

# Monthly Wool Market Overview

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Wool news for November 2014

## SA Merino indicator for Nov '14

First sale in Nov: 11102c/kg  
 Last sale in Nov: 10948c/kg  
**Movement:** -1,4%  
 Rand/US\$ at last sale: R10,95

## SA Merino indicator for 2013/14

First sale Nov '13: 11143c/kg  
 Last sale Nov '13: 11148c/kg  
**Movement:** +0,4%  
 Rand/US\$ at last sale: R10,11

## Australian Indicator for Nov '14

First sale: 1033c/kg  
 Last sale: 1051c/kg  
**Movement:** +1,7%

## Indicator for season to end Nov 2014/15

Movement since opening: -1,9%  
 Seasonal low: 10920c/kg  
 Seasonal high: 11700c/kg  
 Average to date: 11291c/kg  
 Average to date in 2013/14: 11282c/kg

## Wool market remains fairly stable

Wool prices have not moved significantly since the opening sale and are holding steady around the R110/kg (clean) level.

At the final sale in November the indicator dipped to slightly below R110/kg, due mainly to lacklustre demand from China and a slight strengthening of the rand (see **graph 1** below).

Although the Australian market has improved somewhat over the past few weeks, the indicator remains at levels significantly below those of the previous season (see **graph 2** below).

Demand from China has for some time been sluggish. Chinese processors have been under financial strain as a result of the upgrading of their facilities to comply with new environmental regulations coming into effect in 2015. In addition, the country's economy has been slowing down.

However, demand is expected to

improve once the upgrading has been completed.

The People's Bank of China has also cut interest rates in an effort to stimulate the economy, which may improve the situation.

Unfortunately, the global economy is not in a good shape at present, which may affect demand for wool.

Countries in the Euro zone, a major market for wool, are struggling with falling growth and high unemployment figures amidst high levels of uncertainty caused by a number of factors.

These include the fragile situation in the Ukraine, the Ebola outbreak, the ongoing conflict in the Middle East and the weakening of the Japanese economy.

There is, however, some good news coming out of the US, which has shown improved growth in the quarter ending September.

## Wool shipments to top 10 export destinations – July 2014 to Oct 2014

Country	Greasy		Scoured		Top & Noils		Total <sup>1)</sup> R	% of total FOB <sup>2)</sup> value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	389 091 410	5 824 364	10 602 546	105 573	0	0	395 693 956	61,5
Czech Republic	96 552 122	1 298 150	0	0	0	0	96 552 122	14,9
Italy	28 611 648	386 281	15 985 146	169 023	20 913 191	196 809	65 509 985	10,1
India	21 860 602	303 513	182 941	12 900	0	0	22 043 543	3,4
Egypt	21 974 081	228 167	0	0	0	0	21 974 081	3,4
Germany	0	0	11 027 599	144 839	8 909 602	64 024	19 937 201	3,1
UK	0	0	0	0	8 529 975	68 662	8 537 445	1,3
Mauritius	0	0	0	0	4 423 811	38 085	4 423 811	0,7
France	0	0	0	0	3 141 478	24 423	3 141 478	0,5
USA	0	0	0	0	2 533 044	14 029	2 533 044	0,4

<sup>1)</sup> Total Rand value includes value of waste exported.

<sup>2)</sup> FOB = free on board

Full export report (Shipments) available at [www.capewools.co.za](http://www.capewools.co.za)

## Accumulative results for November 2014

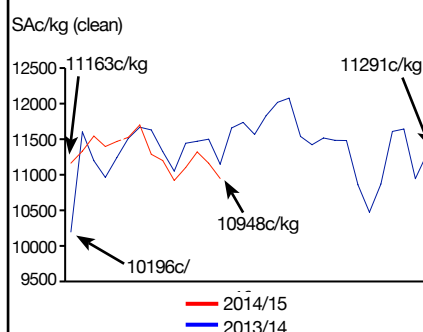
### Wool receipts (kg greasy):

2014/15: 25 637 393,7  
 2013/14: 27 148 531,1  
**Change:** -5,6

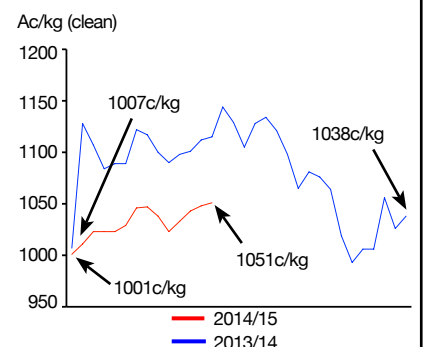
### Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2014/15:	100 128	35 793	135 921	20 344 469,2
2013/14:	103 202	38 243	141 445	21 033 619,9
<b>Change:</b>	-3,0	-6,4	-3,9	-3,3

**Graph 1: Cape Wools' Merino indicator on 26 November 2014**



**Graph 2: Australian Eastern Market Indicator on 26 November 2014**





# Aussies to review the wool selling system

AUSTRALIAN Wool Innovation (AWI) has announced that it is to review the wool selling system. One of the reasons is to establish what the hidden costs are that woolgrowers are charged when selling their wool in the auction room.

