



Today's Wool is not your Grandma's Old Sweater

by Julie Stepanek Shiflett, PhD

In today's agricultural markets consumers are more educated, and more demanding of their products. Many consumers demand sustainably-raised products with environmentally-friendly properties. The U.S. sheep industry is in step with today's consumer, and in doing so, has expanded the value of U.S. wool.

"Today's wool is not your grandma's old sweater," commented Rita-Kourlis Samuelson, director of wool marketing at the American Sheep Industry Association (ASI), during the rollout of the new wool campaign, AmericanWool.org. Wool is an old fiber, but with new processing technologies and new wool treatments, today's wool is more versatile, durable and comfortable. Wool can be worn close to the skin and worn year-round. Wool apparel is even washable! Some breeds of sheep have more valuable wool than others; but there is a market for all wools, a value that can be optimized without sacrificing lamb production.

Supply Contracting, Demand Strong

There is a strong and growing domestic

market for U.S. wools. The U.S. military purchases a significant volume of domestic wool for blankets, uniforms, and other apparel. The hosiery market has also seen tremendous growth in recent years. There are also many local hand spinners and mills scattered across the U.S., growing niche markets.

The U.S. typically exports about two-thirds of its annual clip. In 2016, it exported 66% of its clip, 63% of which was in its greasy form with the remainder exported as clean (scoured) wool, and other value added products.

Wool faces stiff competition from competitively-priced synthetic fibers. However, wool is carving out its own niche. Wool's value as a versatile, all-natural, sustainably-produced fiber is becoming an increasingly important factor to consumers.

Expanding demand can promote a positive supply response from growers, but the industry needs to reverse its current period of contraction. Wool production in 2016 was 25.74 million lbs., down 5% year-on-year and down 22% in ten years. In 2016, 3.56 million head of sheep were shorn in the

U.S. There are currently pockets of growth within the U.S., fostered by both a strong lamb market and higher year-on-year prices of commercial wool.

Defining Wool Quality, and Price

Wool quality is largely defined by its micron, length, strength, yield, and degree of contamination. Overall, the cleaner the wool, the higher yielding it will be (the portion of clean wool produced in the scouring process), and, thus, the higher the value. Wool can be reported on its raw, greasy basis, or its clean-yield basis. Thus, clean prices are about double greasy prices.

Micron, a measurement of wool fiber diameter, or wool thickness, is the most important price-determining characteristic of wool. The smaller the micron--such as 18 micron—the more valuable the wool. Finer wool produces fine yarns and fine, light-weight cloth. A larger absolute number, such as 26 micron, is a coarser wool. Micron can be determined visually or through a laboratory test.

Wool length is important to defining its end use, the longer the fibers, the more

valuable the wool. Longer fibers can be combed and processed into yarn and cloth. Strength is also important, with stronger wools—without break points—receiving higher prices. Strength can be managed through good nutrition.

Wool's micron and length will largely determine its end use. It is thus significant that like-wools are sorted to ensure maximum value. Longer wools (longer than 3 inches) of fine to medium-fine widths (low micron reading) are channeled into the wool suit or t-shirt markets. Shorter wools with higher micron readings that are coarser, are often used in the lambs wool sweaters and carpet markets.

It Begins at the Farm

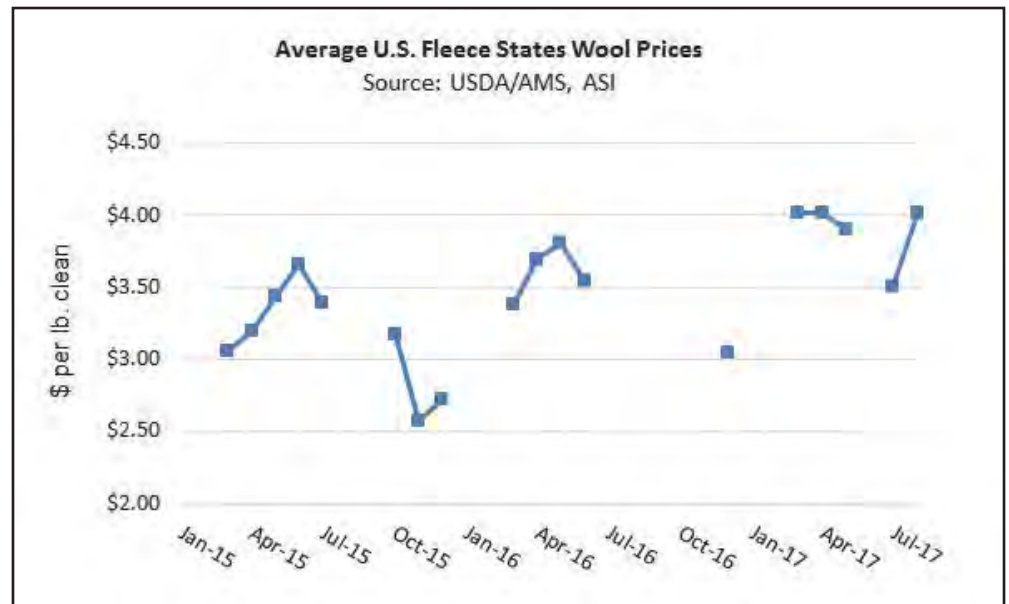
Enhancing wool's value begins at the farm. With little effort, and the right know-how, producers can add value to their wool through improved wool preparation. Wool growers that keep their shearing area clean, free of contaminants can add value to their wool. Contaminates picked up in the pasture such as weeds, seeds, and even chaff reduce value. Separating black-faced from white-faced sheep when shearing can also add value. Black fibers can contaminate a white wool clip: Black fibers cannot be dyed and thus reduce wool's value. By contrast, black fibers are desirable in hand-spinner niche markets. A third concern is comingling hair sheep and wool breeds: Hair fibers can also contaminate a wool clip. Yet another concern is polypropylene contamination from baling twine or plastic feed sacks.

