

# Monthly Wool Market Overview

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Wool news for October 2015

## SA Merino indicator for Oct '15

First sale in Oct: 12276/kg  
Last sale in Oct: 12976/kg  
**Movement for the month:** +5,7%  
Rand/US\$ at last sale: R13,64

## SA Merino indicator for 2014/15

First sale Oct '14: 11526/kg  
Last sale Oct '14: 10920/kg  
**Movement for the month:** -5,3%  
Rand/US\$ at last sale: R10,84

## Australian Indicator for Oct '15

First sale: 1201/kg  
Last sale: 1230/kg  
**Movement:** +2,4%

## Indicator for season to end Oct 2015/16

Movement since opening: +0,4%  
Seasonal low: 12163c/kg  
Seasonal high: 12976c/kg  
Average for season: 12594c/kg  
Average in 2014/'15: 11331c/kg

## Turnaround in wool market?

Local wool prices have increased quite substantially in October with the Merino Indicator gaining close to 6%. The Australian indicator increased by 2,4% (see **graphs 1 & 2** below).

Increased demand from China has been one of the major factors that pushed prices higher. There has also been an increase in orders from Europe, particularly Italy.

Woollen garments from Italy remain a firm favourite in the US and consumer demand for Italian woollen apparel is forecast to remain strong.

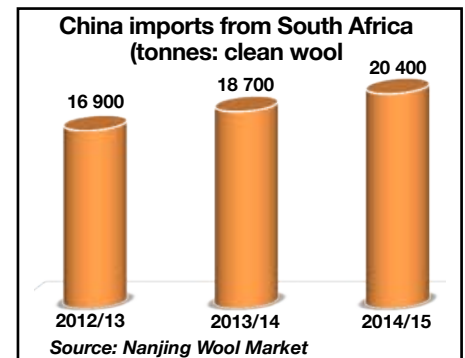
Statistics supplied at the Nanjing Wool Market conference show an increase in total wool imports for the first six months of the year (see **p 2**).

China's imports from South Africa have also increased over the past three seasons (see **bar chart** in next column).

Wool supply will no doubt become a

major concern for China in the wake of the declining wool production.

Production in Australia has been on the decline for a number of years, while South Africa's production is also expected to decline this season as the El Nina effect takes its toll (see **p 2**).



## Wool shipments to top 10 export destinations for July – Sept '15 season

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	269 751 890	3 375 026	18 553 201	132 110	0	0	288 305 091	55,1
Czech Republic	91 380 491	996 189	0	0	0	0	91 380 491	17,5
Italy	26 770 431	295 456	9 798 276	88 840	27 889 876	185 172	64 458 583	12,3
India	33 521 045	385 734	0	0	0	0	33 521 045	6,4
Egypt	13 585 594	94 306	0	0	0	0	13 585 594	2,6
Germany	0	0	8 738 480	97 288	3 845 884	34096	12 584 364	2,4
USA	0	0	2 433 259	18 735	7 525 780	52 330	9 959 039	1,9
Portugal	0	0	0	0	3 496 041	21 377	3 496 041	0,7
UK	0	0	0	0	3 199 024	32 431	3 199 024	0,6
Mexico	0	0	1 496 416	9 498	0	0	1 496 416	0,3

<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 up to 30 October 2015

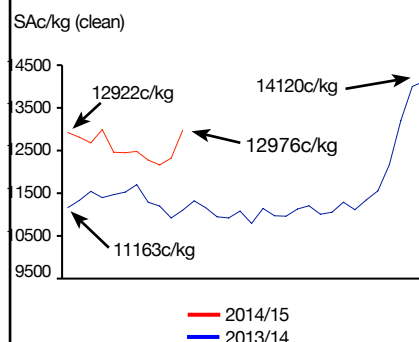
### Wool receipts (kg greasy):

2015/16: 17 695 131  
2014/15: 18 982 778,0  
Change: -7,28%

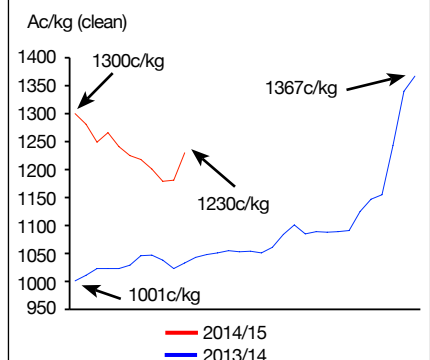
### Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2015/16:	68 867	19 656	88 523	13 372 570,5
2014/15:	82 157	22 529	104 686	15 701 790,7
Change:	-21,9	-34,9	-23,9	-14,8

Graph 1: Cape Wools' Merino indicator on 28 October 2015



Graph 2: Australian Eastern Market Indicator on 28 October 2015





# China imports more wool despite economic challenges

**Despite lower** economic growth, China has increased its wool imports in the first six months of the year.

Total wool imports for January to July came to 228 000 tonnes – a 22,17% increase compared with the same period last year, according to a report submitted to the recent annual Nanjing Wool Market (NWM) conference held in China (see **table 1**).

