

Monthly Wool Market Overview

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Wool news for April 2016

SA Merino indicator for April 2016

First sale: 15180c/kg
Last sale: 14695c/kg
Movement for the month: -3,2%
Rand/US\$ at last sale: R14,27

SA Merino indicator for April 2015

First sale: 11345c/kg
Last sale: 12168c/kg
Movement for the month: +7,3%
Rand/US\$ at last sale: R 11,84

Australian Indicator for April 2016

First sale: 1248/kg
Last sale: 1220/kg
Movement: -2,2%

Indicator for season to 26 April 2016

Movement since opening: +13,7%
Seasonal low: 12163c/kg
Seasonal high: 16161c/kg
Average to date: 14075/kg
Average in 2014/'15: 11301/kg

Outlook for wool still positive

The effect of the rand on the wool market was once again demonstrated this past month when prices retracted in line with the strengthening of the rand.

The Cape Wools Merino indicator closed 3,2% down on the opening sale of the month following the 3% increase in the value of the rand against the US dollar.

The indicator nevertheless was still almost 14% higher than at the same sale last season.

According to analysts speaking at the annual conference of the International Wool Textile Organisation (IWTO) in Sydney, the outlook for wool remains positive.

Research conducted by *Mecardo Expert Market Analysis* shows that wool prices (excluding 16 micron and finer) are performing well ahead of most other

fibres, with only mohair and silk keeping up.

With the exception of the 16-micron category, most wool categories in Australian dollar terms are all above their respective 70th percentile levels for the past five years.

Cotton follows wool, with a rank around the 25th percentile, and then comes oil and the manmade fibres (along with angora), in the bottom decile.

The company concludes that the combination of favourable exchange rate movements during the past 24 months and limited supplies of medium and broad merino have helped to lift the performance of these wool categories in relative to other fibres.

Oversupply is mostly to blame for the poor performance of cotton and 16-micron wool, with low oil prices putting pressure on man-made fibres.

Wool shipments to top 10 export destinations for July '15 to March '16

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 796 505 222	23 439 402	52 384 421	366 532	1 687 987	12205	1 850 577 630	62,2
Czech Republic	498 612 045	5 844 798	0	0	0	0	498 612 045	16,7
Italy	106 240 394	1 137 566	56 096 671	436 534	119 054 920	731 053	281 391 985	9,5
India	146 406 326	1 571 857	2 348 440	28 478	0	0	148 754 766	5,0
Germany	0	0	21 625 946	206 559	60 728 180	381 450	82 354 126	2,8
Egypt	49 910 103	476 216	0	0	1 741 917	10 329	51 652 020	1,7
France	0	0	0	0	24 345 292	150 804	24 345 292	1,0
USA	0	0	4 681 283	37 499	13 560 887	79 314	18 242 170	0,6
UK	1 261 542	16 723	498 413	3 234	9 376 245	98 040	11 255 366	0,4
Portugal	0	0	0	0	3 496 041	21 377	3 496 041	0,1

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 18 April 2016

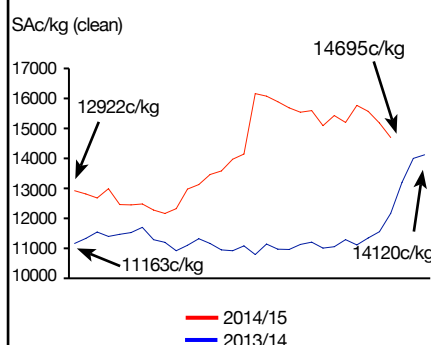
Wool receipts (kg greasy):

2015/16: 44 037 842.8
2014/15: 45 091 145.4
Change: -2,3%

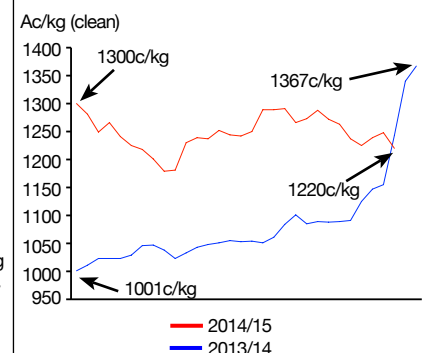
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2015/16:	168 433	107 738	276 171	41 702 682.0
2014/15:	188 137	104 526	292 663	44 212 780.2
Change:	-10,5	3,1	-5,6	-5,7

Graph 1: Cape Wools' Merino indicator on 20 April 2016



Graph 2: Australian Eastern Market Indicator on 20 April 2016





Wool still out-performs most other commodities

The outlook for wool is positive and global wool prices have outperformed most other commodities in the last 12 months despite subdued retail sales in the Northern Hemisphere, National Council of Wool Selling Brokers of Australia chairman Chris Wilcox said.

He spoke at the 85th conference of the International Wool Textile Organisation in Sydney earlier this month.

