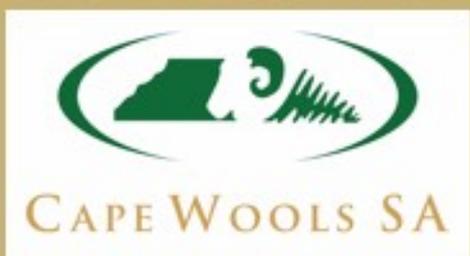


# ANNUAL REPORT

## 2015/16



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# ABOUT US

## WOOL PRODUCER ORGANISATIONS

(Including Small Stock Breeders' Society Group)

Dr GE de Kock (Chairman)  
SK Makinana

GM du Toit (appointed 13/11/2015)

WG van Zyl (appointed 13/11/2015)  
GEJ Kingwill (Term expired 13/11/2015)  
JH Prinsloo (Resigned 13/11/2015)

## WOOL BROKERS AND TRADERS GROUP

W Edmayr

## WOOL BUYERS AND EARLY PROCESSORS GROUP

PA Lynch (Vice-chairman)

DJ Pape  
CF Friskin  
RA Kirsten

## LABOUR

MG Manqindi

## VISION

For Cape Wools SA to contribute in a meaningful way to a sustainable, world-class South African wool industry.

## MISSION

To support the South African wool industry with research, development, promotion and market intelligence through progressive independent and transparent projects, respecting the different role-players.

## CORPORATE GOVERNANCE

Cape Wools SA is a tax-exempt entity without share capital. It was established as an association on March 11, 1997, in terms of Section 21 of the Companies Act (Act 61 of 1973).

The company's Memorandum of Incorporation declares its main business as the promotion of group interests involved in the production, trading and consumption of South African wool.

An elected Board of Directors representing the various interest groups in the wool industry duly governs the company.

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# CHAIRMAN'S REVIEW

Our chairman for the last eight years, Mr. Geoff Kingwill, indicated that he would not be available for another term, vacating his chair in November. I would like to point out some of the milestones reached by Cape Wools under his chairmanship. One of the most noteworthy was the streamlining of the wool structure by the incorporation of the Wool Textile Council into Cape Wools. This increased the responsibilities of Cape Wools, most notably as it enhanced our role at the IWTO. It would not be amiss to highlight the leading role Mr. Kingwill played there as a Cape Wools representative. In short, Mr. Kingwill oversaw a period of sustainable and constant growth in the functions and influence of Cape Wools both nationally and internationally. On behalf of the Board I would like to thank Geoff for the hard work he put in, for the standard he set and for being an excellent chairman to serve under.

We would like to thank the Chairman, Trustees and Management of the Wool Trust for the sterling work they are doing in managing the Trust capital.

During the year under review large parts of the South African wool growing areas, but most notably the Free State, again experienced well below average rainfall. Some districts recorded the lowest rainfall ever recorded. Despite that, total wool receipts were basically the same as it was for the previous season at almost fifty million kg.

I would also like to thank Mr. Louis de Beer and his staff for ensuring that Cape Wools and the contracted service providers delivered successfully and efficiently on all its functions during the year. I am therefore confident that Cape Wools has the capacity and ability to meet the challenges of the coming season.

Cape Wools has during the reporting period launched the South African Wool Industry Growth Plan with the ultimate aim of stimulating a substantial growth in wool production. This long-term project encompasses all the core functions of Cape Wools but needs Government and industry support to be truly effective.

Cape Wools continued to be a valued supporter of small stock and related research and our inputs at various policy making levels were incorporated in a number of new research projects. Maintaining good relationships with researchers at all research institutions remained a priority of the Board.

As we believe that innovation drives progress we continued to fund producer technology transfer programs aimed at stimulating more efficient and competitive wool sheep farming. The effectiveness of our current programs need to be constantly appraised and improved on.

Wool promotion continued as a priority of Cape Wools with continued focus on international co-operation, in particular The Campaign for Wool. It is our belief that the promotional work done by the International Wool and Textile Organisation (IWTO) in supporting and co-ordinating research projects aimed at educating the retail and consumer communities about the benefits of using wool is bearing fruit, stimulating use and thus improving demand. It is a pleasure to report that a South African and former Cape Wools SA consultant, Mrs Dalena White, assumed the role of Secretary General of the IWTO. We wish her all the best. Locally we have included the producer in our promotional drive. As a producer country we believe that promoting the economic benefits of farming efficiently with wool is as important as asking consumers to buy our product.

We would like to welcome to our Board Mr. Guillau du Toit and Mr. Billy van Zyl whose knowledge of the challenging production environment of the Eastern Cape has already proved to be of great value. I would also like to thank each Board member for their time and inputs over the last year.

It is with eager anticipation and optimism that I am looking forward to the new season as world demand for wool remains strong. There are also strong indications that the summer production areas will receive good early rains.

# CEO REVIEW OF OPERATIONS

The 2015/2016 wool growing season saw the market trade at record levels with the Cape Wools Merino Indicator consistently trading above the R150/kg (clean) level for the latter part of the season.

