

RECORD HIGH AUSTRALIAN CROSSBRED WOOL GOOD NEWS FOR U.S. SEASON



by Julie Stepanek Shiflett, PhD

Australia has experienced an unprecedented run-up of its crossbred wools. And this is good news for U.S. wool growers producing broader, coarser wool. It is this segment of the wool market that is most closely aligned with many wools in Kentucky and surrounding areas. In general, crossbred wool in Australia is from non-merino sheep, ranging from about 25 to 32 microns. Due to high lamb prices many Australian breeders introduced meat breeds into their flocks, reducing the average micron of wool, but increasing the value of lamb.

Australian crossbred prices have risen this year, while prices for finer merino wool has softened. Finer merino wools have shrunk in volume in Australia, and more importantly, its quality has declined, as Australia's drought takes its toll. Mr. Lamb, Endeavor Wool Exports commented, "We've seen record levels, or levels that are certainly at record highs over the last 25 years," (Australia ABC news, 4/5/19). Mr. Lamb added that a huge factor behind the price rise was a spike in Chinese demand for fake fur made out of wool. Wool consultant Andrew Dennis added: "Orders have hit

the market, so people are scrambling to buy crossbred wool to satisfy that particular fashion demand," (Ibid).

Another factor supporting crossbred wool in Australia is the relative affordability of crossbreds relative to merino wool. As the price of merino wools increased, wool processors have looked to the cheaper broader wools in order to produce blended wool products and keep the 100% wool pledge to consumers. Mr. Dennis added, "People are using crossbred wool in place of merino wool to keep mills busy because it costs half the amount, and it's seen as the lower-risk way to fill machinery if the future is uncertain," (Ibid). Mr. Dennis confirmed that wool prices, as in many international markets, can be volatile and hard to predict, but he expected crossbred prices to remain strong for a few more months.

In Australia in early May, "the crossbreds continued to be the strongest performing sector of the market. Strong buyer demand helped to defy the trend seen in the merinos (finer wool), pushing prices higher," (Australian Wool Exchange, Ltd., 5/8/19). Twenty-six through 28 microns gained, although, on average, wools of all microns softened. "The better prepared lines enjoying the greatest gains," (Ibid).

Australian Wool Innovation's trade consultant, Scott Carmody, reported that the finer edge of crossbred wool, combined with finer Merino wool, produces a 'comeback' wool, (Australian farmonline, 2/2019).

On May 8, Australian wool prices were as follows for crossbred wools, average style and length, bellies out and unskirted (Australian Wool Exchange, 5/1/19). Twenty-five micron averaged U.S. \$5.34 per lb. clean, 26 micron was \$4.73 per lb., 28 micron averaged \$4.08 per lb., 29 micron averaged \$3.54 per lb. and 32 micron (the coarsest among this lineup) averaged \$2.68 per lb. clean.

As a rule of thumb, divide clean prices by two to calculate greasy prices. Midwestern and Eastern growers are typically paid for greasy, not clean, wool. The converted greasy price for \$4.08 per lb. clean for 28 micron is \$2.04 per lb. greasy. Typically, U.S. growers can receive 75 to 85 percent of Australian wool prices because, in general, Australian wool is better prepared. If 28 micron received \$2.04 per lb. greasy in Australia, then U.S. growers could expect roughly 80 percent, or \$1.67 per lb. greasy. There are couple reasons why growers may receive lower returns. Lower priced wool may be because the wool is not well prepared. Perhaps the dirtiest part

of the clip, the bellies, are not separated. Also perhaps because it is because wool volumes are low regionally, and additional value-added in sorting and marketing is necessary before attracting wool buyers.

Domestic Wool Markets Thin

To date, only limited domestic wool prices have been reported by the Agricultural Marketing Service (AMS). It is recommended that wool growers use imported Australian wool prices as a price guide for this season's sale.

On May 10, California and the Western wool prices were reported by the U.S. Department of Agriculture (USDA) AMS. In general, prices for 24-27 micron wools were roughly 10 percent lower than received last year. It is expected that the U.S.-China trade jitters lowered price offers for coarser wools. The broader micron wool prices were as follows: 24 micron averaged \$5.11 to \$5.13 per lb. clean; 25 micron brought \$4.25 per lb., 26 micron saw \$3.54 per lb., and 27 micron was \$3.08 per lb.

Wool Skirting and Classing adds Value

Any on-farm wool preparation that reduces wool pool or warehouse sorting can add value to growers' wool. Skirting removes the dirty parts of the wool clip, typically along the edges of the clip such as from its belly, legs and rear. The shorter wool from the neck and parts of the shoulder wool is also removed. The American Wool Council advises: "All fleeces must be carefully and minimally skirted to ensure that only inferior wool is removed and all good fleece wool remains with the fleece," (No date).

Classing wool means separating wool into various lines according to fineness (mean fiber diameter, or micron); yield (amount of clean wool obtained from greasy wool); length; strength (fiber should not break easily by hand); color and style (the overall physical appearance with regard to crimp, handle and color) (American Wool Council, no date).

Due to the fact that many eastern wool growers produce lower volumes of wool relative to western producers, the wool pool

will likely conduct classing on behalf of producers. It is this critical step, of combining like wools with like wools, that eastern wool growers pay their wool pool for. This process adds value because wool processors look for certain specifications of raw wool when fulfilling their orders.

A 2007 study revealed that, on average, wool that is skirted and classed received 8 percent higher prices than wool prepared with only belly wool removed in 1993 to 2002 (Anderson, et al., 2007). Skirting and classing of fine wool at the producer level is expected to continue to be a value-adding procedure that will enhance the position of U.S. wool in domestic and international markets.

Count of KY Wool Growers Down

The key to a good wool year in Kentucky and its neighbors is collecting a significant volume of like wool to attract buyers. Between 2012 and 2017, the USDA Census reported that the number of Kentucky sheep operations jumped 62 percent in 5 years to 2,818 operations. However, the number of operations producing wool fell 48 percent to 234 operations. That is, between 2012 and 2017, the share of sheep operations producing wool fell from 26 percent to 8 percent.

The lower share of wool operations in Kentucky mirrors a national trend. While the total number of U.S. sheep operations gained 15 percent between 2012 and 2017 to 101,387 operations, the number of operations producing wool fell 35 percent to 32,728 operations. The portion of operations running wool fell from 52 to 32 percent. Hair sheep have become more popular in many regions of the county that might not necessarily be well-suited to wool breeds such as in Texas.

Although the number of wool growers is down, wool production was up in Kentucky. In five years, 2014-2018, Kentucky wool production increased 15 percent to 275,000 lbs. greasy. Its wool yield average 6.4 lbs. per head of greasy wool for a total value of \$261,000, up 14 percent in 5 years. Prices per lb. averaged 87 cents per lb. greasy in 2014 and 95 cents per lb. in 2018. The price trends reported by USDA generally follow national clean wool prices reported by AMS.

What's Next?

Wool sales this spring and exports this summer will be affected by the uncertainty of wool export tariffs to China. Last fall China enacted a 10 percent tariff on raw wool exports, but the threat of higher tariffs still looms. As of this writing in mid-May, U.S.-China trade talks had escalated and a new round of higher tariffs by both parties likely a reality. Reaffirming relationships with domestic wool processors and supporting local wool products will be key to enhancing domestic wool demand today and in years to come.

Visit the Kentucky Sheep and Goat Development Office Wool Pool at <https://www.kysheepandgoat.org/wool-pool> to learn more about the wool pool and 2019 prices.

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