U.S. Commercial Wool Price Discovery

The U.S. commercial wool clip is sold to large mills such as Chargeurs in South Carolina for further processing or is exported (mostly to China). Because our domestic wools are marketed in an international market, factors affecting the largest wool exporter, Australia, also affect our domestic prices.

Market dynamics in Australia—namely buyer competition in Australian auction markets, tighter supplies due to an Australian drought, or volatile movements in the Australian-U.S. exchange rate—can affect our commercial wool prices.

U.S. wools typically bring 75% to 85% of Australian imported wools due to measurable differences in how U.S. wool is prepared. This past wool season many U.S. wools received around 85% of imported Australian



wools, and many were even higher for good style and well-prepared wools.

Australian wool prices have trended upward for most of the past six years. Prices jumped 17% this year from 2016, and up 26% from 2015. The upward trend is largely due to tighter global supplies. Wool production has contracted sharply in the largest exporting countries of Australia and New Zealand. Australia reported 325 million greasy kgs produced in its 2016/16 season, down 6% annually and down 5% in five years.

Stronger demand has also helped support stronger international prices. Following the 2008 U.S. recession, many wool-consuming countries including Japan, Europe, and the U.S. struggled to regain lost income growth. Only in recent years have consumers expressed renewed economic confidence, as shown in an uptick in wool

apparel purchases.

The growth prospects for wool are tremendous. Rising incomes of Chinese consumers, in particular, is significant in defining wool demand growth in recent years and years to come. As Chinese incomes rise, so too does their interest in all things wool. While China has historically been a net wool exporter, its domestic market is growing rapidly. China's wool demand growth can support U.S. wool prices in this interconnected world.

Value is a Function of Volume

Wool's value is optimized by assembling wool clips from individual growers into larger lots defined by similar micron and quality. Each lot of wool—whether it is finer or coarser wools—will target a distinct market to enhance value. A challenge in

marketing wools in the eastern U.S. is gathering a sizeable volume of like-wools. Sheep producers across the eastern U.S. often run smaller sized flocks than in West. Wool warehouses will grade and sort wools to achieve this marketing goal, but at a cost. This cost is often borne by wool pools or wool warehouses, and therefore means lower payments for growers.

Achieving price premiums for wool in the East is thus a collective effort because farm flocks generally produce smaller clips, of variable quality. When like wools are pooled across growers it is imperative that the wool is uniform in quality. One bag of wool within a larger lot with black fibers, or other contaminates, can ruin the value for all.

Reading USDA Wool Price Reports

U.S. wool prices reported by the U.S. Department of Agriculture (USDA) Agricultural Marketing Service (AMS) can be a good marketing guide for growers. Domestic and imported prices are published regionally, and for greasy and clean wool. Territory States wool refers to western wools, Fleece States refers to midwestern and eastern wools; and the third region, Texas and New Mexico, represent the finest 18 and 19 micron wools. The AMS wool report is titled the National Wool Review, report

\$ per lb. clean	
Micron	April 2017
18	\$5.74
19	NA
20	\$4.59
21	\$4.26
22	\$3.98
23	\$3.85
24	NA
25	\$2.98
26	NA
27	\$2.31

Source: USDA/AMS, ASI

number GL_LS850, and available at https://www.ams.usda.gov/mnreports/gl_ls850.txt.

This new year resolve to get excited about wool. Wool is a tremendous resource, a marketing opportunity that will not compromise meat production. Talk to your wool buyer about how amazing your wool is and how to maximize its value in the marketplace.

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