

# CP Wool



## CARRFIELDS PRIMARY WOOL

**AUTUMN 2018 - PEOPLE**  
– are our business and future.

### Chairman's update

Howie Gardner, Carrfields Primary Wool



strategy. The obvious question is, why is one of the largest manufacturers of synthetic fibre suddenly looking at wool as an option? There could be a number of reasons, but anecdotally, ocean contamination from synthetic fibres that never break down is thought to be creating consumer backlash. Wool Research (WRONZ) is now studying how quickly wool fibres break down in salt water. I think we know what the result will be. The advantage of wool, as with so many of its other attributes, will be significant.

We are now at, or just past, peak wool harvest and sales. It is heartening to see some price gains, albeit small, through the past few months. More of a relief, though, is that the flow of wool has been good, with low passing rates and stocks being sold down. There is more wool being sold than is being produced, which should (or could) bode well for the rest of the season.

The South has enjoyed two major events in the last month: Waimumu field days and the Upper Clutha (Wanaka) show. These two events continue to grow in popularity and attendances are huge. CP Wool had a presence at both with large numbers of clients and potential clients enjoying some wonderful food and even live music. Congratulations must go to staff and management for creating

a great atmosphere in which to talk business. Many, many people commented on the great vibe in the company and the momentum that is being created.

We sadly note the recent passing of one of our stalwart company reps in Masterton, David McPherson. A real identity in the wool industry for 60 years, he will be greatly missed. David came out of hospital especially to attend his CP Wool farewell and died just a few days later, so a poignant moment for all those that were able to attend. We extend our deepest condolences to David's family.

Primary Wool Co-operative (50% shareholder in Carrfields Primary Wool) is pleased to announce the appointment of Janette Osborne to the board. The appointment was then ratified by members at the December AGM. Janette is farming at Waitomo Caves with her husband Kim and his parents Bob and Judy. Janette is also a Trustee on the local Energy Services Trust and runs an internet wool company called Briar Patch. Janette has a background in management accounting and business analysis and her research skills have already been of real value in a couple of issues that PwC is working through.

**Howie Gardner**  
Chairman, Carrfields Primary Wool

It's interesting to note some of the consumer-driven dynamics that are appearing in the world of strong wool. A couple of examples support this observation. Firstly, on a personal note we are renovating our house and have been using a Queenstown-based designer. During a recent visit, Carmen reported that she was seeing much more interest among customers for wool carpets, drapes and furnishings. Secondly, on the international scene, media reports suggest DuPont is investigating the development of a wool

### CEO's update

Colin McKenzie, Carrfields Primary Wool Group



So far this year, the wool market has been influenced by three main variables: inventory held over from last year, subdued demand and prices for crossbred wool and unseasonal weather patterns.

We estimated last July that there were over 100,000 bales of greasy wool unsold and essentially "on hold" in farmers' woolsheds, merchants and wool broker's stores, along with sizeable stocks of unsold or distressed scourments in storage at the wool scours.

This is far beyond the 30,000 or so greasy bales which we would expect to be carried over in a normal year.

This oversupply, coupled with shearing occurring three to four weeks earlier than usual, put added pressure on an already flat market for crossbred wool. Although crossbred prices haven't lifted significantly, it's now very pleasing to see wool being sold and moving through the system,

inventories reducing and wool scours busy. New business is being written post Chinese New Year and we believe there should be improving market conditions and prices when better-coloured autumn shears are available in the next few months.

Fine wool, both merino and halfbred and the finer edged of crossbred lambs have been the exceptions. In particular, merino prices have been two and sometimes three times better than prices in recent years.

The weather pattern and rainfall over the country has been wildly unseasonal, unpredictable and unprecedented (and, of course, totally out of our control). Pre-Christmas, we had the highest temperatures on record in Southland, a drought in South Otago and the West Coast and the driest November on record in Canterbury, followed

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early in the new year by numerous cyclones bringing heavy rain to the North Island, Nelson/Marlborough and the east coast of the South Island. The boost in grass growth has pushed fleece weights and wool production well ahead of last year. At the same time, wool colour and quality has suffered with wet warm conditions.

