

Monthly Wool Market Overview

Published by Cape Wools SA



Wool news for June 2017

SA Merino indicator for June 2017

First sale: 15218c/kg
Final sale: 15218c/kg
Movement: 0%
Rand/US\$ at last sale: R12,85

SA Merino indicator for June 2016

First sale: 15206c/kg
Last sale: 15206c/kg
Movement: 0%
Rand/US\$ at last sale: R12,33

Australian Indicator for June 2017

First sale: 1467/kg
Final sale: 1467/kg
Movement: 0%

Indicator for season 2016/17

Movement since opening: 3,6%
Seasonal low: 14363c/kg
Seasonal high: 16431c/kg
Average for season: 15582c/kg
Average in 2015/16: 14411c/kg

Wool prices set to increase further

While the final sale of the season saw the Merino indicator softening, prices for most of the season were significantly higher than in 2015/16 and the forecast is for the market to continue to increase over the long term (see **graph 1**).

The average indicator for the season came to R155,82/kg (clean), which is 6,5% higher than in 2015/16.

In Australia the season finished at the highest season-ending level on record, thanks to the huge increase in fine-wool prices which gave the Eastern Market Indicator (EMI) a huge boost (see **graph 2**).

According to AWEX senior market analyst Lionel Plunkett this was the fourth consecutive year where the average of the EMI increased in value, and the eighth increase over the past decade.

This past season was characterised

by strong demand from major consumer markets. Analysts forecast that this strong demand will continue as consumers are increasingly seeking natural and environmentally friendly products.

While demand is strong, world Merino production remains low, despite increases in South Africa and Australia's production.

Preliminary figures show a 5,5% increase in local wool production compared with the 2015/16 season while Australia's production is expected to increase by 4%.

In addition, world wool stocks are at a low, including stocks of Australian stored wool.

According to Australian Wool Innovation a total of 1 709 657 bales stored wool were sold this past season, 56 937 bales more than the previous season.

Wool shipments to top 10 export destinations for July '16 - May '17

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	2 514 073 115	30 776 140	35 667 011	230 435	7 218 800	48 407	2 540 011 061	64,7
Czech Republic	649 255 167	7 127 981	0	0	0	0	649 255 167	16,4
Italy	165 205 237	1 354 559	55 270 929	414 616	187 169 122	1 114 437	408 398 478	10,3
India	97 575 510	952 381	0	0	1 036 063	11 663	98 611 573	2,5
Germany	0	0	27 980 200	231 236	59476713	359 599	87 456 913	2,2
Egypt	71 484 289	600 244	0	0	0	0	71 484 289	1,8
France	0	0	0	0	27 595 630	165 474	27 595 630	0,7
USA	0	0	1 641 830	12 224	10 179 855	46 671	11 821 685	0,3
Mauritius	0	0	0	0	11 208 012	67 911	11 208 012	0,3
UK	0	0	0	0	10 446 163	99 034	10 647 023	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 7 June 2017

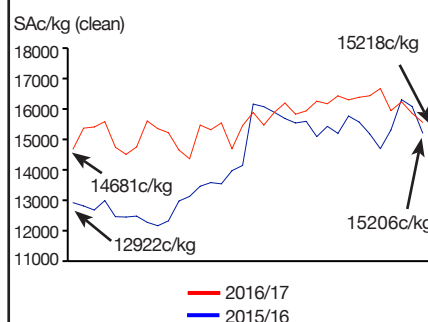
Wool receipts (kg greasy):

2016/17: 52 388 487,7
2015/16: 49 654 407,0
Change: 5,5%

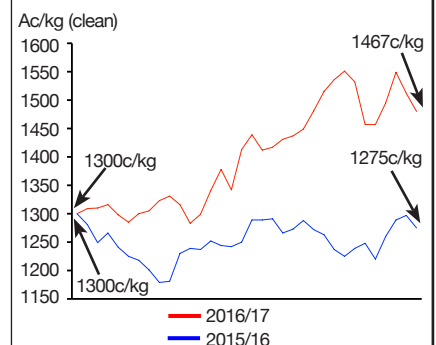
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2016/17:	199 805	120 951	320 756	47 600 080,3
2015/16:	200 092	115 572	315 664	47 800 095,8
Change:	-0,1	4,7	1,6	-0,4

Graph 1: Cape Wools' Merino indicator on 6 June 2017



Graph 2: Australian Eastern Market Indicator on 6 June 2017





Wool producers encouraged to hedge against price volatility

South African wool producers are encouraged to hedge against price volatility in the new season.

This follows the Johannesburg Stock Exchange's (JSE) recent listings of a cash settled Merino wool futures contract on its Commodity Derivatives Market.

