The 2018 Wool Season Begins

by Julie Stepanek Shiflett, PhD

As shearing commences across the U.S., all eyes will be on the Australian wool market. The Australian market defines U.S. wool prices with U.S. wools bringing 75-85 percent of Australia's value depending upon degree of wool preparation. The Australian-U.S. dollar exchange rate can also affect the value of U.S. wools.

In the four weeks since its December recess, the Australian wool market gained 4 percent from its pre-recess average and was 25 percent higher year-on-year. In the first two weeks of February, the Australian average wool price--measured by the Eastern Market Indicator (EMI) -- was $6.42 per lb. clean (the greasy price is about half this, $3.17 per lb.). Continued tight international wool supplies and growing strength of the U.S. and other developed economics are likely to support wool prices in coming months.

Another boost to the wool industry is the growing category of wool in the sports and outdoor market. "Traditional wool apparel goods were heavier, more durable products worn primarily in colder climates, and were not responsive to changes in styles and fashion trends," (NRC, 2015: 261). That was yesterday's wool: Today's wool is the trendsetter. Wool's ability to carve out niche markets will keep demand expanding, and support grower prices. "Performance apparel is one of the fastest growing sectors in the global textile industry and as consumers become conscious of the impact that their purchases have on the environment, they look for natural, sustainable alternatives," (Fiber2Fashion, 2/4/2018). The leading sports brand Adidas is on board, developing active wear from wool.

Kentucky Sheep Count

At 31,000 ewes, Kentucky saw a 3 percent rise in sheep inventory in 2017 (USDA/NASS, 1/2018). Numbers were steady with the ewe count from 5 years ago. When expanding the inventory count to the neighboring seven states, the ewe number jumps to 327,000 ewes, unchanged between 2016 and 2017 and 1 percent lower than 5 years ago. The eight state region including Kentucky and its neighbors accounted for 11 percent of all U.S. ewes in 2017.

In 2017, 75,000 lbs. of wool were produced in Kentucky, up 5,000 lbs. year-on-year. At an average 90 cents per lb. greasy, the total value of the wool crop was $68,000, up 8 percent year-on-year. In 2017, 11,000 head were reported as being shorn in Kentucky, only about one-third of total head, indicative of the growing hair sheep population.

In Kentucky, average 2017 fleece weights—lbs. of wool per head—jumped 6 percent from 6.4 lbs. to 6.8 lbs. Kentucky's wool yield is comparable to the U.S. average of 6.79 lbs. At the low end, the average was 5 lbs. per head in some states neighboring Kentucky. At the high end, in the western states of Idaho, Wyoming, and Montana, the finer wools produced an average fleece weight of 8-9 lbs. per head. Fleece weights are a function of the breed of sheep, genetics, nutrition and shearing interval (Schoenian, S. 2015).

In 2017, shorn wool production in the U.S. was 24.7 million lbs., down 5 percent from 2016. Sheep and lambs shorn totaled 3.44 million head, down 4 percent from 2016. The average price paid for wool sold in 2017 was $1.47 per pound greasy for a total value of $36.4 million, down 3 percent from $37.7 million in 2016.

Explore your Marketing Options

As the U.S. wool clip has contracted over the years, so too have marketing options. Wool buyers--domestic or international--reduce their costs by purchasing in volume and when volumes shrink, so too does profitability. The wool market will only support so many wool buyers before a reduction in volume handled negatively affects returns. There remains a strong network of wool marketing options across the U.S.; however, a network that counts on your wool clip.

Depending upon where a grower lives, there are multiple ways to market wool: 1.) warehouse system, (2) marketing cooperative, 3) pools, and 4) private treaties (NRS, 2016). Warehouses, cooperatives and wool pools all aim to "provide wool buyers adequate volumes of wool that can be purchased with confidence that their uniformity is accurately represented," (NRC, 2008:253). Once a wool pool, cooperative or warehouse receives your wool, it sorts the wool by quality, increasing quantity of any one wool type to attract buyers. If wool quality is not what end-users anticipated when purchased, then its value next time around will be sharply discounted.

There are a handful of large wool warehouses across the United States. Roswell Wool, in New Mexico and California, and Center of the Nation Wool in South Dakota are a couple of the largest warehouses. The American Sheep Industry Association (ASI) lists nearly 60 wool pools across the U.S., many in the East and Midwest. A wool pool is a variation of a cooperative system whereby a group of producers that grow like wools combine their fleeces to gather a sizable clip. A smaller producer can thus receive the marketing benefits of selling a larger volume.

The largest wool marketing cooperative—Mid-States Wool Growers Cooperative in Ohio—operates similarly. Its value added is in gathering, sorting, and grading growers' wool. It takes wool from many small farm flocks of different breeds, types, and levels of contamination, sorts out visible contaminates and combines the wool into sizable lots of uniform grade and quality to attract buyers. According to its website, Mid-States coop has 10,000 farmer/owners marketing 6 million lbs. from 23 states. Mid-States offers multiple marketing plans for growers, catering to growers' investment in wool production. One popular method of sale is for the coop to issue a final settlement check in December representing an average price for the year for each grade. Grade primarily represents the micron (fiber diameter) of the wool.

Selling wool direct to buyers is also a viable option for many farm flocks, but perhaps not the best fit for all growers. One downside is that the buyer might be more knowledgeable than the grower about the current wool market and prices (NRC, 2008). A second downfall is that the quantity sold might be low, bringing lower prices. An upside to private treaty is if a grower raises specialty wools (colored, longer, or coarser) in demand by hand spinners and weavers.

U.S. wool growers face three general marketing challenges: finding wool shearers, marketing, and wool preparation. Price received for wool is very much a function of how well it is prepared. Much of U.S. wool is prepared original bag (OB) in which bellies and stained wool are not removed from the fleece when packaged or tied.

A second and third method of preparation are more commonly seen with larger flocks and in the West. A second method of preparation is called bellies out untied (BOU). The distinguishing characteristic of this method is that the belly wool is separated from the rest of the fleece. The third method, table skirted and classed (TSC) is when bellies, vegetable matter, stained wool, and head and lower leg wools are removed. For large flocks, the wool will then be classed whereby different fleeces are placed with like fleeces based on micron, staple length, and color, among other characteristics. Australia sets the standard for wool preparation where most Australian wools are skirted and classed.

The amount of on-farm preparation will directly affect prices received. If a grower wants to make a significant investment in wool, then perhaps an investment in a ram is warranted such as a fine wooled Rambouillet or Targhee. The lower the micron count (the finer the wool), the higher the value. Many of the sheep breeds in Kentucky and neighboring states such as Dorset, Polypay, Shropshire, and Hampshire have higher micron counts, perhaps up to 30 micron.

If a grower is content with his/her flock genetics, then there is still a lot that can be done to improve wool preparation to improve returns. For example, do not run hair sheep with wool breeds. Do not let polypropylene get into your wool. Mow pastures so burrs don't get into the fleeces. If a grower runs black-faced sheep such as Hampshire, then the black fibers will lower wool value. Package bellies, head and lower leg wool separately. Remove wool manure tags and hay chaff when packaging. At a minimum, keep the shearing area clean and do not shear wet wool. "Wool contamination adds cost to processing raw wool, limits the end uses that raw wool can reach in the retail market and adds labor cost to remove contamination," (ASI, No date).

Price premiums are available to those growers that run white-faced sheep with wools that are at least 3 inches long (staple length), are less than 30 micron, are not stained yellow, and are contaminate-free.

Don't miss out on an opportunity to show off your wool this season. The Kentucky Sheep and Goat Development Office lists a directory of sheep shearers and wool buyers are just a phone call away.

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