOOL SELLING

The new online so-called 'wool exchange portal' (WEP) is designed to help centralise wool selling in a virtual space.

The current system of selling wool cost an estimated A\$300 million a year in 2014-15, or A\$210 for each bale of wool.

Based on figures produced by the Australian Farm Institute in 2009, centralising wool selling to one centre would save around A\$5,4 million a year, or A\$32 million over 10 years.

Currently wool is sold by description with objective tests and sale by sample. Wool bales are stored in cheaper regional locations until delivery to the shipping ports.

The WEP is not expected to replace the current open cry auction system in the short term, but rather add more options for selling and information.

"The portal should truncate some of the transport and handling costs from

the sheep's back to the ship's rail," the panel chairman Will Wilson told the AWI annual meeting in Sydney recently.

The review identified transport and wool broker service charges as the greatest area of savings.

Meanwhile, wool buyers have complained through the review process that they still need to be able to touch the wool and feel its softness in addition to objective testing, to provide guarantees to the wool mills in return for premiums.

## PHYSICAL CONTACT

Australian Wool Innovation and the WEP review panel said the online system would continue to allow physical contact with samples for that guarantee.

"We had robust discussion in the wool exchange portal working group," Mr Wilson said.

"We had representations from the buyers and they were adamant that the WEP must enshrine the parts of the process that ensured wool growers got the highest possible price for their wool."

## COSTS AND OWNERSHIP

Who would own the WEP and how much it would cost to run, are persistent concerns of the lobby group WoolProducers Australia.

"There needs to be more work done on that," Mr Wilson said.

He likened the portal to the modern Dutch flower market, which is entirely online but allows for visual displays.

Source: ABCOnline

## Mixed results in SA exports for first quarter

**South African** export figures for July to October this year are mixed with sharp decreases in shipments to some major importers, and increases in the volumes shipped to other destinations compared with the same period the previous season.

Grease-wool shipments to the Czech Republic, the second largest grease-wool importer, decreased by 46%, but exports to China rose by 4%.

India and Egypt, the other major grease-wool importers, also cut back on exports, with the volume of wool shipped to India declining by 51% and to Egypt by almost 59%.

Although shipments of grease wool to Italy dropped by almost 35%, imports of scoureds rose by 12%, while the volume of and tops and noils shipped there rose by 82%.

Exports earnings for the period under review totalled R933,6 million compared with R885,4 million the previous season.

## Actress goes naked in PETA ad against wool

**US Actress** and bestselling author Alicia Silverstone says she "would rather go naked than wear wool!"

She is the latest celebrity to take part in animal rights activist group PETA's anti-wool campaign.

In the group's new ad the actress is photographed in a field completely nude, her body facing away from the camera. Her backside is on full display as she turns her face towards the camera.

The accompanying tag line reads: "I'd rather go naked than wear wool."

In the accompanying video she says: "sheep are gentle, kind animals that are often beaten, kicked, and mutilated so their wool can be made into sweaters, scarves, and other clothing items. Choose fake, for animals' sake!"

As an alternative she suggests that people "opt for vegan-friendly fabrics instead." Alicia is best known for her role in the 1995 film, *Clueless*.

Sources: *Esquire*/mailonline



Above: Sportswear manufacturer Adidas has just released its "Winter Wool" runners with wool uppers.

# Merino cardings and combing prices outperform other fibre prices

**Merino carding** and combing wool prices in US dollar terms continue to outperform those of other fibres, according to the Australian company Mecardo Expert Market Analyst.

In August 2016 Mecardo analysed the relations between Merino wool prices and major apparel fibre prices through their rolling five-year price ranks.

This was done in order to gain some perspective as to whether wool prices are at sustainable levels or are at risk of moving in order to come back into line with the general apparel fibre levels.

The September 2016 five-year price ranks for a range of apparel fibres, as well as crude oil, in US dollar terms, show that Merino cardings continues to be the star apparel fibre.

Combing Merino prices are next in order (around the fibre-year median

levels), followed by cotton, 16 micron and silk (in the 30th to 40th rank). After that comes a range of fibres in the bottom two deciles with the 30 MPG bringing up the rear.

Mecardo says in its report that Merino wool, unlike cotton and man-made fibres, has a small and limited supply, which helps to underpin its outperformance in price terms.

"There is a limit to this outperformance, however, cotton prices have picked up this year which will help reduce the risk of merino out pricing itself. Polyester, the 'silver back' of the apparel fibres remains very cheap, which is a concern directly for cotton but also for wool as it will tend to dampen prices for the apparel fibre complex."

See more at: [www.mecardo.com.au](http://www.mecardo.com.au)