



## Chairman's update

Howie Gardner, CP Wool



A review of 2017 would have been grim reading but for some improvement in the last four months. Returns to our growers are still well short of sustainable, but the price slide was arrested in August, and the market has made a couple of attempts at recovery since. It is worth remembering that prices have spiked and crashed twice this decade already, so anything is possible. As was the case 12 months ago the test will come when the summer volumes hit the market.

There has been much conjecture around the number of bales unsold around the country at 30 June. A 'poll of polls' type of approach suggests the figure was much lower than some were suggesting. Mid year estimates put the figure at circa 150000 bales but that

appears to have been overstated by as much as 50000. What is obvious is that the effect of wide spread drought and reduced sheep numbers lowered production more than estimated.

Wool flows are indicating on shore 'wool stocks' are reducing rapidly. CP wool has cleared a significant volume and many wool sheds have been emptied. Anecdotally, many growers were saying last year that with the strength of meat returns, and the abysmal wool price, they could afford to hold. Now, with the recent big lift in sheep meat returns many are saying they can now afford to sell and not contribute to a wool mountain.

Whilst not suggesting that auction is the only way to transact wool, it's worth looking back at how the auction system has performed through this last year. The actions of many auction growers actually helped slow the decline. By withholding or 'passing' wool, the rapid crash that some were predicting was a little more orderly. What was frustrating for our team was being constantly told by exporters that there was plenty of cheap wool available around the country.... leading the market down.

A South Island auction was held at the Christchurch Show with many wool growers taking the opportunity to watch our man Roger Fuller and team in action. A strong

bench of buyers and some spirited bidding made for quite a spectacle.

As always Carrfields Primary Wool has had another busy year. Not a great one financially but nonetheless there are a number of achievements that we can take some satisfaction from. Already covered in depth, but the relaunch of our exclusive retail brand, Just Shorn, in the US is a standout highlight. Also a number of on shore initiatives, such as the transfer of the Christchurch show floor to NZ Yarn and the opening of a new wool store in Timaru have kept the team busy.

As we continue to execute our vision of building a world class logistics company, as well as supporting innovative marketing initiatives, it is heartening to be receiving good support from wool growers.

Approximately 250 new accounts have been opened since June and right around the country we have enjoyed great attendances at our road shows.

I hope everyone has the opportunity to enjoy the festive season in some way. Surely if the markets, weather, and exchange rates behave, we can look forward to good times in 2018.

**Howie Gardner**  
Chairman, CP Wool

## CEO's update

Colin McKenzie, Carrfields Wool Group



Wool prices have spiked and crashed twice since 2010, this is symptomatic of a classic commodity cycle and is largely due to North Asian banks' credit lines and inventory levels in the supply chain.

Both of these variables are outside our (and your) control and will predetermine demand and price until we can confidently step off the commodity curve with value-add initiatives, in terms of differentiated products and compressed and disruptive channels to market.

Last year, the soft wool market conditions and falling prices hit the industry and

growers hard with poor returns, high passings and growing inventory. Fortunately, with stronger sales in November, the worst appears to be behind us. Half bred, merino, hoggets and lambs (particularly the finer edge) are selling strongly.

They say a downturn is the best time to reinvent and we've been flat out looking at how we can overhaul the business and provide more options and better value for our CP Wool growers.

We see our CP Wool operations evolving in three specific streams;

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- Wool procurement and logistics
- Further processing/differentiating – currently via NZ Yarn
- Value-add – Wool Marketing Enterprises

We have a strategic objective of becoming a world class wool procurement and logistics business and our plans are well advanced to make this happen utilising new technology and best practice transport, warehousing, storage and materials handling methodologies.

Off the back of receivership and sizable losses, the NZ Yarn business has now turned the corner, this hasn't happened by accident. We've trimmed the cost base, established a "Wool Innovation Hub," expanded and differentiated the product portfolio and grown the business significantly outside Australasia. Our NZ Yarn supply contracts were oversubscribed and we will be reoffering contracts in the autumn. We are actively looking for opportunities to expand our "further processing" capability.

Our partnership with Carlisle has been well publicised, it's unique in many ways and epitomises disrupting the supply chain. We are the exclusive supplier of soft flooring in a sector that is considered soft floorings biggest competitor – hard flooring. It's a direct model that compresses the supply chain and leapfrogs three traditional participants, and their margin take. Finally, we get to share the margin with Carlisle. We intend expanding these "value-add" business principles into other wool based supply chains, channels, sectors and markets.

It's fair to say we are rapidly gaining a reputation as innovators and leaders in a seemingly mature and conservative industry, watch this space...

We would like to thank you sincerely for your support so far this season and wish you and your families a Merry Christmas and happy and prosperous New Year.

**Colin McKenzie**  
CEO Carrfields Wool Group

## Message from Carrfields



Welcome to our final newsletter for 2017. After a wet winter and with record rainfall in most parts of the country we are now experiencing an extremely dry early summer – we understand that November has been one of the driest since records began in Canterbury.

