Exchange rate causing market volatility

Exchange rate movements are mainly to blame for the volatility in both the South African and Australian markets in the past few weeks. At the opening sale of the season, the average rate of the rand against the US dollar was R13,41. At the second sale it had weakened to R14,00 against the dollar and in early September dropped further to R14,32 before gaining some strength.

The market has nevertheless held firm despite this unpredictability and the Merino indicator at the final sale of September was a mere 1,2% down on the opening sale. The monthly movement, however, was more dramatic as a result of general uncertainty and lack of direction in commodity markets due to the challenging world political situation.

Reports from the Nanjing Wool Conference held in China earlier this month indicate a positive outlook for wool over the short to medium term. Many of the world's largest wool buyers and processors attend this conference to discuss the state of the industry as a whole. One of the reasons for the positive outlook is that since 2010, the price ratio of wool compared with other competing fibres (cotton, polyester and acrylic) has been averaging more than 5 to 1 and has not dropped below 4 to 1.

In the past, wool has been, on average, three times more expensive than the competing fibres and whenever the price of wool exceeded the three to one ratio it would see prices dropping fairly promptly.

The high price ratio for wool can also be attributed to a better understanding of its exceptional qualities and benefits, such as relieving eczema symptoms (see p2).

Wool shipments to top 10 export destinations for July to August 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Greasy R</th>
<th>Greasy Kg</th>
<th>Scoured R</th>
<th>Scoured Kg</th>
<th>Top &amp; Noils R</th>
<th>Top &amp; Noils Kg</th>
<th>Total 1) R</th>
<th>% of total FOB 2) value</th>
</tr>
</thead>
<tbody>
<tr>
<td>China/HK/Macau</td>
<td>127 839 001</td>
<td>1 395 180</td>
<td>8 002 133</td>
<td>51 040</td>
<td>0</td>
<td>0</td>
<td>135 841 133</td>
<td>61,3</td>
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<tr>
<td>Czech Republic</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0,0</td>
</tr>
<tr>
<td>Italy</td>
<td>10 304 190</td>
<td>89 363</td>
<td>8 788 177</td>
<td>66 728</td>
<td>22 948 586</td>
<td>149 938</td>
<td>42 040 953</td>
<td>19,0</td>
</tr>
<tr>
<td>India</td>
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<td>94 654</td>
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<td>0</td>
<td>10 926 903</td>
<td>4,9</td>
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<td>0</td>
<td>5 700 279</td>
<td>43 416</td>
<td>10 408 678</td>
<td>69739</td>
<td>16 108 957</td>
<td>73</td>
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<tr>
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<td>31 447</td>
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<td>0,0</td>
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<tr>
<td>Mauritius</td>
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<td>0</td>
<td>3 340 383</td>
<td>20 020</td>
<td>0</td>
<td>0</td>
<td>3 340 383</td>
<td>1,5</td>
</tr>
</tbody>
</table>

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 21 September 2016

Wool receipts (kg greasy):
2016/17: 8 196 837,9
2015/16: 8 618 060,8
Change: -4,9

Offerings at auction (bales)
Season | Merino | Other | Total bales | Total kg
------|--------|-------|-------------|--------
2015/16: 36 005 | 36 005 | 42 664 | 6 529 188,6
2014/15: 33 968 | 5 106 | 39 074 | 5 979 962,7
Change: 6,0 | 30,4 | 9,2 | 9,2

Graph 1: Cape Wools’ Merino indicator on 28 September 2016
Graph 2: Australian Eastern Market Indicator on 28 September 2016

Monthly Wool Market Overview
Published by Cape Wools SA  Wool news for September 2016
Merino wool could help relieve eczema symptoms, clinical trials conducted in Australia have found.

Research funded by Australian Wool Innovation (AWI) has found wearing fine Merino wool can resolve problems caused by atopic dermatitis, commonly known as eczema.

“We wanted to change the mind of consumers who think wool is prickly and causes allergic reactions,” said Paul Swan, AWI’s general manager for research.

“We wanted to develop some positive proof that it’s not the case.”

Dr Swan said researchers have found if children wore fine Merino clothing over affected areas of their skin it stopped the skin drying out, resulting in their (eczema) symptoms clearing up.

He said the incidence of eczema was growing at the same rate as asthma, and was currently affecting one in 10 children.

In AWI’s first case study of approximately 40 babies and young children under three years old, at the Murdoch Children’s Research Institute (MCRI) in Melbourne, the results showed significant advantages of superfine Merino wool base-layers over cotton in ameliorating the symptoms of eczema.

In the study, half the children wore 100% superfine Merino wool for six weeks before changing over to cotton, with the remaining children starting in cotton before switching over to Merino wool after six weeks.

Wool better than cotton

“We found that wearing superfine Merino wool led to an overall greater improvement in eczema, when compared with wearing outfits made of cotton,” said Associate Professor John Su.

“This finding challenges prevalent beliefs in the lay and medical communities, as well as findings from older, less rigorously performed studies from the mid-1950s, when coarser diameter and heavier wool garments were used.

“Skin irritation from any fibre type partly relates to the diameter of fibres. While wool can have many fibre diameters, only low diameter (superfine) Merino wool garments were used in the MCRI study.

“When comparing Merino with cotton, there are also other inherent differences in fibre properties: Merino’s greater ability to transfer moisture vapour and heat than the other major apparel fibres enable it to maintain a more stable microclimate between the skin and the garment.”

A parallel study of adolescent and adult sufferers of eczema in Brisbane by the Queensland Institute of Dermatology (QIDerm) has confirmed the beneficial findings of wearing superfine Merino wool.

Dr Lynda Spelman of QIDerm says all the trial participants showed substantially reduced symptoms with none of them displaying an allergic or irritant reaction.

“We have seen substantial reductions in skin dryness, redness and itchiness and in the measured area of inflammation – and for a number of the patients, this is the first time a real solution to their condition has been presented,” Dr Spelman said.

She says the results appear to relate partly to the unique moisture management properties of wool.

The trials have been conducted using lightweight, 150 gram per square metre superfine Merino wool garments with a micron range finer than 18.6 microns.

Program Manager of Fibre Advocacy and Eco Credentials with AWI, Angus Ireland, says the studies demonstrate a strong role for superfine Merino in fostering healthy skin and managing eczema.

“The traditional advice to indiscriminately avoid wool against the skin, based on early commentaries that failed to distinguish between wool fibre types, can now be modified to include superfine Merino as a recommended next-to-skin clothing choice.

“It’s interesting to note that, prior to the QIDerm study, most patients say they couldn’t tolerate wool and many believed they were allergic to wool. However, we didn’t have a single patient withdraw from the study due to any types of intolerance of these superfine wools.

The fact that the Brisbane-based study was undertaken throughout the city’s hot and humid summer conditions, also shows that low-micron lightweight wool garments are suitable for all seasons.