Rand weakness played an important part in increasing returns to producers struggling under a severe drought. We all held our breath in anticipation of the decline in volumes received at broker stores. However, this did not materialise and volumes remained largely unchanged. The confidence within the industry is high and I am glad to report that the momentum achieved at the end of this reporting period carried through to the start of the new season and all signals indicate that the bullish trend will continue.

The reconstituted Cape Wools Board updated the company's risk register and strategic plan in keeping with its mandate. The good work done in this area during preceding years has again paid off and only slight amendments to both documents were required.

The Wool Industry Growth Plan message has been communicated to a diverse audience including firstly the wool industry itself, government departments tasked with developing the agricultural economy, as well as private institutions that operate in this space. We are confident that as we diligently continue promoting the opportunity vested in this industry that it will bear fruit. We are already experiencing an increase in the demand for Merino stock with prices steadily increasing. Having said this, we are under no illusion as to the complexities involved in implementing projects to drive the vision. We also dearly appreciate the Wool Trust's unequivocal support for this initiative.

Our strategic partner responsible for delivering the production advisory and other services on our behalf, the National Wool Growers' Association of South Africa (NWGA), has delivered per the tender

requirements. Dr. Louis du Pisani has had to overcome significant human resource challenges in the process. The wool industry is astonished at the lack of support that we have received in this regard from the Eastern Cape Government and we are left with little option but to employ dedicated staff for the industry, or alternatively, to scale down the industry initiatives and support to the rural Eastern Cape communities.

Significant progress was made by Dr. Du Pisani and his team not least increasing the average price received by wool growing associations to an average of R52,35/kg. This is at 68% of the national average of R77/kg greasy and exceeds the Cape Wools target set at 65% of the national average. A total of 767 wool sheds marketed their wool through the formal auction system, again exceeding the Cape Wools target of 669 sheds – a truly sterling performance.

2016/2017 is the second year of the two-year tender period. The biannual survey is now underway and its results, as well as the comments received from the production advisory committee, will be instrumental in the design of the future tender. It is important to note the changing demographics of the wool producers and it is with excitement that we are making plans to deliver the services to the industry and the millennial generation when there are still numerous baby boomers in circulation.

The 85<sup>th</sup> Annual IWTO Congress was hosted in Sydney, Australia during April of this year. Given its proximity to the most sheep in the world, it was no surprise that attendance was also at record levels. This was once again a highlight of the wool textile industry calendar with growers, brokers, exporters and retailers getting together to network and build the wool industry. South Africa was well represented with no less than 15 delegates in attendance.

Dr. George de Kock now chairs the Biosecurity

# CEO REVIEW OF OPERATIONS

Working Group where nations discuss common interests on biosecurity. The benefits of such a forum is that you exchange ideas and from this we realised the relative lack of ownership the South African producers take for on-farm biosecurity relative to their Australian counterparts. The MyBiosecurity poster was subsequently developed and distributed across South Africa with the assistance of partnering cooperatives and industry role-players.

The wool industry remains concerned about the lack of confidence expressed by the livestock industries in Onderstepoort Biological Products (OBP). The bluetongue vaccine has been supplied to markets in insufficient quantities and not timeously this season. During this period, OBP also parted ways with its previous logistics partner Bayer (Pty) Ltd which created further delays and challenges. We understand that OBP have significant and unique challenges to which we are sympathetic. However, we are adamant that the national flock's health should not be jeopardised and urge OBP to deliver medication per the industry's requirement.

During this year, Mr. Juan van Schalkwyk was appointed as a wool appraiser intern and Mr. Mzamo Bobi as an economic analyst intern. The programme was developed to provide for the future qualified wool appraisers to the industry. Both candidates have performed very well in their respective fields and we believe that the industry will yet reap the rewards of this initiative.

In-bale contamination has declined markedly since the brokers installed in-line metal detectors and Cape Wools agreed a penalty system for polypropylene contamination.

Cape Wools' collaboration with the Olive Leaf Foundation and five communities from the Zulukama area culminated in the 5-Villages project. In this project wool sheep farming is the

primary economic driver for growth. We look forward to experiencing the success of this project even after it was severely hampered due to the drought. On our recent visit Mr. Mrwebi expressed his satisfaction at the fact that the Mceula Village had not lost any lambs during the winter season as they were able to provide sufficient pastures for their flock for a change – this despite the drought.

The Xhosa translation of the Story of Wool Book "Uboya Emzantsi Afrika" went to print this year and was distributed throughout the industry. The feedback we received was positive and the requests for a further print has already been received. The hunger for knowledge of our sheep farming and requirement for further learning material is massive.

A special word of thanks to the Cape Wools staff for their diligent efforts to ensure the success of Cape Wools to the benefit of the wool industry of South Africa.

# INDUSTRY STATISTICS

## GENERAL

Continuation of the statutory measures for registration and records and returns in the South African wool industry was granted on 4 April 2016 for a further period of four years to lapse on 30 June 2020.

## THE WOOL MARKET

The 2015/2016 season opened to a firm start with the Cape Wools Merino Indicator closing at an increase of 15,8% above the corresponding sale of the previous year. The positive sentiment continued throughout the season and eventually the Cape Wools Market Indicator closed at a value of R152,06/kg (clean), 6,7% short of its record high ever.

