

Monthly Wool Market Overview

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Wool news for March 2015

SA Merino indicator for March '15

First sale in March: 11054/kg
Last sale in March: 11114/kg
Movement: 0,5%
Rand/US\$ at last sale: R11,78

SA Merino indicator for 2013/14

First sale March '14: 11484/kg
Last sale March '14: 10859/kg
Movement: -5,4%
Rand/US\$ at last sale: R10,69

Australian Indicator for March '15

First sale: 1088c/kg
Last sale: 1091c/kg
Movement: 0,3%

Indicator for season to end March 2014/15

Movement since opening: 0,4%
Seasonal low: 10793c/kg
Seasonal high: 11700c/kg
Average to date: 11183c/kg
Average to date in 2013/14: 11374c/kg

Wool market maintains its price levels

The Merino indicator has maintained its level of around R110/kg (clean) during March despite the ups and downs of commodity markets and a fluctuating rand (see **graph 1** below).

In Australia, a weaker dollar and smaller offerings have boosted the market and the market indicator has, for the first time this season, lifted above last season's level (see **graph 2** below).

The Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) is fairly upbeat about the market and is forecasting a three percent lift in Australia's indicator in 2015/16 (see page 2).

It based its forecast, among others, on the expectation that demand for woollen clothing and textiles in major consuming countries will increase as income growth strengthens.

One retail market that Australian Wool

Innovation (AWI) and the International Wool Textile Organisation have identified in its strategic plan as having potential to increase wool demand is the United States (US).

It has a large population of relatively affluent consumers, many of whom live in a cold climate. In addition, the US economy is recovering quite well and unemployment is decreasing.

US Wool consumption has, over the years, been relatively low, given that it has a relatively high average income.

For this very reason AWI and The Woolmark Company have refocused marketing efforts in the US in recent years with various awareness campaigns and at trade shows.

These efforts are starting to pay off since both the men's and women's International Woolmark Prize winners for 2015 come from the US.

Wool shipments to top 10 export destinations – July 2014 to Feb 2015

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 157 904 519	19 729 308	5 055 372	129 398	10 471 912	419 325	1 181 653 233	67,4
Czech Republic	192 227 607	2 810 275	0	0	0	0	192 227 607	11,0
Italy	59 748 226	803 906	37 314 653	391 153	80 172 192	649 581	177 235 071	10,1
India	67 347 776	1 078 150	106 310	106 310	0	0	74 057 057	4,2
Egypt	45 714 090	562 030	2 699 800	30 656	1 711 840	11 964	50 125 730	2,9
Germany	0	0	20 968 164	267 965	11 907 609	11 964	32 875 773	1,9
UK	0	0	0	0	15 840 545	139 928	15 848 015	0,9
Mauritius	0	0	0	0	6 634 179	57 077	6 634 179	0,4
USA	0	0	0	0	4 832 931	26 324	4 832 931	0,3
France	0	0	0	0	3 722 640	34 989	3 722 640	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 end March 2015

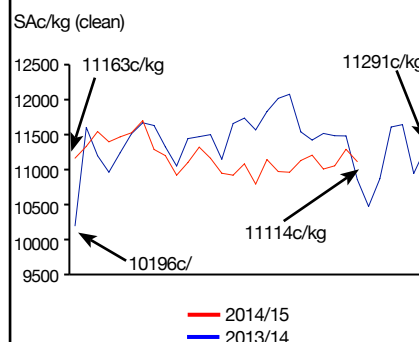
Wool receipts (kg greasy):

2014/15: 43 225 853,4
2013/14: 44 717 627,3
Change: -3,3

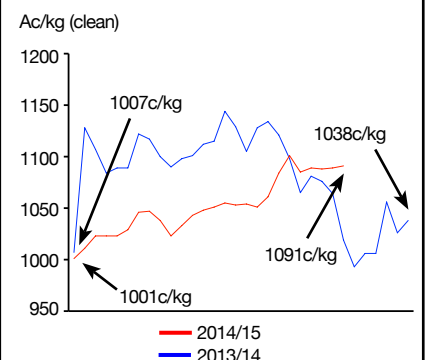
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2014/15:	162 837	90 239	253 076	38 042 027,4
2013/14:	165 353	77 817	243 170	36 597 656,1
Change:	-1,5	16,0	4,1	3,9

Graph 1: Cape Wools' Merino indicator on 26 March 2015



Graph 2: Australian Eastern Market Indicator on 26 March 2015





Australia's EMI forecast to increase by 3 percent

AUSTRALIA'S Eastern Market Indicator is forecast to increase by three percent in 2015/16, according to the Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES), the country's official commodity forecaster.

In its annual outlook report released recently, ABARES says it expects the indicator then to decline slightly towards 2019/20.

The forecast is based on the assumption of a weaker Australian dollar and a forecast increase in demand for woollen clothing and textiles in major consuming countries as income growth strengthens.

However, falling oil prices are expected to improve the price competitiveness of competing synthetic fibres, which will limit the upward pressure of the assumed lower dollar on the EMI price.

