

Monthly Wool Market Overview

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Wool news for December 2018

SA Merino indicator for December 2018

First sale: 20785c/kg
Final sale: 20785c/kg
Movement: 0%
Rand/US\$ at last sale: R13,77

SA Merino indicator for December 2017

First sale: 18765c/kg
Last sale: 18765c/kg
Movement: 0%
Rand/US\$ at last sale: R13,52

Australian Indicator for December 2018

First sale: 1846/kg
Final sale: 1846/kg
Movement: 0%

Indicator for season 2018/19

Movement since opening: -12,8%
Seasonal high: 25382c/kg
Seasonal low: 20468c/kg
Average to date: 22321c/kg
Average in 2017/18: 18382c/kg

Various factors will play a role in 2019

The first half of the season closed with the Cape Wools Merino Indicator down (-12,8%) on the opening sale but still up (+9,7%) on the same sale the previous year (see **graph 1**).

In Australia, where auctions continued for another week, the EMI closed on a good note with strong demand from China. One Chinese company bought 6 500 bales during the week.

Various factors will determine demand in the New Year, including how the US/China

trade war will play out, exchange rate movements, global economic growth and Brexit.

According to Australian Wool Innovation's market intelligence report there were positive signs from China's singles day and the Black Friday sales in November 2018, which showed that consumers are still very active and remain keen at the higher end of the fashion triangle.

Consumer confidence has since weakened due to uncertainty caused by the trade war.

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

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 360 809 052	10 130 377	0	0	0	0	1 360 809 052	70,6
Czech Republic	324 150 245	2 136 830	0	0	0	0	324 150 245	16,8
Italy	69 752 920	450 802	43 762 412	232 653	1 228 157	23 614	114 743 489	6,0
India	41 260 671	246 474	1 498 945	16 458	0	0	42 759 616	2,2
Bulgaria	42 177 955	408 333	0	0	0	0	42 177 955	2,2
USA	11 462 064	72 878	1 622 945	9 469	0	0	13 085 009	0,7
Germany	0	0	12 579 243	87 181	169 315	5 252	12 748 558	0,7
Egypt	11 642 311	66 101	0	0	0	0	11 642 311	0,6
Switzerland	2 582 432	13 817	0	0	0	0	2 582 432	0,1
Mexico	0	0	1 885 776	10 059	0	0	1 885 776	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 7 December 2018

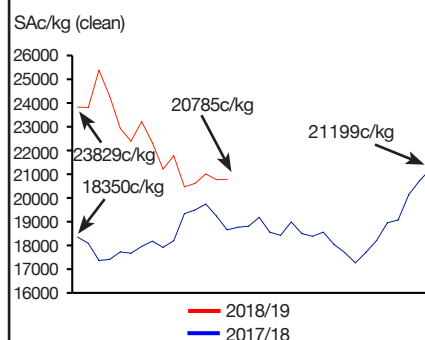
Wool receipts (kg greasy):

2018/19: 24 906 567,5
2017/18: 28 798 077,2
Change: -13,5%

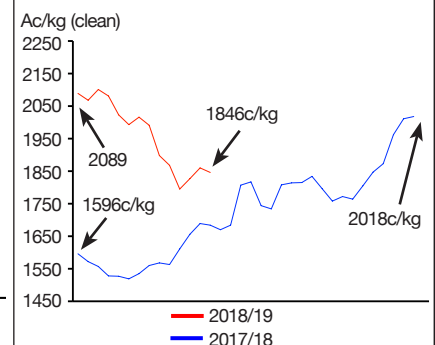
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2018/19:	104 414	40 602	145 016	21 676 742,3
2017/18:	100 738	58 208	158 946	23 447 773,6
Change:	3,6	-30,2	-8,8	-7,6

Graph 1: Cape Wools' Merino indicator on 5 December 2018



Graph 2: Australian Eastern Market Indicator on 5 December 2018





Aussie production forecast lowered by another 5%

Australia's wool production forecast is at a 21-year low, the worst ever on record.

In its latest estimates the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said wool production during the 2018/19 season would total 385 mkg - down five per cent from an estimate in September of 404 mkg.

