

2019 Wool Season Rolls Out

by Julie Stepanek Shiflett, PhD

It is that time of year, to think about wool marketing. Wool growers are often subject to the whims of the wool market (in Australia!), but there are management steps that can help improve returns.

There are multiple factors that determine wool's value including micron (fiber width), length, and strength. No one variable, however, is more under growers' influence than how clean the wool is. Wool value is directly proportional to amount of clean wool that can be extracted from the raw wool, that is, the yield. "A wool clip with 60 percent yield has 50 percent more usable wool than a wool clip with 40 percent yield," (National Research Council, 2008:250).

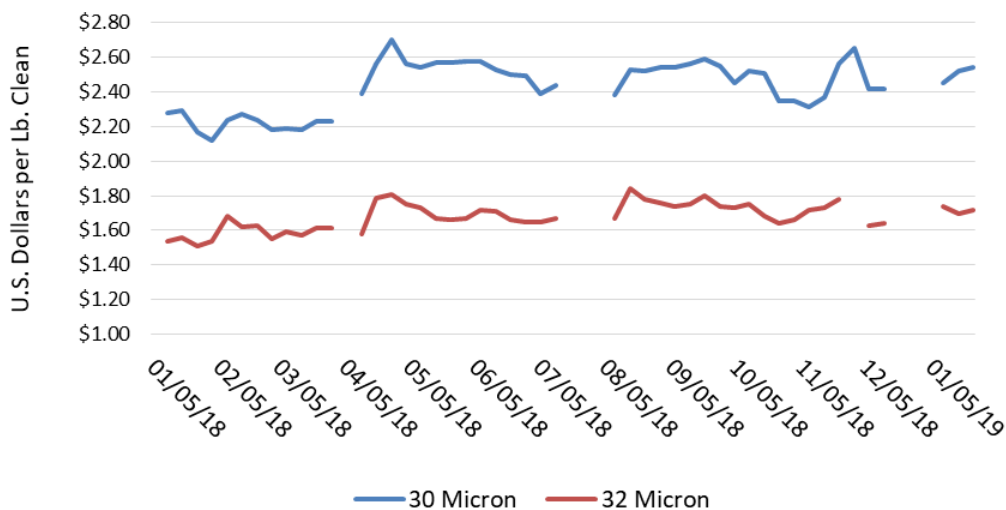
Vegetable matter (VM) contamination may include hay chaff, burrs, seeds, twigs, leaves, and grasses. The VM percent is the oven-dried weight of the vegetable matter as a percent of the raw, greasy wool. The American Sheep Industry (ASI) handbook concludes: "the presence of an excessive amount of vegetable matter in raw wool is regarded as a defect and the wool is discounted accordingly," (ASI, 2015:114).

Most vegetable matter can be removed from wool during the scouring process. However, wool with high levels of present vegetable matter must undergo an added processing step called carbonizing. Carbonizing can be an involved and therefore, costly process. Rollers crush and remove brittle vegetable matter after a sulfuric acid wash and dry. The resulting waste water requires special treatment to meet environmental standards. Wool with excessive VM often results in weak and brittle fibers after carbonizing, resulting in high losses (ASI, 2015:1114). Carbonizing is used minimally in the U.S.

In the Australian wool market in early 2019, better style wools received top dollar, inferior wools faced discounts. In a January 31 report of the Australian wool auction, it was noted that while better style wools received "excellent" buyer support, "off style types, wools carrying vegetable matter (VM) and those with high mid-breaks lacked the same

Imported Australian Wool Prices

Source: USDA/AMS, ASI



support," (AWEX, 1/31/19).

The Australian Wool Innovation Ltd. (AWI) explains: "In combing wool, the fibrous types such as barley grass and wild oats of VM are the most difficult for processors to remove. This type of VM aligns with the fiber during combing and can pass through to the final fabric resulting in the largest discounts," (Accessed 2/12/19). AWI explains further: "VM discounts are relatively minor in the market place for types testing less than 1.5%. Penalties apply when fleece wool approaches the 2% level and rapidly increase when VM measures over 2%, reflecting the higher processing costs and lower throughput for the processor," (Ibid).

At a wool processor in South Carolina a row of inspectors, armed with tweezers and a magnifying glass, scrutinize a bolt of fabric under hot lights. They are conducting a final check for any contaminates that escaped processing. As the bolt is rolled in front of them, if a stray piece of hay is found, however small, the inspectors will carefully remove it and then smooth out the cloth by hand. The significant expense incurred by processors to ensure contaminates do not get into the final wool product is a testament to the severe price discount that could be applied.