Prices are then expected to decline marginally in real terms as Australian wool production picks up in response to expected flock rebuilding.

Australia's shorn-wool production is expected to decline by around 4 percent to 336 million kg in 2014/15, reflecting the decline in the number of sheep shorn and lower average fleece weights as a result of poor pasture conditions across the eastern states.

In 2015/16, shorn wool production is expected to fall by a further 2 percent to 328 million kg greasy. The volume of wool cut per head is also forecast to decline in 2015/16, reflecting an expected decline in the proportion of wethers in the sheep flock.

However, shorn wool production is projected to increase slowly and reach 345

million kg in 2019/20, largely reflecting the expected increase in the number of sheep shorn as the national flock rebuilds over the outlook period.

A declining trend in the share of wethers in the Australian flock is expected to result in the average cut per head falling to 4,3 kg by 2019/20 compared to 4,4 kg in 2014/15.

Synthetics more competitive due to low oil prices

IN THE 12 months to January 2015, wool became more price-competitive relative to polyester, with the 21-micron wool to polyester price ratio declining from 5,04 to 4,90.

However, ABARES predicts that in the short term, the price competitiveness of wool is expected to decrease relative to synthetic fibres.

Synthetic fibres are produced from refined petroleum and therefore their prices are linked to world oil prices. Sharp falls in the global price of oil in late 2014 and early 2015 are expected to increase the price competitiveness of synthetic fibres.

The International Energy Agency indicates that many of the conditions that drove oil prices sharply lower in 2014 are likely to persist in the short term, with growth in global oil production outstripping growth in consumption.

"This suggests that synthetic fibres will largely maintain their price advantage over wool, at least in the short term," ABARES says.

Source: ABARES and SheepCentral

Prepare for drought

WHEN the summer rainfall grassland areas of South Africa experience below average grazing conditions towards the end of March, there is a more than 50 percent probability that livestock farmers will experience grazing shortages until the onset of the next rainy season.

There are several alternatives to bridge a grazing shortfall during the winter, says Dr Louis Du Pisani, manager: Production Services of the National Woolgrowers' Association.

First of all, reduce livestock numbers timeously. This should be done in the following order:

- Wean all lambs and calves early, remove them to a feedlot (excluding replacement animals) and sell them.
- Market nonreproductive animals (wethers and oxen). Do not wait too long as they will lose condition and prices may drop as more and more producers get rid of excess stock.
- Identify female animals with a tendency to either skip pregnancy or are poor mothers. Sell them off gradually as conditions deteriorate, starting with the cattle as they are the most expensive to feed during a drought.
- If the summer rains stay away and the poor grazing conditions were protracted, inspect the mouths of all the female animals left on the farm. Identify the older animals up to full mouth and start selling the animals with worn teeth first and later the others, if necessary.

The rest of the female animals on the farm constitute the nucleus breeding herd and should not be sold. Rather feed them as cost-effectively as possible. If the off-loading process was started timeously it would probably only be necessary to provide the nucleus herd with a good lick. Keep in mind that a lick is only effective when sufficient amounts of roughage is still available, albeit of poor quality.

SA wool-testing machine compares well with OFDA

FIBRELUX, the small portable, commercially available unit developed in South Africa for on-farm wool testing, is currently being evaluated and compared with the Australian OFDA2000 by the Bill Sims Wool and Mohair Lab from Texas A&M AgriLife Research.

Preliminary research has found that the machine should be accurate enough for the sheep selection and wool marketing needs of most growers.

AgriLife Research scientist and head of the facility Dr Ronald Pope said preliminary studies indicate an 87 percent accuracy rating between the FibreLux and OFDA. It is also considerably cheaper than the OFDA.

Chinese fashion trends affect fine-wool prices

FASHION trends in China are contributing to poor prices for fine and superfine wool, according to a Chinese Australian market analyst.

Fine- and superfine-wool prices have been trending downwards for a number of years now. And while the market has seen some improvement in demand for finer wools, price levels are still below the long-term average.

The largest percentage of Australia's clip comprises wool finer than 18 microns.

According to Allan Wang, senior analyst, business intelligence at Australian Wool Innovation, the anti-corruption purge in China has led to a new fashion trend where high-end suits have been abandoned for sports jackets and casual wear.

Speaking at a recent wool forum in the New South Wales, Australia, Wang said the high-end style of many fine and superfine wool products was being re-

jected for rough traditional English knits and tweed jackets.

He said this meant the demand for low-micron wool had dropped away.

"People are not wearing suits and especially government officials aren't wearing suits," he said.

"The fashion is sportswear... man-made fibre, cotton, so stepping away from the very formal wear.

"In China, they only wear suits when they need to go to a formal meeting. Before, the average person would go through two or three suits in a year. Now, one suit will last three to four years.

"In general, not just China but the West as well, people are stretching away from the Wall Street look.

"Right now, the new fashion trend is humbleness rather than really 'flaunt it if you have it'. In China at present, if you really have it, you don't need to flaunt it."

Source: ABCRural