That forecast would mean the smallest volume of wool produced since before 1997 (Australia does not keep official records on wool production before this date).

Continuing dry seasonal conditions across much of Australia's east coast, home to a big portion of the country's livestock industry, have forced producers to cull sheep due to lack of grass and soaring feed prices.

The area has received less than 40 per cent of the rain that would typically fall in the last six months.

Yet the decline in production is anticipated to support prices, with the Eastern Market Indicator (EMI) expected to support prices for the remainder of 2018-19, even with the reduction in buyer demand resulting in a sharp decline of 12 per cent since August 2018.

Trade consultant for Australian Wool Innovation, Scott Carmody, said the market is currently on "tender hooks" even though it is a good situation for those that can maintain their stock numbers.

"A lack of supply in the market causes spikes and falls of a greater magnitude because it is all exaggerated," Mr Carmody said.

He said woollen mills have changed their mindset. "Most of the mills in China are now looking for true price indicators,"

Mr Carmody said.

"They are now looking two or more months forward where they have to start considering starting production for next year's autumn/winter sale for the northern hemisphere."

Australia provides about 90 percent of the world's exported fine wool used in clothing manufacturing. The fall in production will put pressure on the global garment manufacturing industry with ABARES saying wool exports will fall nine percent during the 2018/19 season from the previous season.

Lower production will force millers to either pass on the cost or require retailers to cut down on the use of the fibre.

Mr Carmody said he expects the production forecast to fall even more than the current estimate.

"As a wool industry we are looking at a 10 to 15 per cent reduction," he said.

"The people on the ground are telling us the wool production out of the western district in particular, as a state NSW is looking at a 20 to 30 per cent reduction - 30 per cent the further west you go and 20 per cent closer inland.

"That is basically less wool cut per head, but the loss of sheep numbers as well."

The overall impact of the US-China trade dispute on world textile trade and derived demand for Australian wool remains uncertain with Chinese consumer confidence and garment sales on the decline since the escalation of the trade tensions.

ABARES reports that this could signal weakening textile demand in China, especially for high-value woollen apparel.

Sheep pain relief product approved for clinical trials for human use

A sheep pain relief product developed in Australia has been approved for clinical trials for human use in the United Kingdom.

Tri-Solfen® was developed by Animal Ethics Pty Ltd, a wholly-owned subsidiary of human and animal pain mitigation company Medical Ethics.

Tri-Solfen® was first designed to adhere to wounds to provide rapid onset numbing with prolonged analgesia effects for sheep. It was widely used in Australia as a post-operative topical spray on sheep after mulesing. The local anaesthetic and antiseptic gel also contains active ingredients designed to minimise bleeding, protect against infection, coat wounds and promote healing.

Medical Ethics last month announced that the UK's Medicines and Healthcare products Regulatory Agency has approved its application for a Phase 11a clinical trial of Tri-Solfen®, under the human product brand Medi-Solfen®, for the treatment of pain during the surgical debridement of venous leg ulcers.

The company said Medi-Solfen® is its lead product candidate for human use and is designed to provide rapid onset, and short and prolonged analgesia effects for up to 24 hours. The company anticipated initiating the clinical trial in the first quarter of 2019.

Source: *Sheep central*.

Wool socks ideal to ripen avocados evenly

Struggling to ripen avocados? If so, the perfect answer is the Avocado Wool Sock.

Developed by a Canadian company, the socks are knitted in Alberta using 100% Shetland wool from a 200-year-old Scottish woollen mill and finished by a social enterprise in Vancouver.

According to its website *theavocadosock.com* the natural lanolin and warmth of the wool ripens avocados evenly and gently and faster than a paper bag in as little as 24 hours.

It can also be used for other fruit.



South Africa also produces less wool

Drought conditions in many wool production areas have had a negative effect on South Africa's production.

Wool receipts into brokers' stores up to 7 December were down 13,5% compared with the same period last season.

The highest production figure reached over the past 10 years was in 2016/17 when production came to 52,5 mkg (see bar chart).

A low point was reached in 2011/12 following an outbreak of Rift Valley Fever the previous season and drought conditions in many areas. Production thereafter increased to a higher level over the next few seasons.