Export earnings of R4 151 million was up a significant 40% on the previous year.

Exposure to China eased slightly with export volumes dipping by 5,8% whilst the Czech Republic volumes increased significantly by 64,9% to a level of 6,9 million kg. Although the volume of greasy wool exported to Italy showed a good increase of 22,8%, it was the increase in value of R153 million for greasy and an 88% increase in value overall that we found most encouraging.

The wool pipeline remains empty with very little stock built up along the value chain. These shortages will continue to drive the market higher and we expect the trend of increased volatility seen during this period to continue going forward.

The exchange rate is not a driver of USD price; however, it does impact significantly on the rand returns enjoyed by the industry from their sales. On 9 December 2015 South Africa experienced the biggest financial crisis since the start of its democracy when President Zuma replaced the Minister of Finance with the shortest serving Minister on record. The market took flight and

the rand devalued by the largest single margin ever causing the wool market to immediately return 14,3% more rands to its cash-strapped, drought stricken producers' base. Although we all understand that a weaker rand is not in all of South Africa's favour, it was difficult not to boast of our good fortunes.

The second half of the season saw the market trade sideways within the R162,00/kg to R150,00/kg marks. Buyers consistently reported that there was excellent demand in the market for longer and better quality wools. The demand for shorter and poorer quality wool also held up nicely and prices across the spectrum were good.

The year also saw global wool production at a 70-year low with Australia predicting a further decline of 2%. It is probable that alternate land use will continue to put pressure on wool production.

South Africa remains mulesed-free which without a shadow of doubt had a positive effect on both price and desirability.

South Africa's export market included Canada, China, Czech Republic, Egypt, France, Germany, Hong Kong, India, Italy, Japan, Mauritius, Mexico, Portugal, Spain, Taiwan, Turkey, UK, Uruguay and finally the USA.

During this period, nine buyers were active on the market with Standard Wool SA buying the largest volume of wool (91 077 bales) followed by G. Modiano SA (84 645 bales) and Lempriere SA (77 632 bales) in third position.

# PRODUCTION AND SALES

<b>BROKER RECEIPTS AND BUYER RETURNS (Kg greasy)</b>			
<b>Source</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>Change (%)</b>
Eastern Cape	17 065 019	16 141 395	+ 5,7
Free State	8 768 316	10 112 388	- 13,3
Western Cape	8 345 829	9 120 053	- 8,5
Northern Cape	5 841 280	5 945 549	- 1,8
Lesotho	5 722 225	4 175 618	+ 37,0
Mpumalanga	2 361 636	2 438 164	- 3,1
KwaZulu Natal	684 668	769 491	- 11,0
North West	581 711	601 419	- 3,3
Gauteng	325 428	304 805	+ 6,8
Limpopo	5 275	7 841	- 32,7
Namibia	2 581	3 755	- 31,3
Direct Purchases	-	167 961	-
<b>TOTAL</b>	<b>49 703 968</b>	<b>49 788 439</b>	<b>- 0,2</b>

## CLIP PROFILE

An analysis of the characteristics of the clip delivered during this season, and in comparison to the previous season, showed that of all fleece wool deliveries, only 41% was good topmaking or better.

Deliveries tested as follows: Superfine: (<17,6 $\mu$ ) 5%; Fine (17,6 – 18,9 $\mu$ ) 13%; Medium (<19,0 $\mu$  - 22 $\mu$ ) 75%; and Strong (>22 $\mu$ ) 8%.

Vegetable matter (VM) tested very low as was the case during the 2014/2015 season with 81,3% of wool on offer testing lower than 2% VM.

Yields were higher this season as 56,8% tested 60% and higher compared with 55,6% in 2014/2015.

The overall quality of the clip for 2015/2016 was good.

# EARLY-STAGE PROCESSING AND FIBRE EXPORT PROFILE

The total mass of wool received for processing was 7 123 915kg which was 8,4% down on receipts the previous season.

The mass returned from processing per class was scoured 221 344kg (-52,7%); carbonising 1 456 128kg (-7,6%); top 2 202 751kg (-7,0%); noil 300 495kg (-2,5%), waste 4 327kg (-88,5%).

An analysis of fibre exports again confirmed the ongoing trend of growth in greasy wool exports. During the 2015/2016 season South Africa exported 92,5% in weight and 87,7% in value.

The total value of fibre exported amounted to R4 151 484 114, up 40,9% from R2 946 634 259 in 2014/2015.

