

Monthly Wool Market Overview

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Wool news for October 2017

SA Merino indicator for Oct 2017

First sale: 17959c/kg
Final sale: 18199c/kg
Movement: 1,33%
Rand/US\$ at last sale: R13,73

SA Merino indicator for Oct 2016

First sale: 14753c/kg
Last sale: 15220c/kg
Movement: 3,2%
Rand/US\$ at last sale: R13,75

Australian Indicator for Oct 2017

First sale: 1535/kg
Final sale: 1563/kg
Movement: 1,8%

Indicator for season 2017/18

Movement since opening: -0,8%
Seasonal high: 18350c/kg
Seasonal low: 17366c/kg
Average for season: 17887c/kg
Average in 2016/17: 15123c/kg

Strong demand sustains market

On the back of strong demand for quality Merino wool the wool market gained further momentum over the past month.

Although the weaker rand may have provided some support, it is interesting to note that the local currency was trading at approximately the same level against the US dollar as during at the same sale the previous season (see **yellow block left**).

Yet, prices were at much lower levels at the time. The final sale in October 2016 saw the Cape Wools Merino indicator closing at R152,20/kg – a difference of almost 20% compared with last season (see **graph 1**).

The Australian indicator is around 17% above that of the same sale last season.

Analysts have cautioned that prices for the finer end of the market, particularly 18 and 19 microns, may be approaching the top end of its seasonal band, 18,5 around the middle and 21,0 micron the low end of

its seasonal band.

While a large percentage of South Africa's clip is still shorn by hand, a New Zealand blade shearer claims that there is renewed interest in this form of shearing.

He has been shearing all around the world and says the reason is that blade shearing has much more animal welfare benefits and is "kinder" to sheep (see **p 2**).

Wool shipments for the period July to September 2017 show that Italy, on a value basis, has replaced the Czech Republic as the second largest importer.

New on the top 10 importer list is Bulgaria, which for the period under review, has become the fourth largest importer.

The Australian export industry has been shocked by the discovery of a racket whereby tested wool is replaced by inferior wool before shipment. Indications are that it is done after testing and prior to shipment.

Wool shipments to top 10 export destinations for July - September 2017

Country	Greasy		Scoured		Tops & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	379 512 428	4 096 771	6 057 607	40 362	0	0	385 570 035	61,9
Italy	55 467 705	419 774	16 180 648	114 003	36 037 352	183 280	107 685 705	17,3
Czech Republic	66 205 164	587 045	0	0	0	0	66 205 164	10,6
Bulgaria	25 472 725	243 397	0	0	0	0	25 472 725	4,1
Germany	0	0	6 992 939	61 726	8 192 284	48 599	15 185 223	2,4
Egypt	13 339 848	105 443	0	0	0	0	13 339 848	2,1
India	5 858 352	53 561	0	0	0	0	5 858 352	0,9
USA	0	0	1 392 547	10 280	2 019 615	8 969	3 412 162	0,5
France	0	0	0	0	62 431	8 675	62 431	0
UK	0	0	0	0	0	0	0	0

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 13 October 2017

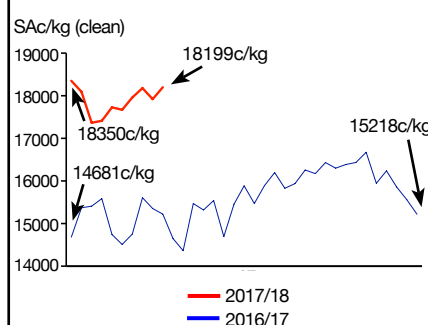
Wool receipts (kg greasy):

2017/18: 13 824 911.2
2016/17: 14 380 691.7
Change: -3,9%

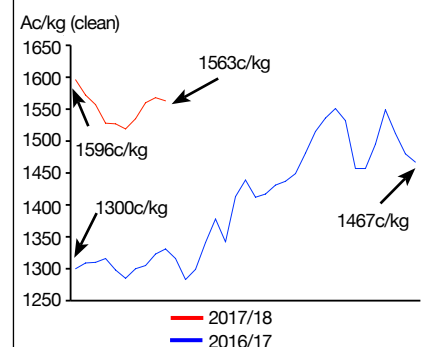
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2017/18:	55 447	14 370	69 817	10 351 735.9
2016/17:	53 175	13 859	67 034	10 170 633.3
Change:	4,3	3,7	4,2	1,8

Graph 1: Cape Wools' Merino indicator on 26 October 2017



Graph 2: Australian Eastern Market Indicator on 26 October 2017





Wool substitution racket uncovered in Australia

The uncovering of a sophisticated wool substitution racket has shaken the Australian wool industry.

At least 18 bales of Australian wool, worth tens of thousands of dollars, have been seized at mills in China in recent months after they arrived containing wool vastly inferior to that tested by authorities in Melbourne.