Cape Wools CEO Louis de Beer said the new contract would provide farmers with a mechanism to limit the risks they faced related specifically to wool prices.

"However, there are also many other role players exposed to price risk in the wool industry, including buyers and processors, who can benefit from the contract."

He said the contract could also help participants in the wool industry to gain greater access to finance as it could be presented to banks as collateral, which can further support investments to increase production.

He stressed that the Merino contract was not an instrument of Safex (South African Futures Exchange).

The contract will be settled in cash and no wool will be physically delivered.

The settlement price of the new contract will be determined by the Merino Indicator, an index created by Cape Wools SA. The indicator reflects movements in the price

of wool by calculating a weighted average price of a basket of wool sold at a specific wool auction and comparing it with the result of the previous auction.

The size of the contract is 1 000 kg of clean weighed wool (1 500 kg greasy weight).

To focus the liquidity of the contract, four hedging months are available for listing on request – March, June, September and December. Investors need not buy a commodity itself. They can simply buy a futures contract tracking it.

To access the product a producer will have to register as a client with an authorised JSE Commodity Derivatives trading member and deposit the required initial margin and sell or buy according to his/her needs.

When a contract expires the settlement price will be determined by the JSE by incorporating the weekly index value of the Cape Wools Merino Indicator over the two weeks preceding the last trading day.

A simple average of the two auctions index value will be combined to determine the final cash settlement price.

Producers can contact Cape Wools at 041 484 401 for a list of brokers or for more information.

Medical CT scanner used to identify best sheep for breeding

A medical CT scanner is being used in Scotland to identify the best sheep for breeding.

Scotland's Rural College (SRUC) hopes its new mobile scanner will help to improve the country's sheep stocks.

Using low dose x-rays, the scanner produces images showing muscle shape, internal fat and pelvic shape of live animals.

SRUC's sheep geneticist Dr Nicola Lambe said the scans could help identify "attributes" that produce the best lambs for meat.

Dr Lambe says the scanner is the same as the one used in hospitals for medical purposes.

"The interesting thing is that you can look at all the different body tissue and organs.

"We can use it to select the top animals for breeding."

A number of pedigree sheep breeders have already made use of the mobile scanner to check for their best animals.

Below: A sheep going into the CT scanner.



Farmer found guilty on animal cruelty charges

An Australian sheep farmer was last month fined A\$4 000 on animal cruelty charges in a magistrate's court after he pleaded guilty to nine consolidated charges, including three of aggravated cruelty to sheep.

He was also ordered to hire an independent veterinarian or qualified consultant to inspect his animals and provide a report to Agriculture Victoria on the welfare of his animals every three months for the following 18 months.

The court heard Agriculture Victoria inspectors found numerous dead weaners, ewes and lambs. Several sheep in a distressed and malnourished state required euthanasia.

Offences of aggravated cruelty under the Prevention of Cruelty to Animals Act 1986 can attract fines of up to A\$70 000 or imprisonment of up to two years.

Source: Sheep Central

Scientists design AI system to measure pain in sheep

Scientists have figured out a way to understand the facial expressions of sheep using artificial intelligence, which they hope will help improve the welfare of sheep and other animals.

Researchers from the University of Cambridge developed a machine-learning technique to estimate the severity of a sheep's pain using the Sheep Pain Facial Expression Scale (SPFES)—a tool used to assess pain based on facial expressions of the sheep.

The work built on earlier research into teaching computers to recognize human emotions and expressions.

"There have been many more studies over the years using people," said Prof Peter Robinson, who led the research.

"But a lot of the earlier work on the faces of animals was actually done by Darwin, who argued that all humans and many animals show emotion through remarkably similar behaviours, so we thought there would likely be crossover between animals and our work in human faces."

When a sheep is in pain, five things happen to its face, according to the ex-

pression scale: Its cheek tightens, its ears fold forwards, its lips pull down and back, its nostrils change into a V shape and its eyes narrow.

A dataset of 500 photographs of sheep were used to train the model, with early tests suggesting it is capable of estimating pain levels with about 80 percent accuracy.

"The interesting part is that you can see a clear analogy between these actions in the sheep's faces and similar facial actions in humans when they are in pain—there is a similarity in terms of the muscles in their faces and in our faces," said co-author Dr Marwa Mahmoud.

"However, it is difficult to 'normalize' a sheep's face in a machine learning model. A sheep's face is totally different in profile than looking straight on, and you can't really tell a sheep how to pose."

The artificial intelligence system could eventually be used for early detection of conditions such as foot rot, which will allow for faster treatment and pain relief. By positioning a camera on a water trough or other area where sheep congregate, the researchers hope the system would be able to recognize any sheep that are in pain.