

Monthly Wool Market Overview

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Wool news for June 2015

SA Merino indicator for May/June '15

First sale in May: 13202/kg
 Last sale in June: 14120/kg
Movement: 6,9%
 Rand/US\$ at last sale: R12,33

SA Merino indicator for 2013/14

First sale May '14: 11643/kg
 Last sale June '14: 11291/kg
Movement: -3%
 Rand/US\$ at last sale: R9,83

Australian Indicator for May/June '15

First sale: 1243/kg
 Last sale: 1367/kg
Movement: 10%

Indicator for season to end June 2014/15

Movement since opening: 26,5%
 Seasonal low: 10793c/kg
 Seasonal high: 14120c/kg
 Average for season: 11531c/kg
 Average in 2013/14: 11374 c/kg

Market closes at an all-time high

Wool prices soared to record highs during the final weeks of the South African wool-selling season with the Cape Wools Merino indicator closing at an all-time high of R141,20/kg (clean).

This represents a 26,5% increase on the opening level.

The price hike came on the back of a weaker rand, strong demand from China and firmer demand for clothing in the world's largest consumer market, the US, and some European countries.

The Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) forecasts prices to increase further in the 2015/16 season (see p 2).

However, since the release of this forecast, several events have taken place that may affect consumer confidence, including the Greek debt crisis.

In addition, China's stock markets have

plunged, forcing the government to take drastic steps to calm the situation.

An interesting development in Australia is the discussion paper released by the panel appointed to review the open-cry auction system, which proposes an online Wool Exchange Portal (see p 2).

Although the panel acknowledged the robustness of the open-cry auction system, it questioned its dominance.

"For this reason, it is the Panel's view that any advancement in wool selling systems must look beyond a 'one size fits all approach'. There are a number of different selling opportunities that should be more readily available to woolgrowers (and buyers)," the paper states.

After the July 21 stakeholder meeting in Melbourne on the paper, there will be another round of submissions before aiming to table a final report by the end of 2015.

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

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 777 400 951	30 629 805	24 080 552	216 982	21 732 344	234 109	1 823 482 742	69,0
Czech Republic	282 334 226	4 070 458	0	0	0	0	282 334 226	10,7
Italy	81 361 710	1 152 760	50 786 290	556 965	112 530 387	1 472 851	244 678 387	9,2
India	110 976 020	1 820 578	6 709 281	106 310	0	0	117 685 301	4,4
Egypt	61 818 810	747 330	2 699 800	30 656	1 711 840	11 964	66 230 450	2,5
Germany	0	0	27 323 621	362 785	11 907 609	86 796	39 231 230	1,5
UK	622 515	20 500	0	0	26 301 016	231 988	26 956 563	1,0
USA	0	0	1 712 029	17 893	10 268 192	70 152	11 980 221	0,5
France	0	0	0	0	6 739 636	58 072	6 739 636	0,3
Mauritius	0	0	0	0	7 662 051	66 185	7 662 051	0,3

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 June 2015

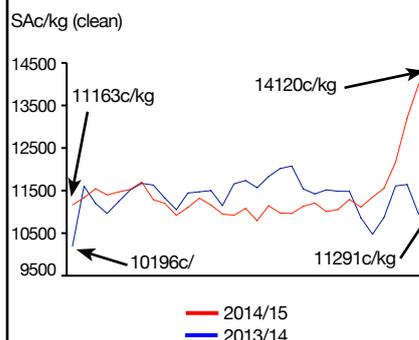
Wool receipts (kg greasy):

2014/15: 49 711 752.2
 2013/14: 50 505 993.5
Change: -1,6

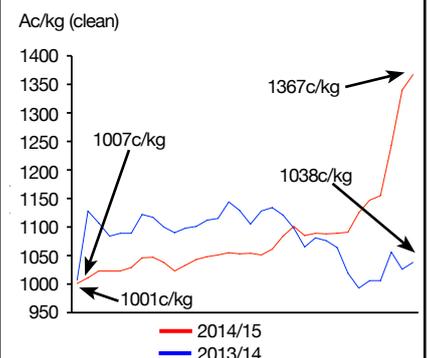
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2014/15:	205 998	110 001	315 999	47 832 215,2
2013/14:	213 651	100 464	314 115	47 538 942,8
Change:	-3,6	9,5	0,6	0,6

Graph 1: Cape Wools' Merino indicator on 10 June 2015



Graph 2: Australian Eastern Market Indicator on 10 June 2015





Online wool exchange portal proposed by review panel

THE AUSTRALIAN wool industry panel appointed by Australian Wool Innovation (AWI) to review the open-cry auction system has proposed an online Wool Exchange Portal to help growers sell their wool more efficiently and profitably.

This was the key recommendation in a discussion paper released online and which is to be debated at a key stakeholder workshop in Melbourne on July 21.

In the discussion paper the Panel questions the dominance of the 'open cry' auction system and whether it delivers the greatest efficiencies and subsequent outcomes for all wool categories. It is also of the view that the Australian wool selling systems are in need of modernisation.