## EXPORTS BY MAJOR DESTINATION, ON VALUE, 2014/2015 (GREASY)

\*FOB = FREE-ON-board

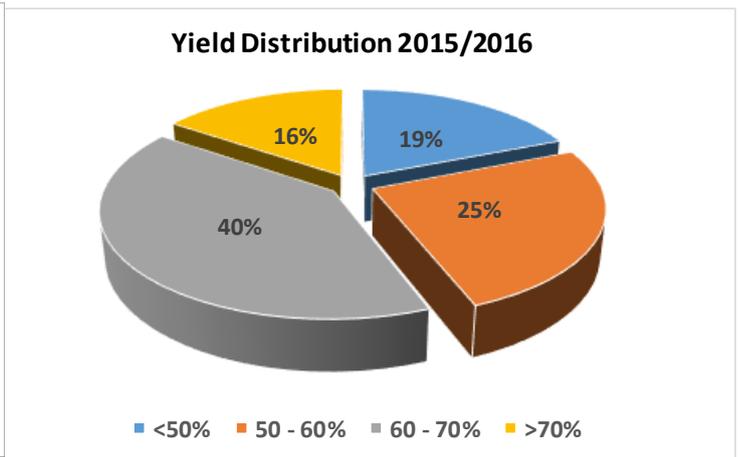
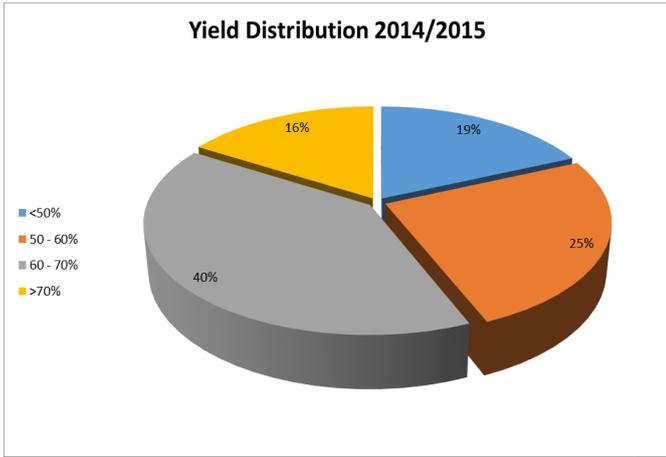
Country	Total FOB Value (R)	% Contributions by Product Type			% of Total FOB Value, All Destinations
		Grease	Scoured	Combed	
<b>China/Macau</b>	2 637 150 971	97,4	2,5	0,1	<b>63,5</b>
<b>Czech Republic</b>	607 501 096	100,0	0,0	0,0	<b>14,6</b>
<b>Italy</b>	519 428 281	47,0	14,5	37,2	<b>12,5</b>
<b>India</b>	165 646 624	98,4	1,6	0,0	<b>4,0</b>
<b>Germany</b>	92 980 222	0,0	32,7	63,03	<b>2,2</b>
<b>Egypt</b>	56 776 796	96,9	0,0	3,1	<b>1,4</b>
<b>France</b>	25 907 409	0,0	6,03	93,9	<b>0,6</b>
<b>U.S.A.</b>	18 242 170	0,0	25,7	71,7	<b>0,4</b>
<b>U.K.</b>	15 384 340	8,2	6,04	34,3	<b>0,4</b>
<b>OTHER</b>	9 566 484	0,1	49,7	46,2	<b>0,3</b>
<b>Mauritius</b>	2 899 721	0,0	100,0	0,0	<b>0,1</b>
<b>TOTAL</b>	<b>4 151 484 114</b>	<b>87,7</b>	<b>4,5</b>	<b>7,3</b>	<b>100,0</b>

# EARLY-STAGE PROCESSING AND FIBRE EXPORT PROFILE

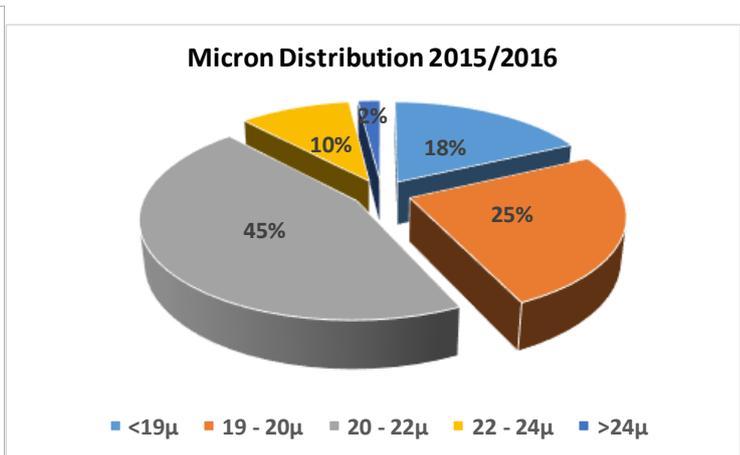
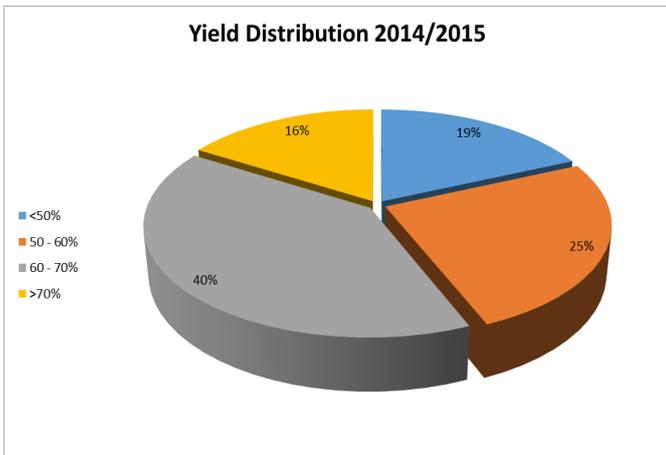
## EXPORTS BY MAJOR DESTINATION, ON WEIGHT, 2014/2015 (CLEAN)