An analysis of the categories of wool imported shows a significant increase in the imports of scoured wool (35,91%).

**Table 1: China total wool imports Jan to July 2015**

Category	Imports 0,000 tonnes	Year-on-year Increase %
Total wool	238 299	22,17
Greasy	181 139	19,02
Scoureds	47 536	35,91
Top	7 364	22,01
Noils	2 253	22,45

Source: China Customs

Approximately half of China's apparel production is consumed domestically. In the 2014/15 season, the value of retail sales of garments in China grew by 10 per cent, underpinned by growth in average household incomes.

According to the Australian Bureau of Agriculture and Resource Economics and Sciences' (Abares) latest outlook, domestic apparel consumption in China is assumed to continue to grow in 2015/16.

However, the assumed slowdown in China's economic growth could put some downward pressure on the rate of consumption growth.

China is the world's largest textile

exporter and its demand for raw materials depends to a significant extent on export demand for its final products.

The United States is one of the largest textile and apparel consuming countries in the world. In 2014/15 total US apparel imports increased by 5 per cent year-on-year to a total of 26,3 billion square metre equivalents (SME). This growth was principally in cotton and synthetic apparel rather than woollen apparel.

Total US imports of woollen apparel grew by only 0,7 per cent in 2014/15 to 223 million SME.

Woollen apparel imports originating from China have accounted for just under half of total woollen apparel imports since 2005/06.

For the first six months of this year, the value of China's apparel exports to the US has increased by 10,7% (see **table 2**).

Exports to its other major markets, however, have decreased, with the largest drop in exports to Japan.

While Abares expects the pace of recovery in the United States, and to a lesser extent in Europe, to continue in the remainder of 2015 and in 2016, it expects conditions in Japan to remain fragile.

**Table 2: China apparel export destinations Jan to July 2015**

Destination	% Value	Year-on-year change %
EU	21,37	-10,35
US	15,41	10,70
Asean*	11,01	-3,96
Japan	9,65	-15,26
Total	100,00	-4,99

\*Association of Southeast Asian Nations

## Production of Merino wool forecast to decline further

**World Merino** wool production is forecast to drop further this season as drought conditions wreak havoc in Australia and South Africa, the world's two most important Merino producers.

Key test data released by the Australian Wool Testing Authority (AWTA) shows that for the period up to the end of October 2015, a cumulative 9,1 million kg less wool was tested than during the same period of last season.

A total of 114,9 mkg (million kilograms) has been tested, compared with 124 mkg tested for the equivalent period last season.

Judging from wool received by wool brokers to date, South Africa's clip is also set to decline.

Wool receipts up to end October came to 17,7 million kg compared with just less than 19 million kg for the corresponding period last season. This is a drop of 7,3%.

The drought in large parts of the country, particularly in the important wool producing provinces of Mpumalanga and the Free State, will negatively effect wool yields and a reduction in sheep numbers as farmers are forced to sell.

The Mpumalanga National Wool Growers' Association says the dusty conditions have resulted in clean yields decreasing from 64% to 58%. This province produces about 10% of the national clip, while the Free State is the second largest wool-producing province.

## Fire warning on plane triggered by sheep farts

**A Singapore** Airlines plane made an emergency landing last month because the sheep on board set off the smoke detector with their gas.

The Boeing 747-400 freighter was en route from Sydney, Australia, to Kuala Lumpur, Malaysia, with a crew of four and over 2 000 sheep in the cargo bay, according to *The Aviation Herald*. The aircraft was performing a routine flight when the crew detected a smoke warning in the cargo bay area where the sheep were held.

The cause of the alarm was neither smoke nor fire, but gas. The plane was diverted to Bali Denpasar, Indonesia, for a safe landing 45 minutes later.

After inspection the emergency services declared that the sheep's manure and gasses caused the smoke alarms to go off in the cargo bay.

Stress can cause sheep to become bloated with gas, according to *Sheep Magazine*. Mike Neary, an Extension Sheep Specialist at Purdue University in Indiana, wrote a study on the effects of stress on sheep and how to handle them.

"Treat bloated sheep with care.

The build-up of pressure in the rumen can actually cause a partial collapse of the lungs. Furthermore, blood from the body is forced out of the body cavity to the extremities and can cause a form of acidosis." Acidosis is increased acidity in the blood and body tissue.

"Thus, stressing these animals complicates the situation," Neary added.

The cargo plane was grounded for 2,5 hours in Denpasar allowing the sheep time to calm down before departing for Kuala Lumpur.

## Asia's market share in apparel set to grow

**With continued** growth in the income of local consumers, Asia is predicted to account for a greater share of the market for world apparel imports over the coming years.

In 2014, Asia accounted for 31% of world textile imports and 16% of world apparel imports by value.

In the same year, approximately 60% of world textile and apparel exports came from Asia. China's market share in world textile exports reached a new height of 35,6% in 2014, up from 34,8% in 2013.

Its share in world apparel exports remained constant at 38,6%. This comes despite concerns about rising labour costs and a worsening economy in China.