

Monthly Wool Market Overview

Published by Cape Wools SA



Wool news for October 2018

SA Merino indicator for October 2018
 First sale: 22395c/kg
 Final sale: 21780c/kg
Movement: -2,7%
 Rand/US\$ at last sale: R14,72

SA Merino indicator for October 2017
 First sale: 17959c/kg
 Last sale: 18199c/kg
Movement: 1,3%
 Rand/US\$ at last sale: R13,73

Australian Indicator for October 2018
 First sale: 1993/kg
 Final sale: 1868/kg
Movement: -6,3%

Indicator for season 2018/19
 Movement since opening: -8,6%
 Seasonal high: 25382c/kg
 Seasonal low: 22928c/kg
 Average to date: 23117c/kg
 Average in 2017/18: 18019c/kg

Quieter October affected market

This month saw wool prices on a downward trend locally and in Australia.

The Cape Wools Merino indicator was down 2,7% for the month (see **graph 1**) while the Australian indicator dropped 6,3% (see **graph 2**).

According to Australian Wool Innovation October generally is quieter in the cycle as manufacturers and brands await selling data from retail stores for the new fall/winter selling season before deciding on any new orders.

In addition, the drought in Australia has also had a significant impact on the market, particularly for China.

The bulk of Chinese wool purchases falls in the 19-21 micron-range, or the "bread and butter" types for Chinese mills, often used for official uniforms.

As a result of the drought, a large percentage of Australian producers who nor-

mally deliver fleeces of 19-21 micron have been producing fleeces of 16-18 micron.

These wools fall outside the traditional specifications for many Chinese mills. Test results show an increase in the production of 16-17 micron wools of around 70-80% over the past 12 months.

Meanwhile, Rabobank, the Dutch international banking and financial services company, has forecast strong demand for sheep products (meat and wool) for the next five years, but says growth will depend on demand from younger millennial consumers (see **p2**).

In its report the bank says Merino wool is making headway with its growing range of innovative products, for example active wear.

Now, wool seems poised to capture the luxury car market with carmakers replacing leather upholstered seats with woollen ones.

Wool shipments to top 10 export destinations for July '18 - Sept '18

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	498 958 771	3 504 501	0	0	0	0	498 958 771	64,3
Czech Republic	179 401 524	1 012 143	0	0	0	0	179 401 524	31,0
Italy	4 930 642	39 524	36 160 381	199 974	1 228 157	23 614	42 319 180	5,5
India	22 124 353	121 484	743 963	8 170	0	0	22 868 316	2,9
Bulgaria	13 795 203	83 657	0	0	0	0	13 795 203	1,8
Germany	0	0	10 036 466	70 664	0	0	10 036 466	1,3
Switzerland	2 582 432	13 817	0	0	0	0	2 582 432	0,3
Egypt	2 579 734	15 015	0	0	0	0	2 579 734	0,2
USA	0	0	1 622 945	9 469	0	0	1 622 945	0,2
Mexico	0	0	1 885 776	10 059	0	0	1 885 776	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 26 Oct 2018

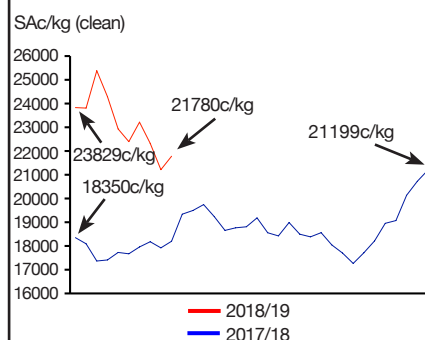
Wool receipts (kg greasy):

2018/19: 16 358 911,7
 2017/18: 18 818 816,1
Change: -13,1%

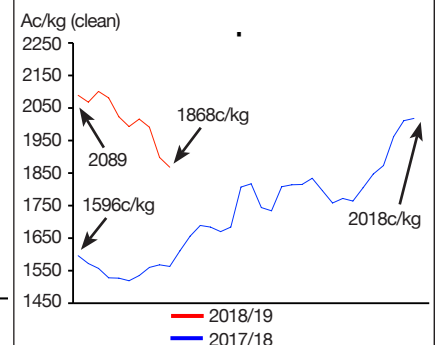
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2018/19:	63 325	13 812	77 137	11 686 076,2
2017/18:	65 864	22 643	88 507	13 086 788,5
Change:	-3,9	-39,0	-12,8	-10,7

Graph 1: Cape Wools' Merino indicator on 31 October 2018



Graph 2: Australian Eastern Market Indicator on 31 October 2018





Millennial consumers will dictate demand for sheep products

Demand for sheep products – meat and wool – will remain strong for the next five years, but growth will depend on accessing new markets, especially younger millennial consumers, says a report by Rabobank released earlier this month.

Rabobank is a Dutch multinational banking and financial services company headquartered in Utrecht, Netherlands.

