

Monthly Wool Market Overview

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Wool news for January 2015

SA Merino indicator for Jan '15

First sale in Jan: 10793c/kg
 Last sale in Jan: 10562c/kg
Movement: -2,1%
 Rand/US\$ at last sale: R11,55

SA Merino indicator for 2013/14

First sale Jan '14: 11569c/kg
 Last sale Jan '14: 12018c/kg
Movement: +3,7%
 Rand/US\$ at last sale: R11,01

Australian Indicator for Jan '15

First sale: 1054c/kg
 Last sale: 1061c/kg
Movement: +0,6%

Indicator for season to end Jan 2014/15

Movement since opening: -1,9%
 Seasonal low: 10793c/kg
 Seasonal high: 11700c/kg
 Average to date: 11188c/kg
 Average to date in 2013/14: 11408c/kg

Wool still doing well despite turmoil

The wool market is upholding its price levels fairly well amid the turmoil in commodity markets and the uncertain global economic climate.

The Merino indicator has been maintaining its levels at around R110/kg (clean). And although this is below last season's levels, it demonstrates resilience in these difficult times (see **graph 1** below).

This particularly true for quality wool, which not only is in keen demand but is also fetching high prices.

In Australia prices have been increasing mainly due to a lower dollar and rising demand from China (see **graph 2** below).

Follow-up research in Australia shows that fibre diameter (micron) remains the most important characteristic determining the price of wool (64%). This is slightly lower compared with the previous report released in 2012 when the micron was at 67%.

The research also showed that the contribution of the prices of substitute fibres had increased substantially (more on p2).

It's common cause that predation is a major problem for small stock farmers, not only in South Africa but all over the world.

An interesting study conducted in the US has revealed that using a lethal method, such as shooting, to control predation by wolves has had the opposite effect. For each wolf shot, predation increased (more on p2).

Export statistics for the first six months of the current season (July to December 2014) show that China imported more grease wool than in the corresponding period last season.

Unfortunately exports to many of the other major destinations decreased, notably to the Czech Republic, which was down by almost 50%.

Wool shipments to top 10 export destinations – July 2014 to Dec 2014

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	959 239 580	15 245 590	11 291 303	110 925	0	0	970 799 778	61,8
Czech Republic	145 009 720	2 068 202	0	0	0	0	145 009 720	10,4
Italy	50 654 599	682 446	28 898 818	297 728	62 737 203	508 133	142 290 620	10,2
India	46 675 002	746 912	5 564 027	80 117	0	0	52 239 029	3,8
Egypt	24 203 811	256 677	0	0	1 711 840	11 964	25 915 651	1,9
Germany	0	0	14 039 872	188 642	8 909 602	64 024	22 949 474	1,7
UK	0	0	0	0	13 314 399	108 122	13 321 869	1,0
Mauritius	0	0	0	0	4 423 811	38 085	4 423 811	0,3
USA	0	0	0	0	4 832 931	26 324	4 832 931	0,3
France	0	0	0	0	3 141 478	24 423	3 141 478	0,2

Accumulative results up to end January 2015

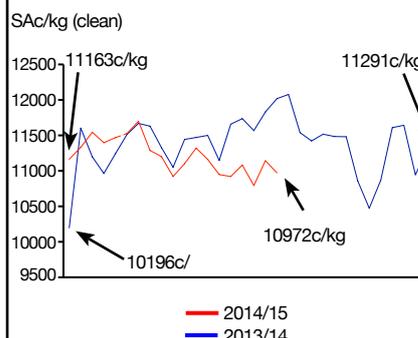
Wool receipts (kg greasy):

2014/15: 33 499 082,0
 2013/14: 35 041 758,8
Change: -4,4

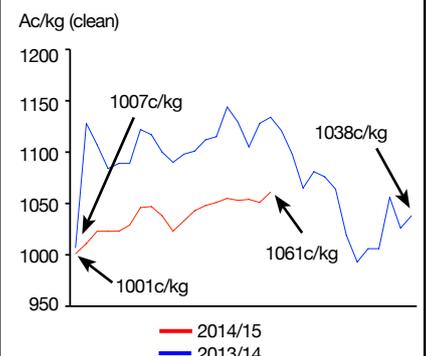
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2014/15:	130 401	60 211	190 612	28 503 099,1
2013/14:	130 980	62 363	193 343	28 763 158,0
Change:	-0,4	-3,5	-1,4	-0,9

Graph 1: Cape Wools' Merino indicator on 28 January 2014



Graph 2: Australian Eastern Market Indicator on 28 January 2014





Micron most important factor for dermining price of wool

FIBRE diameter (micron) remains the most important characteristic of wool for determining price, research by Dr Elizabeth Nolan from the Department of Agricultural and Resource Economics at the University of Sydney shows.