The IWTO Congress is the annual wool industry meeting which connects woolgrowers, spinners, weavers, garment manufacturers, designers and retailers. This year's theme was the role of wool for future generations.

A record 422 representatives from 28 countries attended.

Mr Wilcox said lower stock reserves in Europe and China could bolster demand for wool.

"For apparel and textile wool we have seen an increase in prices in US dollar terms, while for every other commodity there has been a decline," Mr Wilcox said.

"The difference is about relative production because wool is at a 70 year low whereas other commodities are seeing oversupply."

Cotton and oil markets are battling with oversupply issues, with the oversupply problems causing oil prices to tumble and which are flowing through to man-made fibres prices.

Oversupply for fine merino wool has stagnated price gains in spite of growing

demand, while medium and broad merino wool enjoy buoyed prices due to contracted production.

Global wool production declined by 1,5 per cent in 2015/'16, due to the 7 per cent decline in Australia's production – the world's largest producer of wool.

The Australian Wool Production Forecasting Committee (AWPFC) confirmed recently that shorn wool production for the 2015/16 season was on target to reach 322 million kilograms greasy – the lowest level since 1923/'24.

Mr Wilcox said global excess stock levels in 2015, from early stage processing through to garment making, were now coming under control with reserves below normal.

"It is expected that by the end of the year stocks will be below normal in a number of sectors and we suggest that with pent-up demand clients will be looking to buy wool," he said.

However there appears to have been a slowdown in retail wool sales in the US during the last Autumn/Winter season, with a dip in imports of wool products by the US in 2015.

The effect of this restrained sales is expected mid-year when orders from northern hemisphere retailers for next Autumn/Winter 2017 hit the market.

"Overall I think there are some good positives with current prices looking to be sustained which is needed to encourage wool production," he said.

Tough times ahead for small to medium size processors in China

Small to medium size wool processors in China are facing a tough time because of less than favourable business conditions, Mme Yang Xiaoxiong, chairwoman of the Nanjing Wool Market, said at the IWTO conference in Sydney.

She said a number of businesses are facing closing down and needed to be integrated in the whole industry chain.

The Nanjing Wool Market used to have 2 500 members but that number has dropped to 2 000. "Business ownership succession is an issue and an overall economic slowdown is expected this year, including in wool and textiles, with export volumes of yarn tops and fabrics decreasing," she said.

Earlier this year about 55 percent of China's wool and textile companies predicted a small increase in first quarter orders.

Mme Yang said most businesses have a prudent attitude towards the

future and market growth.

"Because China has a large processing capacity and wool supply was lower, the price for wool will remain high."

She also cautioned that wool business cost would continue to rise since central government policies on environmental protection laws had increased costs and overheads.

She pointed out that more consumers these days were interested in using the Internet to buy things, which posed a risk and challenge to the wool industry and real stores.

"Consumers are more concerned about the price, the design and the comfort level instead of the original materials and fabrics," she said.

The Chinese wool and textile industry was still more focussed on processing rather than innovative design and branding, with little awareness of fashion trends, according to Mme Yang.

Be vigilant to counter animal rights activists

The wool industry must remain vigilant to counter the growing threat posed by animal rights activists, Peter Ackroyd, president of the International Wool Textile Organisation (IWTO) said.

He was referring to the latest anti-wool campaign by PETA.

"Since the global financial crisis, an environmental appreciation of what one buys has become more and more important – and this will continue," Mr Ackroyd said.

"Sustainability of the industry and all the problems around it are here to stay. We come from countries that care passionately about their animals.

PCI Fibres senior analyst Bruna Angel compared the mulesing issue within the wool growing industry to the threat of microplastics, which had impacted demand for polyester products.

"You need to ensure your fibre is presented to the consumer, truthfully, realistically but in the best light as possible and when something comes up about the industry that is difficult, it needs to be addressed," Ms Angel said.

"It is a subject that is not going to go away."

Biblical Jacob's sheep to return to Israel

A rare breed of sheep believed to have been raised by the Jewish patriarch Jacob may soon be brought to Israel, its Biblical homeland, after an Israeli couple gathered a herd of 130 of these sheep in Canada and brokered a bureaucratic detente to import the animals.

Jenna and Gil Lewinsky plan to establish a park for the so-called Jacob's sheep in the Golan Heights, where they will raise them for scientific and educational purposes.

According to Hebrew and Christian holy books, Jacob had received a flock of a speckled and spotted breed as wages.

The couple said the sheep have since gone extinct in Israel. They had started raising the sheep after receiving a few as a gift from a heritage farm.

Experts believe the unique breed accompanied the Hebrews into slavery in Egypt, and spread from there to North Africa. The Moors traded them to Spain, and then to England. Collectors have since brought them to North America.

Small, piebald, and crowned distinctively with four horns, Jacob's sheep thrive in desert climates. It is a 'heritage' breed, meaning the sheep retain many of their genetic traits and remain relatively unchanged from their origins.