Country	Clean Weight (kg)	% Contributions by Product Type			% of Total Weight, All Destinations
		Grease	Scoured	Combed	
<b>China/Macau</b>	32 395 469	98,6	1,4	0,03	<b>69,8</b>
<b>Czech Republic</b>	6 924 385	100,0	0,0	0,0	<b>14,9</b>
<b>Italy</b>	3 317 642	47,3	16,9	33,0	<b>7,2</b>
<b>India</b>	1 869 842	97,9	2,1	0,0	<b>4,0</b>
<b>Germany</b>	671 410	0,0	40,1	52,2	<b>1,4</b>
<b>Egypt</b>	669 177	98,5	0,0	1,5	<b>1,4</b>
<b>France</b>	164 398	0,0	8,3	91,8	<b>0,4</b>
<b>U.K.</b>	162 884	10,3	3,3	18,4	<b>0,4</b>
<b>U.S.A.</b>	116 813	0,0	32,1	60,8	<b>0,3</b>
<b>OTHER</b>	73 804	0,0	67,7	31,1	<b>0,2</b>
<b>Mauritius</b>	18 524	0,0	0,0	100,0	<b>0,1</b>
<b>TOTAL</b>	<b>46 384 348</b>	<b>92,5</b>	<b>3,1</b>	<b>3,8</b>	<b>100,0</b>

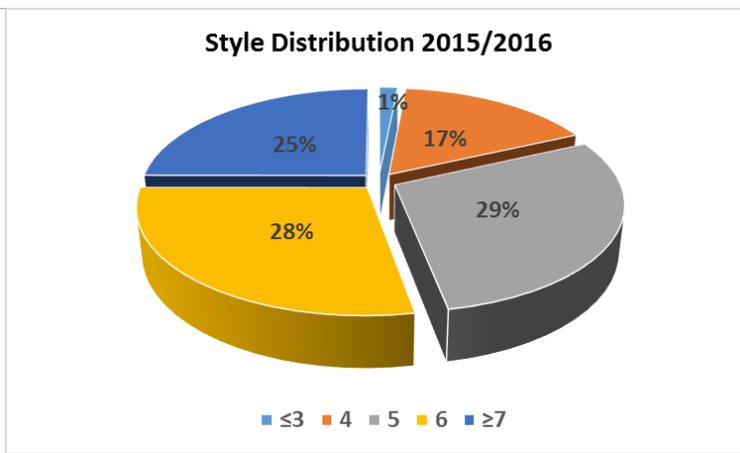
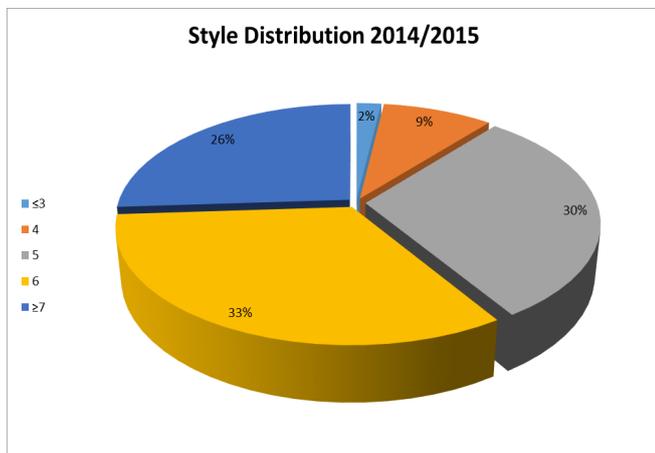
## CLIP YIELD DISTRIBUTION