New Zealand crossbred wool competes in the global market with wool from many countries. From a processing perspective, UK wool and continental blends are the biggest rivals. We know the wool-rich share of the soft flooring market within Australasia has fallen dramatically over the last decade. We also know the UK has been very active promoting its wools and aggressive with pricing in Northern Asia, with some degree of success.

At the volume commodity end of the market, "New Zealand Inc" must be more collaborative and cohesive – actively and aggressively promoting the unique attributes and benefits of our fibre along with provenance, animal welfare, land and riparian management and environmental credentials.

From a "value add" perspective in North America, we are now gaining traction for our premium wool carpet and rug range with our business partner Carlisle Wide Plank Flooring. Carlisle has recently opened a fifth showroom in San Francisco and plans to open more showrooms in LA, Dallas and Florida this year. We held Design Council meetings with our USA-based designers in Santa Monica last October and Las Vegas this January, to extend the product portfolio with a further range of exclusive high end rugs.

We are well advanced with plans to further expand our "value add" marketing programmes in new product categories with disruptive channels to market. We will keep you informed as these initiatives are launched commercially over the coming months.

We are once again offering growers forward supply contracts to NZ Yarn for delivery late April, May and June. Please contact your local CP Wool representative for specification and supply details.

In recent months the CP Wool team has been very busy attending A&P shows in Wairoa, Dannevirke and Wanaka, the South Island field days at Waimumu and Northern field days, plus the Golden Shears in Masterton.

This month we've also attended several more events, including the Central Otago Merino Tour, Central Districts field days and NZ Shears in Te Kuiti, which were all very successful events.

Sincere thanks for your ongoing support.

**Colin McKenzie**

CEO Carrfields Primary Wool Group

## Message from Carrfields



Welcome to our autumn newsletter, which signals the end of a busy summer period. It's been a time of variable weather, from some of the hottest days on record to some areas receiving huge volumes of rainfall. From my travels around the country I have to say it is looking pretty good out there at the moment for feed.

The arable harvest is now all but complete, with perhaps a few vegetable crops still to be combined. Overall the harvest has been average, with the heat waves we experienced in November really taking the shine out of the crops, even under irrigation. Following that, the mixed weather in January, February and March certainly impacted some crops, particularly vegetable seeds and clovers.

Machinery and irrigation sales continue to be positive through all sectors. I believe this is down to our clients investing for the future to ensure reliable production in expanding irrigation areas and to have machinery and equipment that can meet the daily needs of the farming calendar and operate during those pressure points of seasonal demand with little or no downtime.

The red meat market in New Zealand is incredibly strong with healthy global demand. Beef + Lamb NZ have reported that both beef and lamb exports are expected to break the \$3 billion mark for the first time as high lamb, mutton and beef prices bump up this season's forecast profit. For the December 2017 quarter, the number of lambs, sheep and cattle processed were all up, leaving fewer available for January to September compared with the 2016-2017 season.

Strong wool prices have improved slightly in the last quarter but are still very disappointing. There are several positive signals which indicate that wool is now moving. This is evident from large weekly sales and lower passing's along with our reducing bales on hold, all of which bodes well for supply tightening and prices moving upwards.

Our Livestock Stud Stock division is really starting to gain traction and we have facilitated some very large sales over the past three months. A particularly noteworthy example was the record price of \$15,000 achieved for a Beltex-Suffolk cross ram at the inaugural Beltex ram lamb sale.

This edition of our newsletter focuses on the many people that make up our business, including our employees, teams and customers. In February our General Manager and Operations Manager from our Winseed business in India, Arpit Desai and Rahul Jamdar, visited us in New Zealand. They shared with us their business strategies and plans to grow and develop over the next three years, which include regional expansion and some exciting new seed varieties being introduced to the Indian market.

We had Bent and Anette Laursen visiting us from Denmark over for a few weeks in late summer. Their son Ejnar has been working in our contracting business this season. Bent worked with Greg and Glenys in the very early stages of the contracting business some 30 years ago and has shared some of his memories in the Carrfields newsletter.