Dr Nolan prepared a paper on the economic value of the various wool attributes for Australian Wool Innovation. This report updates a previous report (Nolan 2012) and analysed data from five selling seasons (from July 2008 to 30 June 2013) for all fleece wool, pieces and bellies sold at auction. The data relate to 1 822 007 lots (or 1 733 306 tonnes) of wool offered at auction.

The purpose of this analysis was the estimation of premiums and discounts for particular characteristics. The most important results for fleece wool were:

- Fibre diameter was the dominant variable (64%). This is slightly lower compared with the previous report when the micron was at 67%.
- Length was less important (4%). In the individual micron groups, discounts apply for wool less than 70-80 mm, and premiums above that length band. Discounts begin to appear again for wool longer than 100 mm. The decline in the mean price occurs at longer lengths.
- Ten per cent of price variation could not be explained.
- The individual buyers contributed 1% to variation.
- Premiums for a one-micron change in diameter have declined in terms of cents/kg and percentage, although premiums for micron in the ultrafine micron group have increased.
- In most seasons and micron groups there is not a statistically significant

- premium for wools stronger than 38 Nkt. Premiums for style, compared with Style 5, have since 2008/09 declined in both cents/kg and percentage terms. This decline is particularly evident for Style 1, which has fallen by one third, and for Styles 2 and 3, which have halved.
- Discounts are very small for vegetable matter content but penalties start to apply when vegetable matter in fleece wool approaches 2% and increase rapidly over 2%.

An interesting finding was that the contribution of the prices of substitute fibres had increased substantially compared with the previous report: 14% compared with 1%, with the prices of acrylics having the greatest impact.

Dr Nolan explains: "If prices of substitute fibres prices rise relative to those of wool, it is possible that the demand for Australian wool will rise as buyers move away from the substitute to buy more wool.

"The coefficient of variation for substitute fibres should therefore be positive. The extent to which this substitution occurs will depend on the closeness of the substitute. There are some categories of wool where cotton and synthetic fibres will be close substitutes and others where the degree of substitution is much smaller.

"Where the synthetic fibre is also used in blends, there will be an element of complementary between wool and that fibre. A positive correlation can be expected between the price of the substitute fibre and the clean price of fleece wool."

Among external factors affecting the price of wool are world market conditions, exchange rates against the US dollar and Gross Domestic Product (GDP).

Aussie sheep flock to drop to levels seen in 1900s

THE Australian sheep flock is poised to drop below 70 million head by June this year, taking sheep numbers back to the levels of the early 1900s.

In its report for the December quarter, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), predicts Australia's disappearing flock will fall by four per cent to 69,8 million by the end of the current financial year.

Sheep numbers are being squeezed down by booming sheepmeat demand and disappointing wool prices.

ABARES forecasts that slaughter and live export is to remain at 34 million in 2014/15, significantly higher than the average of 28,5 million head during the flock rebuilding period of 2009 to 2013.

The volume of lamb exports is forecast to increase by six per cent to 240 000 tonnes.

Keen demand from the United States and the Middle East helped drive lamb shipments to a monthly record of 24 000 tonnes in October last year.

Helped by the drop in the Australian dollar, lamb exports to the premium US market hit 5100 tonnes in October, the largest monthly shipment since 2007.

Shooting wolves to curb predation is ineffective

SHOOTING wolves to keep them from preying on livestock is ineffective, a new study in the US has found.

The study, published in the journal *PLOS One*, found that shooting and trapping gray wolves to control livestock predation leads to more dead sheep and cattle the following year, not fewer.

Armed with 25 years of data from the US Fish and Wildlife Service, Washington State University researchers reviewed traditional wolf management efforts.

Researcher Rob Wielgus, a WSU wildlife biologist and coauthor of the study, said for each wolf killed, the researchers found that the odds of death by wolf predation rose 4 percent for sheep and 5 to 6 percent for cattle.

But why do wolf predation incidents increase if there are fewer wolves in an area?

Wielgus and fellow researcher Kaylie Peebles think killing individual wolves – especially alpha males – disrupts the breeding structure of the pack and can end up creating more breeding pairs, as younger males split off and form their own families.

When there are more pairs of wolves with young pups, they are less likely to venture out and hunt than to prey on easy targets like sheep and cattle.

Exports to China increases

Export statistics for the first six months of the season (July to December 2014) show a 8,4% increase in grease-wool exports to China compared with the corresponding period the previous season (see chart).

However, grease-wool exports to the Czech Republic, the second largest importer, decreased by 49%.

India also imported considerably less grease wool than last season – down 27,6%.

Italy, another major importer, imported marginally more

grease wool but slightly less processed wool.

Grease wool shipments to Egypt dropped by almost 39%.

