

Monthly Wool Market Overview

Published by Cape Wools SA



Wool news for March 2017

SA Merino indicator for March 2017

First sale: 16256c/kg
Final sale: 16385c/kg
Movement: 0,8%
Rand/US\$ at last sale: R13,07

SA Merino indicator for March 2016

First sale: 15429c/kg
Last sale: 15570c/kg
Movement: 0,9%
Rand/US\$ at last sale: R14,99

Australian Indicator for March 2017

First sale: 1481/kg
Final sale: 1532/kg
Movement: 3,4%

Indicator for season 2016/17

Movement since opening: %
Seasonal low: 14363c/kg
Seasonal high: 16431c/kg
Average to date: 15481c/kg
Average in 2015/16: 14053c/kg

Wool currently a star performer

On the back of strong demand, low stocks and supply concerns, wool has been one of the star agricultural performers these past few months.

Although South African prices have not increased to the same degree as those in Australia, which were largely driven by die huge increase in fine-wool prices, the Cape Wools Merino indicator reached its highest level in years at the final sale of March (see graph 1).

The market has been able to maintain the higher price levels despite a stronger rand, which at one stage was trading at its best levels in 15 months to the US dollar.

In Australia, wool has been the strongest performing agricultural commodity since February this year.

The current March average of all Australian Wool Exchange (AWEX) micron price guide (MPG) indicators for wool between

16,5 and 22 micron as at the week ending 24th March 2017, was at its highest level compared to the previous 5 years (see graph 2).

The Australian Bureau of Agricultural and Resource Economics and Sciences (Abares) was upbeat about the future prospects of wool at its recent commodity outlook conference.

Although Abares, like other analysts and economist, cautioned that price resistance and subsequent downward corrections could be expected, the longer term trend would be for the market to strengthen further (see p2).

The importance of animal welfare was once again highlighted this month after four Australian shearers pleaded guilty to animal cruelty charges. They were fined and barred from owning or being in charge of sheep for one to two years (see p2).

Wool shipments to top 10 export destinations for July '16 - February '17

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	1 818 628 337	22 173 625	32 354 030	210 217	0	0	1 850 982 367	65,6
Czech Republic	474 756 116	5 175 873	0	0	0	0	474 756 116	16,8
Italy	87 539 054	787 250	48 212 700	364 407	148 099 113	904 148	284 131 196	10,1
India	70 537 589	692 898	0	0	0	0	70 537 589	2,5
Germany	0	0	21 009 712	167 126	36 369 060	224 289	57 378 772	2,0
Egypt	35 538 091	308 759	0	0	0	0	35 538 091	1,3
France	0	0	0	0	8 843 332	49 068	8 843 332	0,3
USA	0	0	1 641 830	12 224	7 969 537	37 378	9 611 367	0,3
Mauritius	0	0	0	0	8 765 747	53 555	8 765 747	0,3
UK	0	0	0	0	12 529 666	70 408	6 568 792	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 15 March 2017

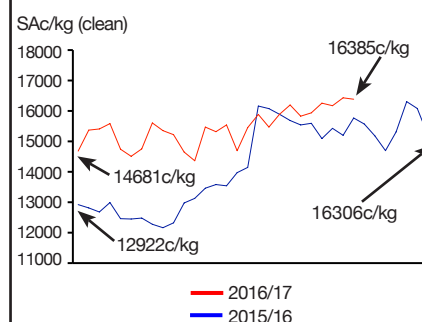
Wool receipts (kg greasy):

2016/17: 43 377 808,6
2015/16: 42 749 309,1
Change: 1,5%

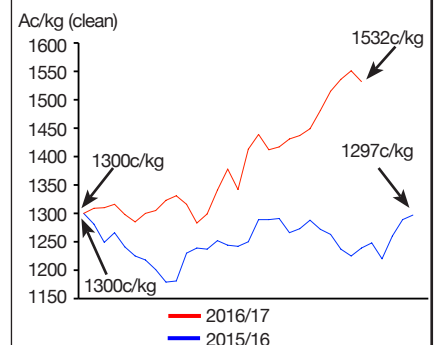
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2016/17:	147 424	107 376	254 800	38 571 701,5
2015/16:	149 547	96 964	246 511	37 118 234,0
Change:	-1,4	10,7	3,4	3,9

Graph 1: Cape Wools' Merino indicator on 29 March 2017



Graph 2: Australian Eastern Market Indicator on 29 March 2017





Wool prices expected to rise on the back of strong demand

Wool prices are expected to rise by 8 per cent this season and to reach a peak next year before easing in real terms as wool production in Australia increases.

But by the end of 2021/22, prices are expected to still be relatively high at around 10% above the 10-year average in real terms.

So said Dr Caroline Gunning-Trant, senior economist at Australian Bureau of Agricultural and Resource Economics and Sciences (Abares), at the recent 2017 agricultural commodities outlook conference.