Towards the end of March I took the opportunity to visit our NZ Yarn clients in Australia. This was a great opportunity for me to understand their business and for our NZ Yarn customers to understand the investment NZ Yarns and CP Wool are making to ensure that NZ Yarns is leading edge, innovative and highly customer centric, so it can be retained as the only independent coarse wool yarn spinning mill in Australasia.

My father Greg and I were proud and privileged to attend a farewell for David MacPherson from our CP Wool business in March. Dave worked in the wool industry for 60 years. Sadly, just a few days after his farewell, David passed away. He was a true wool man to the end and will be remembered for the huge contributions that he made to the sector.

We continue to make ongoing strides in the development of our LEAN programme namely Carrfields CARE, across the group which focuses on cementing our key values (people, service, safety, innovation and integrity). As part of our customer service enhancements, we will be carrying out another customer NPS survey in May and June. I encourage you to have your say. Last year's survey provided some great feedback with many of your ideas being implemented into our business.

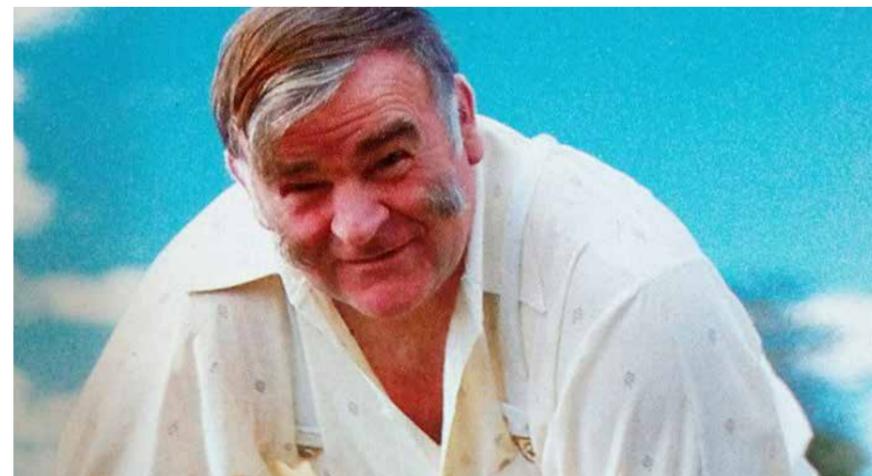
As I write we have just finished our contracting maize harvest, some four weeks ahead of last year and with excellent crop yields. With the Southern Alps covered in snow it seems more like July or August. It's now looking like we have a few warmer days coming up which should help autumn seed crops to establish well.

Over the next quarter I will be being travelling around New Zealand, visiting our Just Shorn team in Boston, USA, and teams and customers in the Middle East. I'm also looking forward to attending this year's ISF Seed Conference in Brisbane in June and catching up with many customers and old friends from around the world.

**Craig Carr**

Carrfields Managing Director

# David McPherson



In early March we farwelled a long serving employee - David McPherson.

David had been in the wool industry for over 60 years, and came to CP Wool with the merger from Elders.

David was somewhat of a pioneer of the NZ wool industry, being one of the first three classers in New Zealand to gain his Kiwi classers stencil and was still the patron of the (NZWCA) New Zealand Wool Classers Association.

In 1985 he along with Mervyn Kite, David set up Central Wool Services which was a Wool Brokering company. This completely changed the landscape for the wool industry in the lower North Island. Previously all wool was processed in Wellington but not long after CWS was formed both Elders and Wrightsons

moved their woolstores to Masterton, and CWS was sold in 1994 to Elders and East Coast wools but David stayed on in various roles within the company.

David was also deeply involved with the Golden Shears in Masterton as both a volunteer as well as a judge, and he also entered client's fleeces into fleece show competitions with a great success rate. David had selected fleeces to win the National Golden Fleece of the year many times for both for clients Turanganui and Rawahi.

David's other passion was his family. His wife Effie passed away in 1989, and he is survived by two children Sandy and Grant as well as six grandchildren.

David was 84 years old, and will be greatly missed.

# Shearing shed fire



One of our North Island clients recently lost his wool shed to a fire. The blaze was incredibly intense and caused extensive damage to the shed rendering it totally destroyed. These images show that despite the intense heat of the fire, the wool that was in the shed remained largely intact.