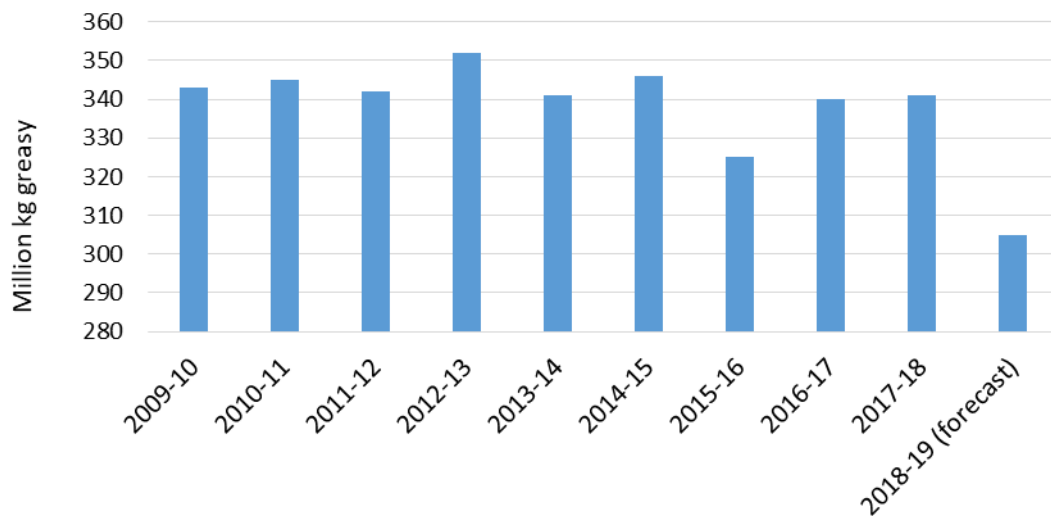
Management Dos

In general, U.S. wools are not valued as high as Australian wool due to fleece contaminates. The American Sheep Industry Association (ASI) classifies wool contaminates into two categories: natural and acquired. Natural contaminates cannot be completely omitted, but can be minimized. These are produced by the sheep including urine and dung. Acquired contaminates are the direct result of the environment in which the sheep are placed. These include dirt and mud, jute and polypropylene baling twine, and vegetable matter.

Management practices are available to mitigate vegetable matter in wool. ASI recommends spraying for weeds and graze pastures before plants' seeds mature. Straw for bedding should be avoided prior to shearing. When wool is sheared, skirting is recommended, whereby the grower picks out visible hay, burr, and seed contamination, especially from the neck and lower parts of the sheep. In some cases, sheep coats may be economical.

The last step in marketing wool this spring is to tell your grower how clean your wool is. Ask whether price premiums could be realized for better prepared wools in your area.

Australian Shorn Wool Production
Source: Australian Wool Innovation, Ltd.



Coarser Wools Make Early 2019 Gain

The Australian wool market is the one to watch this spring, particularly the crossbred market, wools that are non-Merino, broader, and coarser. This segment of the market most closely matches that of many wools in Kentucky and surrounding areas. As growers' wool heads to market, U.S. wools will be priced off the Australian market.

The Australian wool market saw a late-year slump, but rebounded strongly in early 2019. On February 7, the Australian Eastern Market Indicator (EMI) averaged 1,944 Australian cents per kg clean, up 7 percent year-on-year. In U.S. dollars, the EMI was \$6.26 per lb. clean, down 3 percent year-on-year. A 50 percent yield results in an estimated raw, greasy price of \$3.15 per lb. greasy.

At the forefront of wool price forecasting this spring is reports of tight Australian supplies. In its marketing year to date, Australian wool offerings were down 15 percent year-on-year in 2018/19 compared to 2017/18. The price of Merino wool is high and its volume is relatively low.

As international wool prices began to climb again in early 2019, many first-stage processors were looking at blended products to offset costs. Some processors will blend coarse wool with synthetics. However, if processors can make the numbers work, they will try to incorporate more economical coarser wools into a 100% wool blend in order to keep the 100% wool label. A processor will blend finer Merino wool with a finer-end of the crossbred wools, maintain quality, and lower cost. According to Australian Wool Innovation's

trade consultant, Scott Carmody, "price rise in the broader wool type during recent auctions (Australian) are a reflection of mills looking to churn out garments with cheaper blend components, but still remain the 100 percent wool logo," (Farmoline National, 2/5/19).

In early February, coarser wools in Australia saw a 20 percent jump since New Year's, surpassing average gains. In early February in Australia, 27 micron (fiber width) brought 1,333 Australian cents per kg, or about \$2.15 per lb. greasy U.S.

The demand for more economic blends has piggy-backed on already steady demand for coarser wools by the fake fur market. Driven by fashion trends, the fake fur market primarily consists of imitation lamb hair, imitation fox hair, and imitation mink hair. The fake fur market has played an important role in promoting coarser wools over the past few years and into early 2019. "Newly fabulous fake fur is playing a major role in designers' decision to reject real fur or use less of it. Advances with fake have opened new creative vistas, making working with real fur less essential to their (designers') work," (WWD, 4/26/18). While real fur is off-limits for many fashion designers, fake fur--particularly from sheep--is still acceptable for many anti-fur advocates.

Tariff Uncertainty Looms Large

China is the largest buyer of U.S. raw wool, so the uncertainty of a tariff on U.S. wool exports could sharply reduce U.S. wool demand, and thus prices. As of this writing, there was a 3-month truce on a waging U.S.-China trade war. Last fall, China increased its tariffs on U.S. wools from 1-2 percent to

10 percent with a threat of a rise to 25 percent come January. However, before the 25 percent tariff was enacted both sides agreed to maintain tariff levels while trade negotiations continued. At root of the trade war is U.S.'s desire to open Chinese markets to more U.S. goods and concern over China's intellectual property conduct.

It is assumed that the 10 percent tariff on U.S. wool to China will reduce Chinese price offers by 10 percent, but the U.S. is working on diversifying its exports, so the overall effect on U.S. wool prices this spring is largely unknown. The underlying fundamentals of tight global wool supplies and strong demand supported by healthy economic growth and growing demand for sustainable fibers suggest wool prices will stay strong for the upcoming season.

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