Monthly Wool Market Overview

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Wool news for June 2018

SA Merino indicator for June 2018

First sale:	21199c/kg
Final sale:	21199c/kg
Movement:	**0%**
Rand/US$ at last sale:	R12,76

SA Merino indicator for June 2017

First sale:	15218c/kg
Last sale:	15218c/kg
Movement:	**0%**
Rand/US$ at last sale:	R12,84

Australian Indicator for June 2018

First sale:	2018/kg
Final sale:	2018/kg
Movement:	**0%**

Indicator for season 2017/18

Movement since opening:	15,5%
Seasonal high:	21199c/kg
Seasonal low:	17264c/kg
Average for season:	18604c/kg
Average in 2016/17:	15593c/kg

Record wool season thanks to China

The wool-selling season closed with the market indicators of both South Africa and Australia at record highs.

The Cape Wools Merino Indicator closed at R211,99/kg (clean) – an increase of 15,5% on the opening sale and 39% higher than last season's closing sale (see **graph 1**). In Australia, the year-on-year improvement of the indicator was 34,8% (see **graph 2**).

This excellent performance of the market came amid increasing demand from within China for luxury goods, including high quality clothing.

Fortunately for Merino producers many wool processing facilities in China are owned by overseas companies – Italian, German and Australian interests amongst them.

In addition, Merino wool has been positioned strongly as a premium and luxury fibre in China by many international and domestic brands.

Many of them work with Woolmark and a major marketing aim is to position Merino wool as something to aspire to, to look and feel good, according to the June Market Intelligence Report of Australian Wool Innovation (see **p2** for more).

Cape Wools shipment figures for the period July 2017 to end March 2018 show that China now accounts for 71,5% of South African exports (calculated on a value basis) – an increase of almost 13% on the same period last season.

There has, however, been a marked decline in wool exported to the Czech Republic, Egypt and India, the other major grease-wool importers, while Bulgaria has increased its imports substantially and now is the 5th largest importer of South African grease wool (see **table** below).

Wool shipments to top 10 export destinations for July - March 2018

Country	Greasy		Scoured		Tops & Noils		Total [1]	% of total FOB [2] value
	R	Kg	R	Kg	R	Kg	R	
China/HK/Macau	**2 633 208 992**	**26 005 463**	**23 523 553**	**132 981**	**746 816**	**9 713**	**2 657 479 361**	**71,5**
Czech Republic	488 559 327	6 106 332	0	0	0	0	488 559 327	13,2
Italy	137 246 715	987 443	59 569 891	379 870	146 666 385	690 291	343 482 991	9,2
Germany	0	0	28 679 014	219 692	31 016 385	165 501	59 695 399	1,6
Bulgaria	56 762 350	539 109	0	0	0	0	56 762 350	1,5
India	52 691 391	432 080	1 733 752	19 812	0	0	54 425 143	1,5
Egypt	31 277 289	228 321	0	0	0	0	31 277 289	0,8
USA	0	0	1 392 547	10 280	7 354 257	31 358	8 746 804	0,2
UK	0	0	0	0	4 852 304	46 878	4 942 562	0,1
France	0	0	0	0	4 510 701	31 998	4 510 701	0,1

[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 1 June 2018

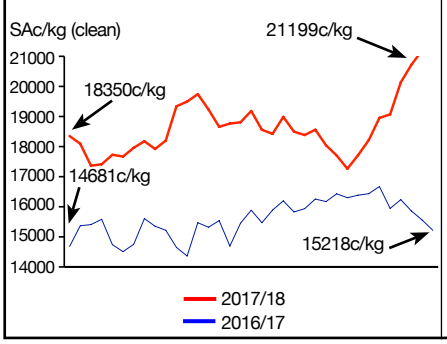
Wool receipts (kg greasy):

2017/18:	44 780 961,8
2016/17:	52 416 296.7
Change:	-6,3%

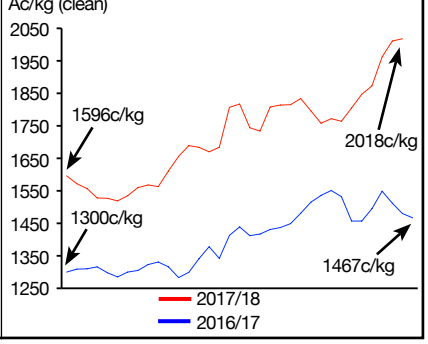
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2017/18:	185 008	119 966	304 974	45 865 567,4
2016/17:	184 879	123 410	308 289	46 883 713.0
Change:	0,1	-2,8	0,6	-2,2

Graph 1: Cape Wools' Merino indicator on 6 June 2018



Graph 2: Australian Eastern Market Indicator on 6 June 2018



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Chinese demand for luxury goods sets wool prices soaring

The stellar performance of the wool market this past season can be attributed mainly to retail demand for wool fibre in China, says Australian Wool Innovation (AWI) in its June Market Intelligence Report.

The major driver of this demand is the growing number, the increased wealth and therefore spending power of the middle and upper class.

"As their disposable income grows, Chinese consumers are spending this increased disposable income on luxury items such as travel and status items such as clothes," the report states.