Because of the way the wool fibre is

structured, wool requires more oxygen than is available in the air to become flammable. Wool is accordingly an excellent fibre when it comes to fire safety. Furthermore, it does not melt, drip or stick to the skin when it burns

Yet another excellent reason to use wool in your home.

# Kevin Jones Retirement



After spending 60 years in the wool industry, former wool rep Kevin Jones has retired from CP Wool.

Kevin has worked with wool most of his life. While still at school he worked for a local farmer in the mornings drying sheep skins, and when he was 15 left school to work in the bin room at Murray Roberts Wool Store in Wellington.

At the age of 20, Kevin went off to Massey University where he gained a Diploma in Wool Studies, and after graduating joined Morrin Hardy Ltd in Gisborne in 1969. Kevin worked as a private wool buyer for the company for 30 years before moving onto Des Davis Ltd in 1999. In 2004 Des Davis Ltd merged with E Lichensteins – a subsidiary of Cavalier Bremworth, changing their name to Elco, they then merged with Elders Primary Wool in 2009.

2015 saw the merger between Elders Primary Wool and Carrfields where Kevin continued as a wool rep for the Gisborne/Wairoa area with CP Wool.

On 24 January 2018, Kevin officially retired from CP Wool. His client's will be in safe hands as his son Murray will be taking over this region. Kevin and wife Sue plan on doing some more travel, and he plans on doing a lot more fishing.

CP Wool thanks Kevin for his time and effort with the company, and we wish him all the best for his retirement.

# Wool market report



## FINE WOOL

MERINO wool prices have reached 30 year highs during the season and prices are continuing to reach new levels in Australia throughout 2018.

Good demand for Merino oddments and second shear types have reached new levels and growers should talk to their CP Wool Rep re marketing options.

Indent purchasing and a concern of a shortfall in quantities coming forward has created this exceptional demand across all micron categories.

The quality of wool coming forward this

season has been exceptional which has created strong auction prices in New Zealand in line with Australia and at times exceeding their levels.

MID MICRON has had a similar lift in values across most micron categories although there has been more volatility within certain microns.

The outlook into the new season looks encouraging although there will be the odd hiccup along the way. With less production and more demand prices would be expected to continue along the levels of the current season.

## STRONG WOOL

With the large volumes of wool entering the market in recent times along with a larger than normal percentage of high coloured wools it is pleasing to see the

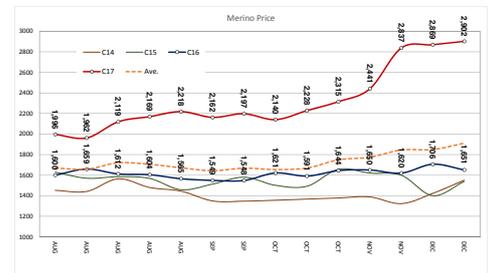
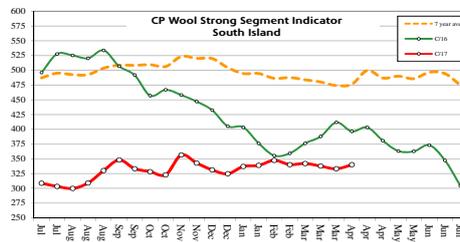
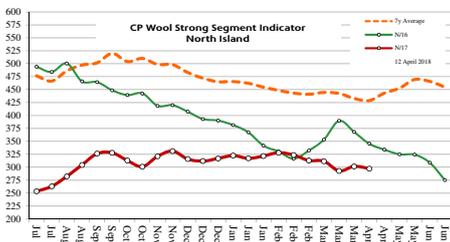
market has generally trended positively and has remained sound for most types. With lower passing rates it is encouraging to see exporters have been able to place the extra volumes entering the market.

New season lambs wool prices started off strongly with a premium being paid for the finer micron, good coloured wools.

With autumn shearing now underway and the warmer than normal humid summer we have experienced it is important that any discoloured wool is removed from the main body wool. If you are unsure what to do please call your CP Wool Rep to discuss preparation.

**Simon Averill,**

CP Wool National Wool Manager



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