In the last 12 months we have seen all red meet markets perform very well and have provided stock farmers with consistently good returns. Store-stock values are now under pressure due to the unseasonably high temperatures for this time of year and rain will be welcome from farmers in many regions. The crossbred wool prices have continued to be suppressed however, in recent months more volumes are starting to shift. Fine wool on the other hand, has performed exceptionally well. Dairy has stabilised to reasonable levels although at the time of writing Fonterra has just dropped prices by 35 cents. Arable has been solid and has seen grain pricing increase steadily throughout the year due to demand particularly from the dairy sector. Meanwhile small seed and vegetable seed options have been somewhat limited, however, the current cross rates of USD, the Euro, and AUD against the NZD have kept these grower prices solid.

This quarter I have really enjoyed catching up with our teams and customers around New Zealand and the world. In October, I attended the European Seed Congress in Riga, Latvia it was good to see 40 plus customers and then also catching up with our Carrfields team in our new Dubai offices on the way home.

Colin McKenzie and I also joined our US team, Just Shorn partner Carlisle and our celebrity designers in Los Angeles to review progress to date and discuss designs for the Just Shorn range next year. In November, the seed team and I attended the Asia and Pacific Seed Association conference in Bangkok which again was a great way to see 130 plus customers in one place. I have also recently arrived back from visiting our Winseed team of 20+ in India, where I also visited our trial farm which was outstanding. I also visited customers and attended a customer's wedding – a fantastic experience!

Looking back at our achievements over 2017, it seems fitting for this newsletter to focus on the theme of integrity, which is one of our company's core values. As a guiding principle, integrity encompasses honesty, straight dealing and remaining true to our values. These qualities are vital for any successful business, especially those which rely on building and maintaining strong relationships based on mutual trust. Some of the highlights of 2017 for Carrfields Group include:

- the acquisition of Farmlands Livestock
- launching through our JV 'CP Wool' our Just Shorn range of premium wool carpets and rugs in the US and setting up our local team and office there
- opening our new CLAAS Centre and irrigation branch in Waipara, North Canterbury
- opening a new irrigation branch in Alexandra
- becoming exclusive suppliers of CrossSlot for NZ and Australia
- a world record grain harvest for our Oakley wheat variety
- opening our new office in Dubai
- Shredlage launched in our Contracting business
- welcoming 165 new people into the team at Carrfields and our subsidiary companies
- rolling out our Carrfields CARE programme across the group to deliver customer satisfaction, continuous improvement and innovation
- attending many A&P shows and field days and meeting customers face to face across New Zealand
- supporting the communities, we operate in and our own people through events including Pink Ribbon breakfasts, colour fun runs, Movember, the Great Lake Relay and many others.

Looking ahead to 2018, the new Labour government will no doubt bring challenges to agriculture policy. Globally, the mood of uncertainty will continue as President Trump enters his second year in office and Britain navigates its exit from the European Union. For Carrfields, we will continue to build on our growth strategy across the group. This includes an ongoing focus on adding value (not just volume); striving for excellence in environmental practice and animal welfare; collaboration with all our stakeholders; and developing our people, business systems and processes. Importantly, we're aiming to always enjoy what we do.

On behalf of the Carr family, I would like to thank you all for your continued support of Carrfields in 2017. We wish you all a safe and happy Christmas and a wonderful new year ahead.

**Craig Carr**  
Carrfields Managing Director

# Merino wool to Italy

**Lance Parker**  
– New CP Wool rep for Wairarapa



Little Valley Station is situated in Alexandra, Central Otago covering an area of approximately 11,000 hectares. Central Otago provides the perfect climate for Merino sheep ranging from -10 degrees Celsius in the winter to 30 degrees plus in the summer, with an annual rainfall of 300 mm.

The station is recognised world wide for producing outstanding Merino wool and accordingly good premiums are paid for the wool produced.

The owners Lindon and Jenni Sanders pictured below with their 2 sons, Garth and Shane, inspect this year's wool clip alongside Andrew Blanch, Managing Director of New England Wools Australia. New England Wools purchase the majority of the wool clip on behalf of Vitale Barberis Canonica, an Italian fabric mill established in 1663 in the Northern Biella region.

## Shearing shed fire



CP Wool client Bruce Rogers witnessed first-hand just how fire-resistant wool is when his shearing shed was destroyed by fire in mid-October.

More than 30 firefighters battled for close to three hours to extinguish a fire at the shearing

In the CP Wool Show Floor Christchurch, The Little Valley wool is processed into cloth and destined to the high end markets around the world.

Andrew Blanch has been sourcing the clip for many years and says the breeding and style of the wool that Lindon and Jenni are producing gives a superior product.

CP Wool are privileged to be able to be associated with the Little Valley property. Roger Fuller who has been associated with Lindon and Jenni for many years says the wool clip has made some rapid improvements with bloodlines, which has given them very sound staple strength and wool weights of approximately 5 kgs with an average micron of 17.5 well suited for the Italian mills.

Lindon and Jenni also run a Merino Stud which attracts good interest from commercial properties at Ram selling time

shed near Geraldine.

Three fire crews from Geraldine and one from Rangitata were called to the burning 200sqm steel shearing shed which contained between seven and eight tonne of wool. The wool consisted of hogget fleece and assorted pieces wrapped in nylon fadges and although the wool is naturally fire retardant, the fadges are not. Given the shearing shed had a steel frame, the roof fell in and the whole building collapsed in on itself.