"Electronic selling systems should at least be investigated, as they can open up markets to new participants, lower participation costs and provide for easier and faster dissemination of market information creating the potential for greater transparency."

The paper outlines several opportunities that might deliver operational efficiencies and reduce wool-selling costs, including:

- Deeper investigation of the centralisation of selling centres.
- The development of on-farm wool testing options.
- Greater transparency of broker charges and a further investigation of commission buying and its effect on competition in the saleroom.

According to the panel the proposed portal would provide woolgrowers with an online tool to assist them in making informed and suitable wool-selling decisions. In addition,

it would address identified issues within the wool supply chains and create a platform for industry developments and technology advances. The proposed WEP would include:

- An extensive information database of selling options available to woolgrowers.
- An online meeting point where woolgrowers and buyers could detail wool on offer or sought.
- A ready-reckoner to assist woolgrowers to assess the financial outcomes of selling alternatives including the current dominant 'open cry' avenue.
- A 'smart router' that would promote the best outcomes for woolgrowers based on pre-set selling parameters
- Delivery of different testing and appraisal options
- A 'find a broker' and 'find an exporter' function.

The panel said the WEP would not replace any of the existing selling channels or alternatives; rather it would work in tandem with them.

The Panel also recognised the difficulties involved in driving industry level change in an unregulated market. It has observed that a number of important wool industry institutions all with very different corporate structures and constitutions sometimes appear to be working towards different industry objectives.

Wool industry organisations – in particular AWI, AWEX and AWTA – play a critical role in getting Australian wool to the market. Any proposal to adopt new selling systems will need the involvement and cooperation of all organisations working in tandem if they are to succeed.

Wool prices forecast to increase in 2015/16

WOOL prices are forecast to increase in 2015/16, supported by increased processor demand, a lower Aussie dollar and falling production, according to the Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES).

In its June Quarter 2015 report, analyst Peter Berry said AWEX's Eastern Market Indicator is estimated to increase by 11% in 2015/16, while shorn wool production is forecast to fall by 3% to 340 million kg – the lowest in 60 years.

"The increase in export demand partly reflects firmer consumer demand for clothing in the US and some countries in the European Union, together with a refill of wool inventories in major garment manufacturing centres."

He said demand from China had been particularly strong, while exports to the Czech Republic, Malaysia and South Korea had also increased.

"In 2015/16 demand for wool from major processing countries is expected to remain relatively firm, reflecting improving demand for woollen apparel in some major world markets, such as the US and parts of the European Union," he said.

China is also a major consumer of woollen apparel and textiles, consuming around half of its finished production. According to China's National Bureau of Statistics, the country's clothing retail sales (all fibres, not only wool) increased by 10pc in 2014.

Clothing sales were stronger in the March quarter of 2015, up by 13pc year-on-year and following a 5pc rise in the 2014 calendar year, Berry said.

Standard Wool the top buyer

STANDARD Wool this past season once again topped the list as the largest buyer of South African wool at auction.

The company bought wool to the value of R882,7-million (13,6-million kg), representing almost 30% of the total value of purchases (see bar chart).

Although a large percentage of its purchases is destined for China, the company also ships wool to other parts of the world.

The second largest buyer was Lempriere SA with R778,6-million, followed by Modiano, Stucken and Segard Masurel.

This season also saw wool-broker Cape Mohair and Wool entering the auction room, purchasing wool to the value of R85-million kg.

The number of wool buyers registered with the South African Wool- and Mohair Buyers' Association totals nine.

A total of 315 999 bales, of which 205 998 comprised Merino wool, was offered.

The number of Merino bales on offer was 3,6% down on the previous season.

The total value of wool sold amounted to R2,84-billion, which was 4% down on the R2,96-billion achieved in the corresponding period the previous season.

Black market price of vicuna wool sky-high

VICUNAS, the wild Andean relatives of camels, are being hunted mercilessly by poachers as the price of the animals' luxuriantly soft hair, coveted by European and Asian apparel makers for coats, scarves and shawls, goes through the roof.

Police recently found 150 carcasses of skinned vicunas in the high altitude Peruvian village of Espite, providing grisly evidence of the menace to the South American mountain mammals.

The killing of the animals was a blow to the 70 indigenous families in Espite who derive their livelihoods from sustainable management of the creatures. By corralling

and shearing vicunas as they migrate from watering spots to higher elevation sleeping grounds, native Andean families in Peru, Chile, Bolivia and Argentina have kept a centuries-old tradition alive.

But with the black market price of vicuna wool approaching \$1 000 per kilo, an amount requiring the wool of about five adult animals, those traditions of husbandry are under fire. Gangs that Chilean government officials say are based in Bolivia are going for a quicker buck by roaming over lightly policed mountainous areas in Peru and Chile to shoot and then skin the animals.

The profits have incited poachers to kill. In January, two Chilean police officers were shot to death, apparently by poachers whom they had detained at a roadblock.

The risk to the animals and to law enforcement officials has prompted the global Convention on International Trade in Endangered Species of Wild Fauna and Flora to put vicunas on the top of their list of endangered animals. The wildlife protection agency Traffic also considers them endangered.

Source: LA Times