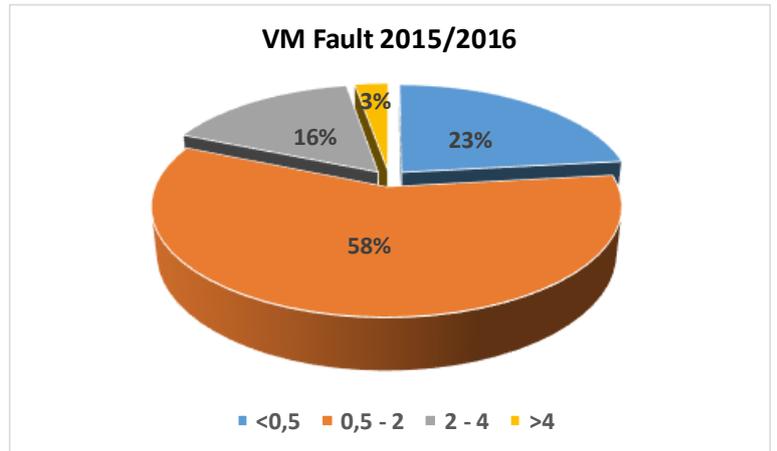
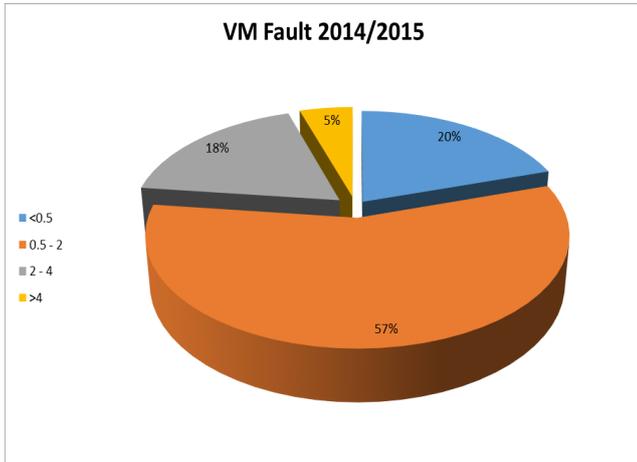
## CLIP MICRON DISTRIBUTION



## STYLE DISTRIBUTION - FLEECE WOOLS



## VM VAULT (%)



## PROMOTION

Cape Wools' policy on international promotion of Merino wool is to do this in collaboration with the international wool community. For this purpose The Campaign for Wool was launched with South Africa as a funder. His Royal Highness Prince Charles agreed to Patron The Campaign. The Campaign, under the current Chairman, Mr. Nicholas Coleridge, has gone from strength to strength and we are pleased with the value we receive from our marketing contribution. It is told that when producer nations are unified the price of their product increases and when they are not the reverse is evident. Whether this is due to collaborative marketing is undecided but if we view the start of The Campaign in relation to the increase in the price of wool, then I suggest we err on the side of caution and with confidence continue our support for The Campaign. We have officially received confirmation that HRH will continue as patron until 2021. This is good news as it gives us the opportunity to capitalize on the foundation that has been laid over the previous five years. The involvement of His Royal Highness Prince Charles with our efforts assists greatly in piquing public and media interests in wool. Mr. Peter Ackroyd has been instrumental in this success and we express our gratitude to him for his unselfish labour.

During this period much of the activity of The Campaign was focused on traditional and social media platforms aimed specifically at a broader and younger demographic. The Campaign again

included Global Wool Weeks. Further activities included the production of three short films as well as the documentary by Alex James highlighting the deleterious effects of fast fashion and contrasting the opportunity wool holds for the conscientious consumer.

The total PR reach of Wool Week activities was at 43 million shows and across the seven main Wool Week events around 250 brands partnered with an advertising value equivalent estimated at GBP 11.5 million. This excludes the Wool Week activities of Canada, South Africa, Shetland Islands and New Zealand.

These achievements are praiseworthy but most encouraging is the report from our own Mr. Wolf Edmayr confirming that in his humble experience he has seen the prominence of wool increased markedly at retail.

On the home front Wool Week Port Elizabeth was hosted from 29 March to 2 April. This event offered the public the opportunity to meet the wool industry including suppliers and designers working in wool. The retail exhibition was held at Walmer Park Shopping Centre and the agricultural component was hosted at the neighbouring sports fields of the DF Malherbe High School. Daily sheepdog shepherding shows as well as sheep shearing displays proved extremely popular with

# PROMOTION

the public who also attended various arts and crafts workshops working in wool.

Over a period of five years Cape Wools has focused its marketing efforts in South Africa on the retail consumer and all our efforts have been aligned to a discussion with the consumer. Despite this, we have seen lambswool jersey sales in Woolworths decline by 84% over this period and although this is not a good measure of the success of our efforts, it has caused us to reconsider our domestic focus. We believe we should remain engaged with the retail consumer whilst in future focusing more heavily on promoting wool production and the wool industry to South African agriculturalists. This will involve developing opportunities



# RESEARCH & DEVELOPMENT

Cape Wools co-funded 17 research projects done at 7 research institutions covering 7 broad aspects important in efficient wool production.

## Animal Health

A new project (Schalk Cloete – Institute for Animal Production; Elsenburg) is researching the effectiveness of available Johne's diagnostic methods, the effect of Johne's disease on production, the heritability of the resistance to the disease and the effectiveness of the Gudair vaccine. The project is on schedule.

The development of a fungal pathogen to suppress adult blow fly numbers was concluded at a total cost of R43 000. (Justin Hatting – ARC). It was found that blow flies exposed to this lethal fungus produced fewer eggs, were less active, had a higher mortality and infected other blow flies (horizontal infection). It is recommended that the development of a biological bait treated with this fungus should be investigated.

Rift Valley Fever (Bob Swanepoel – UP). At the writing of this report Cape Wools was still waiting for a progress report from UP with respect to this project.

Validation of PCR on pooled faecal cultures (A.L. Michel – UP). The Onderstepoort Veterinary Institute has successfully implemented the method for culturing and testing for the Ovine Johne's causing mycobacterium using PCR optimisation. Samples collected from Johne's positive farms will be tested using the above methods.