As the picture (left) illustrates, the nylon wool sacks have melted and the wool has spilled out, where the steel has buckled and succumb to the intense heat and pressure, the wool has held up incredibly well.



We wish to advise you that Peter Clendon has resigned from his role as wool representative with CP Wool. Peter has been with CP Wool since 2011 and is moving on to pursue a career outside the wool industry. Peter's last day with CP Wool was Friday 17th November and we wish him all the best in his new pursuits.

With Peter's resignation, we are pleased to announce Lance Parker has been promoted to the wool representative role.

Lance has been a truck driver with CP Wool for the last four years, and is well known to most of our CP Wool clients. Lance has a strong background in the wool industry and has wool technology training as well as a good understanding of the store procedures and the farming industry. Lance is well prepared, and looking forward to taking the next step in his career.

**Lance can be contacted on:**  
**027 448 2154**

Please note: Peter Clendon's number is still active and will be monitored by Lance.

Following Lance's promotion, we are pleased to advise Anthony Frazer has accepted the truck driver role. Anthony has been a senior storeman in our Masterton store and is looking forward to getting out and meeting you in his new role.

**Anthony can be contacted on:**  
**027 603 9165**

# Wool market report



## Fine Wool

With the fine wool season nearing completion, fine wool growers can reflect on prices not seen in the NZ market place for some time. Merino prices especially have continued to rise throughout the season with strong demand coming from China and Europe. NZ auctions

have been extremely strong and none so more than the wool auction held at the Canterbury A&P show in November with buyers paying premiums for the best fine wools in the country.

Competition has been strong throughout the season in the New Zealand auctions with levels aligned and at times exceeding the Australian market.

Mid micron wools 26 micron and finer have also experienced good lifts in price once again driven by China and the Europe manufacturers making of finer wool apparels. The broader end of the mid micron market has had more of an up and down movement through the season and this has been due mainly to the Chinese requiring finer wools to manufacture into apparels.

The quality of wool presented to exporters has been excellent, a reflection of a good growing season throughout most areas of the South Island. Wool weights would have increased for most growers which makes all the difference to their bottom line.

## Crossbred Wool

It's been good to see a slight lift in the strong wool market mainly due to some greater quantities of wool being sold overseas than in previous months, pressure on shipping dates in November and

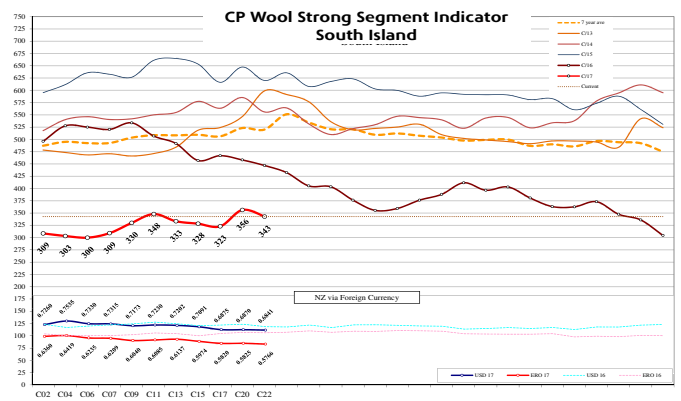
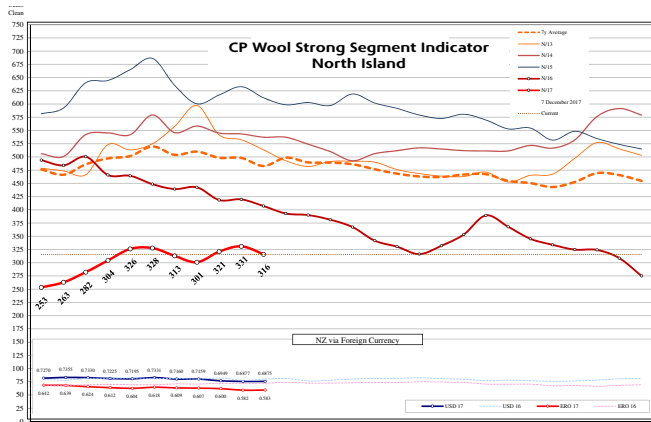
December, and currency drops.

The biggest lift has been in the finer edge with some hogget wool and lamb wool selling above expectations.

In recent times reasonable quantities of stockpiled wool have been sold which is encouraging to see. We could see some volatility in the market over the next period as larger volumes come on stream and this combined with the price sensitive Chinese buyers could see some wool types in demand at the expense of other wool types. It is evident that wools showing high colour and/or vegetable matter readings are being discounted therefore it is important that growers don't take short cuts with preparation as the gap in price between the good and poor wool is likely to widen as more discoloured wools come forward.

**Simon Averill,**

CP Wool National Wool Manager



## Crutching and wool identifying course

Year 13 pupils from Christ's College interested in the sheep and wool industry took part in a two-day course covering crutching and identifying wool types run by the National Training Academy.



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