The report, titled *The sheep is Back – Tapping into New Value Markets* – written by Rabobank commodity analyst Georgia Twomey, said demand for sheep products is set to remain strong.

However, the future strength of this demand hinged on the industry's ability to tap into new segments of the market.

The report identified the "millennial" consumer as offering some of the greatest opportunities for value growth.

The millennial consumers are identified as meat eaters currently aged 18 to 38 years.

Ms Twomey said not only are millennials rapidly becoming the largest consumer base in the market, but many of their "purchasing behaviours" are characteristics inherent to lamb and wool.

"With millennials willing to try new products, and in some cases willing to pay more for them, there is real opportunity for those in the sheep industry to leverage the existing characteristics of their product and capitalise on this new demand."

She said the millennial generation exhibited characteristics in the way they shop and consume that the sheep industry is well positioned to meet.

"Representing nearly a third of the

population in countries such as the US and China, millennials are not only becoming the largest consumer base but their influence is set to grow as they move further into the work force and their purchasing power increases," she said.

"Desire for quality is one of the key purchasing drivers of this age group, along with authenticity, uniqueness and transparency in the production process. While other factors include their willingness to try new things, convenience, the higher tendency to eat out of home, and, in recognition of quality, the willingness to pay more.

"Certainly spending for millennials is higher for things like clothing, which is positive for the wool industry and apparel overall."

She said wool was moving into new product ranges to capture this new consumer, such as activewear.

"This is a huge and growing market and the headway Merino wool is making with its growing range of innovative products, such as the Albird Merino sneaker, highlights the opportunity for this fibre in less price-sensitive markets.

"In light of this, sheep producers need to keep abreast of what is driving consumer trends and continually look at ways to position their product to capitalise on this new demand," she says.

She said that Rabobank's view was that the demand outlook for the coming five years would remain strong and that growth would continue.

She cautioned that supply-side impacts would influence prices and producers' ability to capture increased demand.

Wool replacing leather upholstery in cars

Following a trend set by the British queen, luxury carmakers and airlines are replacing leather upholstered seats with woollen ones for their well-heeled clients.

The queen recently had the interior of her Bentley State Limousine covered in a wool textile.

As a result, leather is now being relegated to tourist class on airlines and the chauffeur's seat in limousines because it is considered too squeaky, slippery and sticky for VIPs.

British Airways and Qatar Airways are just two of the carriers that have recently refurbished their first-class and business-class cabins with wool upholstery while Hackett of London has just announced a collaboration with Aston Martin to offer check cloth on the seats and accessories in its Q range.

Not to be left behind, Land Rover and prestige Danish textile manufacturer Kvadrat are collaborating to develop a wool textile for the new Range Rover Velar SUV – a move that could well lead to be a new automotive trend.

According to Charlotte Bastholm Skjold, head of design at Kvadrat, it had to be a textile that would fit in with the high-tech interior, but would also bring some elements of the living room – warmth and comfort – into the car.

Kvadrat developed a range of super soft, highly durable wool blends as an alternative to the leather kit-out of top-of-the-line vehicles.

Nasa evaluating wool-based filters for astronauts

The US space agency Nasa is currently evaluating a Kiwi-made, wool-based filter system to protect astronauts in its Orion spacecraft, being designed to explore the moon, Mars and asteroids.

Designed by Auckland-based wool innovators Lanaco, the Helix™ filter was sourced from purpose-bred sheep and was now being tested for use in the craft's emergency life-support system, which would be activated in the event of a fire.

The Helix filter could be used as a pre-filter layer for emergency personal equipment and cabin air systems, preventing clogging in other filter layers by removing thick contaminants like molten plastic.

Shaun Tan, Lanaco's head of technology, recently returned from the Johnson Space Centre in Houston and said he was confident that the Helix filter could meet Nasa's requirements.

"In the case of the Orion life-support system, the Helix filter is being tested for particle loading capacity, breathability, flame resistance and the ability to function even if exposed to Orion's water-based fire extinguisher systems," Tan said.

"The Helix filter is currently used in protective equipment in high contaminant situations like construction and mining, but firefighting in space represents a new challenge for our R&D team."

Lanaco's wool-filter technology made headlines last year, following the launch of anti-pollution face masks now used in several major cities in Asia and India.

The company's founder and chief executive, Nick Davenport, described wool as an "outstanding fibre" for practical applications.

"Its electrostatic properties catch small harmful particles, its protein structure

captures gases and harmful toxins and yet the fibre is bacteria and flame resistant," he said.

The space capsule project arose four months ago when a New York-based technology scouting company was asked by Nasa to seek better solutions for the protection of astronauts in the next generation of spacecraft – the Orion programme.

Orion was the first programme to take man in to deep space – the moon and beyond – since the Apollo programme of the 1970s.

"The problems in space for respiratory protection are significantly more complex than here on earth," Davenport said.

Should Helix be selected for the Orion programme's first manned launch in 2023, the technology could well be rolled out elsewhere in similar applications.

Source: nzherald.co.nz