AWI chief executive Stuart McCullough stressed to growers at the company's annual general meeting in Sydney earlier this month that the review would deliver outcomes for growers.

Woolgrowers will also get a chance to have a say about the matter and will, in the coming months, be invited to submit their own views on the wool selling system.

## THE OBJECTIVES

Mr McCullough said the wool selling system review had three objectives:

1. To hone in on the transaction between the original owner of wool – the grower – and the exporter, and a review of the middle point of that transaction – at the fall of the hammer – with the ultimate aim to reduce costs at that point.
2. To create "competitive tension" in the auction room. "Competitive tension's in every sale and every other transaction for all other industries, but for some reason it's new to the wool industry," he said.
3. To bring about transparency in the auction system transaction, so growers knew exactly where their money was going.

"We want to take the black magic out of it, there are costs that woolgrowers are being charged that they don't even know what for. We want to flush out the details with this review and tell them about it," he said.

Former major wool buyer Bob Bellamy called for the introduction of alternative methods for marketing wool and a change to the traditional 'open cry' system.

"It's about time we introduced sale by description and computer selling, by doing so we could introduce more people and equity into the marketplace," he said.

Mr McCullough agreed the only change to the auction open cry system was the number of people bidding and the removal of tiered seating.

"There has been no innovation and digitalisation for that selling system and it's a big worry," he said.

## FEEDBACK FROM WOOL INDUSTRY

AWI is seeking feedback from the wool industry with an issues paper being released in December.

"This is basically a prod in the ribs for the wool industry, submissions can be as short as one line and they will be seen by the review committee," Mr McCullough said.

A discussion paper will be released on April 30, 2015, followed by an industry workshop at the end of May.

The final review will be delivered between July and October once all research is completed.

The review is being conducted by a panel independent of AWI and overseen by consultant John Roberts. To date the panel had met on three occasions.

Australian Woolgrowers' Association director Martin Oppenheimer said he doubted whether the review would achieve much. He also did not believe that the review was within the AWI charter.

Source: [theland.com/sheepcentral.com](http://theland.com/sheepcentral.com)

## Chinese parents scramble to avoid Year of the Sheep

CHINA is in the midst of a baby boom this year – the year of the horse – and pregnant women are rushing for cesarean operations to avoid the prospects of giving birth to a child in the upcoming Year of the Sheep, regarded as the most inauspicious for child birth.

Every 12 years, some Chinese couples are thrown into frenzy with fears that their child may be born in the Year of the Sheep, regarded as inauspicious in the eyes of superstitious old-timers.

in the Chinese lunar calendar, years are grouped into a 12-year cycle, with each year assigned an animal symbol: rat, ox, tiger, rabbit, dragon, snake, pig, horse, sheep, monkey, rooster and dog.

With only three months to go, some expectant mothers already plan to opt for C-section to give birth before Feb 19, 2015, the start of the Year of the Sheep, state-run Xinhua news agency reported.

According to China Central Television, there has been a baby boom in 2014, with many regions and some provinces running short of birth certificates, an important legal paper in China.

Shanghai University sociologist Gu Jun believes the idea that people born in the Year of the Sheep are likely to suffer misfortunes is absurd and widely misunderstood.

It originates in a folktale that people in the late Qing Dynasty (1644-1911) opposed to the Empress Dowager Cixi insisted that her zodiac sign – sheep – would endanger the country.

A contrary tradition says that people born in the Year of the Sheep are simply a reflection of the animal's mild and gentle nature.

Bai Hua, director of obstetrics of the People's Hospital of Liaoning Province in northeast China, said about 30 per cent more babies had been born this year than in the same period last year.

The situation is the same in other parts of the country.

## Woolmark Company launches wool care app

THE Woolmark Company has released its Wool Care Guide application, placing information on apparel care at consumers finger tips.

Available for all Apple and android devices, the Wool Care Guide app can be downloaded for free via the Apple App Store or Google Play stores.

"These initiatives address a misperception among some consumers that wool garments are more difficult to care for than garments made from other fibres," said Woolmark chief strategy and marketing officer Rob Langtry.

## Merino T-shirts for NASA astronauts

Armadillo Merino, a British firm that specializes in performance Merino wool clothing, has become an official outfitter to NASA astronauts, according to UK Trade & Investment, a British government department.

The firm has signed three contracts with NASA over the past 18 months, providing super fine Merino wool T-shirts for astronaut training on earth and in space, according to UKTI, which helps British businesses build their export markets.

"NASA has up to 100 astronauts training at any one time, so the clothes need to be suitable for both orbit and earth," said Andy Caughey, managing director of Armadillo Merino, based in Derbyshire, England.

"The clothing is flame resistant up to 600 degrees, anti-static, which is vital in space, and low lint; important as loose fibres can cause problems with the filtration systems on board space craft."

The shirts can be worn for multiple days, so the fabric has special odour reduction properties that mean each garment can be worn for up to two weeks at a time. It also provides a stable core temperature and keeps skin dry, Caughey added.

While the main markets for Armadillo Merino's range of merino wool base layers are emergency responders and the armed forces, the brand also has a consumer Web site that sells tops, bottoms, socks and accessories made with the performance wool.