She said the upward trend in prices reflected the constrained supply of apparel wool and firm demand, particularly for fine wool.

"By the end of 2016/17 shorn wool production is forecast to increase to 341 million kg, which is 5 per cent higher than last year, reflecting flock rebuilding across the sector supported by good pasture growth following the good rainfall experienced in 2016," she said.

Shorn-wool production is forecast to increase by a further 4 per cent in 2017/18 to 353 million kg.

SHEEP FLOCK

According to Abares Australia's national sheep flock is forecast to increase to 73,6 million in 2016/17 and to continue increasing to around 83 million head by 2021/22.

Dr Gunning-Trant said wool demand is continuing to grow in the European Union and the USA – the major international markets for imported clothing.

"In China, wool consumption is forecast to grow more strongly because of relatively high rates of economic growth and increasing domestic consumption of

luxury woollen textile."

China is the world's largest producer and exporter of woollen clothing and textiles and a major consumer of finished woollen goods.

Growth in wool demand is expected to continue in 2017/18 as consumer demand improves in response to assumed higher rates of economic growth in the major wool-consuming economies.

The recent increases in wool prices and relatively low world crude oil price have weakened the price-competitiveness of wool compared with polyester.

PRICE-COMPETITIVENESS

In 2016, the average ratio of the 21-micron wool price (in US dollars) to the polyester staple fibre price increased by 23 per cent to 10,1.

The other major competitor for wool is cotton. In 2016, the average ratio of the 21-micron wool price (in US dollars) to the Cotlook 'A' price increased by 8 per cent to 6,7, indicating that the price-competitiveness of wool against cotton had also fallen despite rising cotton prices.

The reduction in the price-competitiveness of wool against cotton and polyester is likely to result in greater substitution of these fibres for wool in the manufacture of lower priced textiles and clothing.

Wool is expected to maintain its share of the luxury apparel market, where cheaper alternative fibres have not made significant inroads.

The cost of input materials, such as wool, represents a smaller share of the overall cost of finished goods in this market.

Bianca Heaney said.

"We've seen the devastating impact of FMD in the United Kingdom and the effect on the return to the wool trade at that time.

"An EAD outbreak could affect wool-growers, transporters, brokers, exporters and the entire supply chain of Australian wool."

In dealing with an FMD outbreak, FAWO is currently researching how time, temperature and citric acid could deactivate the virus.

Mrs Heaney said the prototype was currently undergoing evaluation trials to determine how the bale sprayer would be utilised across the country during an emergency and whether it could perform at an acceptable speed for the trade.

Source: Farmonline

Sheep shearer found guilty of animal cruelty

Four Australian shearers who pleaded guilty to animal cruelty charges were disqualified from owning or being in charge of sheep for one to two years and fined A\$1 000-\$3 500 in a Horsham magistrates court earlier this month.

The four, aged 23, 39, 49 and 61, all pleaded guilty to various animal cruelty charges.

The charges followed a campaign by People for the Ethical Treatment of Animals (PETA) where activists gained work as roustabouts and fitted themselves with cameras to film shearers at work.

Magistrate Mark Stratmann said the conduct demonstrated by the evidence presented was demeaning to the value of the iconic image of the Australian shearer.

He added that the handling of large numbers of sheep required expertise and often strong physical action by a shearer. "

"For decades what has gone on in shearing sheds all over this country has stayed in the shed – that's no longer the case."

He warned that community attitudes in relation to animal welfare were changing, there was increasing public concern about the treatment and care of animals, said this was reflected in strong legislation.

More women becoming sheep shearers

The number of women now working in Australian shearing sheds has almost doubled in the past 10 years.

According to the Australian Bureau of Statistics there were 698 women in shearing sheds across the country 10 years ago. Now there are 1 260.

Of these only 96 are shearers, while the rest work as shed hands, or roustabouts.

The female shearers include 27-year-old Emma Billett, who has been shearing for eight years and easily shears 120 sheep a day, which is equal to many male shearers.

Australian Wool Innovation shearing industry development co-ordinator Jim Murray said while it was male dominated there were more women coming into the sheds because the technique and equipment had changed compared with 30 years ago.

He said due to the increasing interest from women who are attracted to the industry, AWI had started female-only shearing schools.

Prototype bale sterilizer unveiled

A prototype wool bale sterilizer has been unveiled to Australian industry leaders in a bid to safeguard the trade from impacts arising from emergency animal disease outbreaks (EAD).

The Bale Sprayer is housed in a 6-meter high-cube shipping container and can spray bales suspected of bio-hazards within 10 seconds.

It is a bio security measure being explored by Federation of Australian Wool Organisations and Australian Wool Innovation (FAWO) to assist in reducing the spread of a disease during an emergency animal disease (EAD) outbreak, in particular Foot and Mouth Disease (FMD).

"If an FMD outbreak should occur in Australia, it could bring the entire wool industry to a stop, costing an enormous amount of money," FAWO secretary Mrs