## Social development

The Zulukama project was concluded by July 2015. Although a number of ewes introduced initially died due to various factors, the knowledge gained on the reasons for high ewe and lamb mortality resulted in a significant reduction in mortalities during the 2<sup>nd</sup> year of the project. This project can only be called a success if enough knowledge was gained by the community to enable it to become successful subsistence farmers. A new 3-year project to test this has been approved commencing July 2016.

## Sheep production economics

Agri-benchmark – local sheep network. 10 Representative sheep farms were compared. The project was completed as per contract. As the final results are not yet available nothing further can be reported. It should however be noted that Cape Wools is not funding further research in this field by the University of the Free State.

## Predation management

Scientific assessment (Dr. Balfour, NMMU). After many delays the co-funders (DEA, DAFF and the South African Mohair Growers' Association) also committed funds. At present structures to guide the project (PCG) have been put in place, a revised work plan set up and a list of lead authors and reviewers have been identified.

Development of synthetic pheromone for effective control of caracal (BV Burger - US). This project is near successful completion with trapping of caracal using synthetic pheromone being planned by the end of 2016.

## Ovine Genomics

The study of robustness in Merino sheep using either SNP information or biochemical parameters to identify putative markers (S Cloete - Institute for Animal Production; Elsenburg). Completed. The capacity generated by this research encouraged the project team to undertake a new project titled: Establishment of a reference population for future implementation of genomic breeding values for the South African Merino breed. (G Snyman - GADI/ Elsenburg). This long-term project is going according to schedule. Of the R400 000 provided by Cape Wools R397 352 has been spent up to date on the genotyping of 165 Merino ewes using the OvineSNP50 chip.

## Resource management

Legume production monitoring programme in Western Cape - Dr. J. van Heerden - ARC). Dr. Van Heerden retired from the ARC in November 2015.

# RESEARCH & DEVELOPMENT

During the course of his research numerous articles and publications (scientific and popular) were generated. His research findings led to a generalised reduction in seeding rates as well as a shift in cultivar choices. The programme has been taken over by Dr. J. Labuschagne (Western Cape Department of Agriculture).

Rangeland monitoring in semi-arid Karoo biome (Dr. L van den Berg – DAFF- Grootfontein). During the past year a peer reviewed scientific article has been prepared due for publication in November 2016. This article addresses the effect of long-term (27 years) small stock grazing at different stocking densities on the biodiversity of the Karoo veld.

Effect of high density, short-term grazing on animal production and veld condition in a mesic grassland of SA (Dr H. Hawkins –Conservation SA). A review of the effect of Holistic Planned Grazing as claimed by Mr. Savory indicated very little scientific evidence to substantiate these claims. This study aims to address this shortcoming. It is also looking at the effect grazing has on resource biodiversity. Part of this research is being done in the communal grazing area of the Eastern Cape where an improved grazing system could hypothetically double the profitability of the farming operation. The project is going according to schedule.

## **Post farm gate**

Wool's comfort properties (Dr. A. Botha- CSIR-NMMU). This project looked at comparing the thermal comfort properties of clothing containing wool with those of other fibres. A sweating manikin (located in Hong Kong) simulating human perspiration was used. The results obtained confirmed what was found using the Permatest method, namely that fabric and garment assembly plays a bigger role than fibre or fibre blend. A further study using 10 carefully selected fabrics will be done before a definitive conclusion can be made.

Sterilization of bales of wool by irradiation (A. Botha – CSRI). Gamma-ray irradiation at appropriate sterilization levels caused yellowing of the greasy

wool. Radiation with micro waves is currently being studied.

## **Pesticide testing**

The pesticide trial is aimed at screening the South African wool clip for residues at time of shearing. The samples are selected in proportion to the clip profile and provincial production levels. Samples are sent to New Zealand Wool Testing Authority for extraction before the extract is analysed by the Australian Wool Testing Authority. A total of 84 samples were tested during the 2015/2016 season. The results are analysed to identify trends and to determine the key areas that require further work to reduce the overall residue levels through improved farming practices.

The exchange rate effect on testing fees as well as the possibility of stricter greasy wool import requirements into New Zealand could affect the future feasibility of the trial. In this regard discussions have been held with Professor Swart of the University of Stellenbosch to determine the viability of residue analysis at their local facility.

## **DMF testing**

The purpose of the DMF trial is to focus on wool clips that are generally expected to be free of dark or medullated fibre. The current selection criteria include approximately 10 fleece samples per catalogue in proportion to provincial production levels and is limited to lots with an AWEX style value of 4 or less. The results are analysed and where lots exceed dark or medullated counts of 30 fibres per 10 gram, questionnaires are sent to producers to identify the cause of the contamination. The responses will be used to update farming guidelines to assist producers in keeping their clips free of dark and medullated fibre contamination. System changes at the testing facility has delayed the project during 2015/2016. These issues have since been resolved and results will be reported to CWSA on a quarterly basis.

In total R2 181 282 was allocated to research.