Merino wool has also been positioned strongly as a premium and luxury fibre in China by many international and domestic brands.

According to Mckinsey&Company, it is expected that by the end of 2018, China will have the most millionaires of any nation and by 2021 will hold the highest number of affluent households in the world.

In 2016, around 7,6 million households in China were considered to purchase luxury goods each year and annual spending by Chinese luxury consumers accounted for almost a third of global luxury spending.

In 2008, Chinese consumers accounted for just 12% of luxury spending globally.

Mckinsey&Company estimates that today, Chinese consumers account for 75% of the growth in luxury spending.

Since 2008, the number of Chinese households who purchased luxury products has doubled as incomes increased and greater access to these luxury goods was created.

Mckinsey&Company forecasts that by 2025, the value of the luxury goods market globally will reach 2,7 trillion RMB. Chinese consumers will be a large part of this growth, accounting for 44% of the total global market, a large increase from 12% in 2008.

It is expected that by 2025, 1 trillion RMB in global luxury sales will be represented by 7,6 million Chinese households – an amount that is double that of 2016 China and more than the combined 2016 US, UK, French, Italian and Japanese luxury goods markets put together.

The report concludes that the short to medium future holds great opportunity as the wave of Chinese luxury consumerism builds upon recent years and the number of wealthy Chinese continues to grow. These consumers will also be willing to spend more on luxury items such as premium wool products.

Technology used for breeding tastier chops

Farmers in the United Kingdom are turning to modern technologies to find the perfect animals to produce the healthiest flock and the tastiest chops.

Researchers at the Agriculture and Horticulture Development Board (AHDB) and Scotland's Rural College have been testing whether CT scanners can determine which animals will produce the best meat.

The method causes no harm to the rams, and measures the fat and muscle content so that only individuals with the healthiest genes will be chosen for future breeding.

Kirsty McLean, manager of the college's CT Scanning Unit, said: "The CT machines are accurate enough to measure everything from spine length, to eye muscle area, to intramuscular fat levels – all of which is taken into account when working out how to produce the best-tasting meat.

"We're then able to provide breeders with Estimated Breeding Values for these traits to help choose the best rams, and ultimately the best in quality for the product that ends up on your plate."

The industry is already using technologies such as video image analysis, which can detect and quantify carcass composition and meat distribution, but the new scans allow for similar tests on live animals.

Source: Telegraph.co.uk

NZ breeds climate-friendly sheep

New Zealand researchers are curbing the country's greenhouse gas emissions one sheep fart at a time.

Scientists at Invermay Agricultural Centre in Mosgiel, about 360km southwest of Christchurch, have bred climate-friendly sheep that produce 10 per cent less methane than their gassy counterparts.

Livestock emissions are the biggest contributor to New Zealand's greenhouse gas emissions and make up about 10 per cent of Australia's total greenhouse emissions.

Agricultural research company AgResearch is behind the project, which is being led by senior scientist and quantitative geneticist Suzanne Rowe.

Now in its third generation, Dr Rowe said the breeding program began with two breeding lines of 100 ewes that were separated into high and low gas-emitting groups.

"We want to establish whether the trait was genetic and what the effect of breeding for low methane was, and whether there was effect on other health and production traits," she said.

Dr Rowe said a lower-emitting sheep breed could prove useful if the agriculture industry found itself under a carbon-trading scheme.

"We are hoping to provide — within the next 12 to 24 months — breeding values to the industry for methane.

"If someone is in a breeding scheme, not only do they get a breeding value for production traits, they also get a breeding value for methane."

Dr Rowe said sheep release most of their methane by burping, which her team measures by placing sheep in a sealed aluminium chamber for 40 minutes to an hour while the emissions accumulate.

Her research shows the lower-emitting trait is about 20 percent heritable and comes with some added bonuses.

"We also see a lower rumen size. The lower emitting animal tends to eat smaller meals with more frequency than her higher-emission counterparts," she said.

University of Western Australia (UWA) animal science professor, Philip Vercoe, said methane emissions were simply wasted energy.

From 2009–2012 the Australian Government funded several programmes to assist in the reduction of livestock methane emissions.

Such programmes included the National Livestock Methane Program and the Reducing Emissions from Livestock Research Program.

These emission-reducing practices, including genetic selection, can lift productivity by up to 22 per cent and reduce methane emissions by up to 40 per cent, according to a 2015 report by Meat and Livestock Australia.

"Research indicates that up to 40 per cent or more of the feed energy lost in methane from livestock can be captured and put to productive purposes," the report read.

Dr Vercoe was involved with most of the emission reduction programmes and said they each had a "three-pronged attack" to try and reduce emissions.

These were: applying a similar selective breeding programme with cattle; to find a food source to reduce the amount of methane produced per kilogram of feed, and trying to target the specific microbial community that sheep and cattle carry around in their rumen that are responsible for methane production.

Dr Vercoe said methane emissions could be reduced by up to 40 per cent by using a combination of all three methods.

However, despite encouraging results, funding for flatulent-focused research programs has dried up – a disappointing outcome Dr Vercoe said.

Source: abc.net.au