Victoria Police allege the bales were tampered with somewhere between testing in Australia and unpacking in China, with "high-value" fine wool stolen and replaced with "significantly" lower-value product.

The alleged scam, which comes amid record prices for Australian wool, has also placed a question mark about the integrity of the nation's wool handling and export system.

Victoria Police Detective Inspector Jamie Templeton said the authorities were alerted to the scam in June and fear it could grow in size given the six to eight-week lag between wool leaving Australia and arriving in China.

He described the matter as "extremely serious ... not only due to the total value of the wool stolen but also the potential damage it poses to the Australia-

lian export industry.

"These thefts are incredibly damaging to the livelihood and reputations of the brokers who export this product," he said.

National Council of Wool Selling Brokers chief executive Chris Wilcox said the alleged racket was "certainly a concern", with the reputation of the Australian wool industry "extremely important" in a global market.

Templeton said police were investigating where the swap occurred. Given the wool had been "grabbed" for sampling by the Australian Wool Testing Authority they had ruled out the substitution occurring on farm.

Wool industry sources said to unpack and repack a 180kg wool bale would require access to machinery, including a wool press, as well as the replacement wool itself.

The sources said all indications pointed to the scam occurring in Australia.

Templeton said the crime was "definitely targeted" with police chasing up a number of possible leads. "Whoever did it certainly knew what they were doing," he said. "They knew it was quality wool." *Source: The Weekly Times*

Decision-making process of AWI may be investigated

The decision-making process of the wool-grower levy funded body Australian Wool Innovation (AWI) may be investigated by the Australian National Audit Office (ANAO).

This follows the so-called "man in the mirror" incident when AWI chairman Wal Merriman attended an AWI-funded genetics research focus group meeting during which he observed Merino breeders behind a one-way mirror without their knowledge.

Australian national senator Barry O'Sullivan told the Australian that he was considering seeking an investigation into the decision-making process of AWI. He led a Senate Estimates hearing, which focused on AWI governance issues, board and election procedures, including the "man in the mirror" incident, the AWI leader's election proxy and election powers and Merriman's confrontation with and ABC journalist.

At this hearing Merriman admitted he had breached the body's Code of Conduct and damaged the standing of the company. He also admitted that he could hold up to half the potential votes in an AWI director election in the form of proxies from wool-grower shareholders.

AWI is funded by compulsory wool-grower levies and partly matched Federal Government monies under a Statutory Funding Agreement (SFA) with strict governance clauses.

Questions have been raised as to whether recent AWI board and director decisions have been consistent with the body's charter and the SFA and appropriate under a grower-owned levy-funded body structure.

The ANAO is a specialist public sector agency that supports the Auditor-General of Australia and has extensive power of access to documents and information. Its purpose is to improve public sector performance and support accountability and transparency.

A spokesman for O'Sullivan said that they needed to ensure that the funding and decision-making processes were being undertaken in a way that was in the best interest of the industry.

The senate committee is expected to make a decision on an ANAO investigation in the coming weeks. It will also be consulting with other wool industry bodies.

Source: The Australian

Growing interest in blade shearing

Although some people may view blade shearing as old-fashioned, the technique is making a comeback internationally, says Allan Oldfield, a blade shearer from New Zealand.

He says there is solid demand across the globe for blade shearers but the major hold-up is a lack of shearers.

Oldfield says blade shearing is kinder to the sheep and leaves more wool on the animals, which is important in colder environments.

"People are looking at animal welfare benefits."

He was visiting Australia to compete in a round of blade shearing competitions to be held in Victoria.

He has shorn sheep in Australasia, Europe, South America and in the Falkland Islands in the past 12 months.

Farmers protest against protection of wolves

Farmers trucked hundreds of sheep into a central square in the French city of Lyon earlier this month in protest against the government's protection of wolves, which they blame for livestock deaths and heavy financial losses.

European wolves were hunted to extinction in France in the 1930s but a pair crossed the Alps from Italy in the early 1990s and they now number about 360 in packs scattered across the country, according to wildlife groups.

As their population has rebounded, they have encroached increasingly on farmland.

Michele Boudoin, president of the National Sheep Federation, said wolves were costing livestock producers 26 million euros a year compared with 1,5 million euros in 2004.

A new five-year government plan allows a small number of wolves to be culled each year, but farmers are demanding the right to kill any wolf attacking their sheep.

Argentina to adopt Textile Exchange Wool Standard

The Argentinean government and the Federation Lanera Argentina, which represents wool scourers, topmakers and exporters, have said they will adopt the language, content and best practices of the Responsible Wool Standard (RWS), which is run by Textile Exchange.

This move, announced recently at a Textile Exchange press briefing in Maryland, USA, means that from 2018, the Argentinean wool sector will use the RWS as a basis for the outreach and training of the country's sheep farmers.