# WOOL PRODUCTION ADVISORY SERVICES

Cape Wools delivers production advisory services to all wool producers in South Africa. This service is available to every and any producer of wool. It is not subject to the producer's membership of any organisation. To accomplish this task Cape Wools as the wool industry representative organisation in South Africa bi-annually requests service providers to tender for the delivery of the services. This policy of outsourcing service delivery is as a result of the legacy of the demise of the Wool Board. Production advisory services was an in-house function of the Wool Board and post 1994 the decision was taken to outsource the service. The rationale for this decision was to assist industry organisations with relevance and cashflow and at the same time to unbundle what was an industry monolith.

At the time, this decision received sufficient support for it to be implemented. Twenty years later we would suggest that this policy of outsourcing and methodology be revisited. As an industry organisation responsible for the delivery of industry services it is of the utmost importance that the policies and structures required to teach, manage and deliver the service be in place. To this end Cape Wools will contract the services of a recognised tertiary business school to evaluate the industry policy and to advise the Board of Cape Wools accordingly.

As stated previously, it is vital in ensuring an efficient and profitable wool industry for South Africa that industry services are delivered successfully.

The Cape Wools SA tender for the delivery of Production Advisory Services for the period 1 July 2015 to 30 June 2017 was awarded to the National Wool Growers' Association. The tender is now entering its second and final year and this report will detail the performance results of the first year's delivery to the tender.

At a Production Advisory Committee meeting in

March of this year, the decision was taken to reassess the targets included in the original tender document to ensure that they reflected reality and to consider the appropriateness of duplication of services on equal bases across provinces. This was done.

In the commercial areas an average of 110% was achieved with a total of 6 660 farmer contacts made. The Western Cape achieved 151% to target.

In the communal production areas on average a 290% figure of achievement was reached with the contract targets. Kokstad achieved the highest achievement at 455%.

It was encouraging to note that the measured average price received by communal sheds during the 2016 production year was R52,35/kg which was on average 68% of the national average at R77,40/kg. This meets the target set at 65% of the national average.

The amount of wool sold through the formal auction system increased from 3,6 million kg to 4,5 million kg and its value increased from R131 million to R234 million of which 1 543 999 kg and R102 093 334 can directly be attributed to the shearing sheds. A total of 767 communal shearing sheds marketed their wool through the official auction system which exceeds the target set by Cape Wools of 669 sheds. Cape Wools is encouraged by these results especially when taking into consideration the dire labour constraints with which Dr. Du Pisani had to deal with during this period. Only two of the initial eight staff members seconded from the Department of Rural Development and Agrarian Reform in the Eastern Cape remained resulting in a shortage of six employees. The industry is attending to this concern and are deciding whether industry should at its cost employ further staff. In the meantime, this service in its current form, is under pressure.

# WOOL PRODUCTION ADVISORY SERVICES

Dr. Du Pisani and his team this year developed a comprehensive analysis and diagnostic tool to give individual feedback and deliver applied solutions through tangible plans that direct producers' decision-making and deliver identified causes for success and failure with remedial practices contextualised to the reader.

The dissemination of information digitally is currently underutilised and this is an area for growth identified by Cape Wools. This also aligns well with the advice received from the Baby Boomers on the emergence of the x-generation with the millennials in between.

Predation is still one of the industry's top concerns, as is stock theft. The industry has availed significant funding to research predation and support the endeavours of Mr. Neil Viljoen. The antics of the Predation Management Forum, experienced when a decision was to be made on the choice of a service provider for a predator management information centre, was disturbing, especially when seen against the background of the tremendous stock losses the producers have to absorb.

The production advisory services survey is currently in process and this result together with the initial survey results will give us a clear indication of the efficacy of our actions. The Production Advisory Committee's valuable advice will be carefully considered on preparing the tender document for 2017 – 2019.

During the period under review 258 new recruits were trained in the skill of blade shearing while 269 existing shearers received intermediate and advanced blade shearing training. 76 New recruits

received machine shearer training while 211 persons received intermediate and advanced machine shearer training. These trainings again exceeded the targets set by Cape Wools. A concern however was the low uptake of trained shearers. A comprehensive study detailing reasons for this was undertaken and the findings indicate that we need to explore innovative ways to bridge the skills and income gap between newly trained and competent novice shearers being able to shear approximately 30 sheep per day to fully skilled shearers able to shear at least 80 sheep per day. A three-phase approach to training is recommended.

The Code of Best Practice is an integral part of the success of the industry. Compliance to the new Code of Best Practice and the adherence to minimum standards of living conditions is no longer negotiable.

The Springbok Head training course is accredited by AgriSeta. However, the NWGA does not have the institutional capacity to train Springbok Head wool classers. This capacity only exists at certain agricultural schools and colleges. Production advisors can however assist with the delivery of these courses. In total then seven Springbok Head courses were conducted and 106 Springbok Head certificates were issued by the NWGA this year. The rest of the participants, nearly 200, were regarded as trained piece pickers.

A detailed analysis of the wool clip fault incident report was also undertaken and the relevant knowledge was disseminated through the industry.

**ANNUAL  
FINANCIAL  
STATEMENTS**