The wool-selling season closed with the market indicators of both South Africa and Australia at record highs.

The Cape Wools Merino Indicator closed at R211,99/kg (clean) – an increase of 15,5% on the opening sale and 39% higher than last season’s closing sale (see graph 1). In Australia, the year-on-year improvement of the indicator was 34,8% (see graph 2).

This excellent performance of the market came amid increasing demand from within China for luxury goods, including high quality clothing. Fortunately for Merino producers many wool processing facilities in China are owned by overseas companies – Italian, German and Australian interests amongst them.

In addition, Merino wool has been positioned strongly as a premium and luxury fibre in China by many international and domestic brands.

Many of them work with Woolmark and a major marketing aim is to position Merino wool as something to aspire to, to look and feel good, according to the June Market Intelligence Report of Australian Wool Innovation (see p2 for more).

Cape Wools shipment figures for the period July 2017 to end March 2018 show that China now accounts for 71,5% of South African exports (calculated on a value basis) – an increase of almost 13% on the same period last season.

There has, however, been a marked decline in wool exported to the Czech Republic, Egypt and India, the other major grease-wool importers, while Bulgaria has increased its imports substantially and now is the 5th largest importer of South African grease wool (see table below).

Accumulative results up to 1 June 2018
Wool receipts (kg greasy):

<table>
<thead>
<tr>
<th>Season</th>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change:</td>
<td>-6,3%</td>
<td></td>
</tr>
</tbody>
</table>

Offerings at auction (bales)

<table>
<thead>
<tr>
<th>Season</th>
<th>Merino</th>
<th>Other</th>
<th>Total bales</th>
<th>Total kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>185 008</td>
<td>119 966</td>
<td>304 974</td>
<td>45 865 567,4</td>
</tr>
<tr>
<td>2016/17</td>
<td>184 879</td>
<td>123 410</td>
<td>308 289</td>
<td>46 883 713,0</td>
</tr>
<tr>
<td>Change:</td>
<td>0,1</td>
<td>-2,8</td>
<td>0,6</td>
<td>-2,2</td>
</tr>
</tbody>
</table>

Graph 1: Cape Wools’ Merino indicator on 6 June 2018
Graph 2: Australian Eastern Market Indicator on 6 June 2018

Record wool season thanks to China
Chinese demand for luxury goods sets wool prices soaring

The stellar performance of the wool market this past season can be attributed mainly to retail demand for wool fibre in China, says Australian Wool Innovation (AWI) in its June Market Intelligence Report. The major driver of this demand is the growing number, the increased wealth and therefore spending power of the middle and upper class.

“As their disposable income grows, Chinese consumers are spending this increased disposable income on luxury items such as travel and status items such as clothes,” the report states.

Merino wool has also been positioned strongly as a premium and luxury fibre in China by many international and domestic brands.

According to McKinsey&Company, it is expected that by the end of 2018, China will have the most millionaires of any nation and by 2021 will hold the highest number of affluent households in the world.

In 2016, around 7.6 million households in China were considered to purchase luxury goods each year and annual spending by Chinese luxury consumers accounted for almost a third of global luxury spending.

In 2008, Chinese consumers accounted for just 12% of luxury spending globally. Mckinsey&Company estimates that today, Chinese consumers account for 75% of the growth in luxury spending.

Since 2008, the number of Chinese households who purchased luxury products has doubled as incomes increased and greater access to these luxury goods was created.

Mckinsey&Company forecasts that by 2025, the value of the luxury goods market globally will reach 2.7 trillion RMB. Chinese consumers will be a large part of this growth, accounting for 44% of the total global market, a large increase from 12% in 2008.

It is expected that by 2025, 1 trillion RMB in global luxury sales will be represented by 7.6 million Chinese households — an amount that is double that of 2016 China and more than the combined 2016 US, UK, French, Italian and Japanese luxury goods markets put together.

The report concludes that the short to medium future holds great opportunity as the wave of Chinese luxury consumerism builds upon recent years and the number of wealthy Chinese continues to grow. These consumers will also be willing to spend more on luxury items such as premium wool products.

New Zealand researchers are curbing the country’s greenhouse gas emissions one sheep fart at a time. Scientists at Invermay Agricultural Centre in Mosgiel, about 360km southwest of Christchurch, have bred climate-friendly sheep that produce 10 per cent less methane than their gassy counterparts.

Livestock emissions are the biggest contributor to New Zealand’s greenhouse gas emissions and make up about 10 per cent of Australia’s total greenhouse emissions.

Agricultural research company AgResearch is behind the project, which is being led by senior scientist and quantitative geneticist Suzanne Rowe.

Now in its third generation, Dr Rowe said the breeding program began with two breeding lines of 100 ewes that were separated into high and low gas-emitting groups.

“We want to establish whether the trait was genetic and what the effect of breeding for low methane was, and whether there was effect on other health and production traits,” she said.

Dr Rowe said a lower-emitting sheep breed could prove useful if the agriculture industry found itself under a carbon-trading scheme.

Dr Rowe said the breeding program was being led by senior scientist and quantitative geneticist Suzanne Rowe.

“One of the key challenges has been to separate into high and low gas-emitting groups.”

“Until now, the carbon trading system has been black and white. It’s either you have a high or low level of emissions. This project is looking at a spectrum.”

The project has involved 10,000 sheep and the results are expected to be presented to the industry soon.

“Dr Rowe said methane emissions were simply wasted energy. From 2009–2012 the Australian Government funded several programmes to assist in the reduction of livestock methane emissions.

“Such programmes included the National Livestock Methane Program and the Reducing Emissions from Livestock Research Program.”

“These emission-reducing practices, including genetic selection, can lift productivity by up to 22 per cent and reduce methane emissions by up to 40 per cent, according to a 2015 report by Meat and Livestock Australia.

Research indicates that up to 40 per cent or more of the feed energy lost in methane from livestock can be captured and put to productive purposes,” the report read.

Dr Vercoe was involved with most of the emission reduction programmes and said they each had a “three-pronged attack” to try and reduce emissions.

These were: applying a similar selective breeding programme with cattle; to find a food source to reduce the amount of methane produced per kilogram of feed, and trying to target the specific microbial community that sheep and cattle carry around in their rumen that are responsible for methane production.

Dr Vercoe said methane emissions could be reduced by up to 40 per cent by using a combination of all three methods.

However, despite encouraging results, funding for flatulent-focused research programs has dried up – a disappointing outcome Dr Vercoe said.

Source: abc.net.au