



Chairman's update



Welcome to our final newsletter for 2018. It's hard to believe Christmas is just around the corner and with the way the weather has been it still feels like October. Bring on the sunshine that our crops, livestock, and all of us desperately need after receiving so much rain.

This last quarter for me has passed in a blur filled with travel both domestically and internationally. I have been away visiting customers and our teams all over NZ and the world, stopping in at field days and shows, attending stud sales, and always welcoming international and domestic visitors to our head office in Ashburton.

It is now the time when you begin to reflect on the year that has been. For both the CP Wool and the Carrfields team it has been a fast-paced year with significant change and growth. Looking back at the highlights for 2018 I am immensely proud of our entire team around New Zealand and overseas for delivering some tremendous achievements. These have laid a solid path for further business growth and diversification both locally and internationally and it is great to see the Carrfields and CP Wool brands continuing to go from strength to strength.

Some 2018 highlights for the CP Wool business include:

- Amid some challenging conditions in

the wool market we were successful in growing our wool volumes and new clients along with developing some new direct contracts in both fine and strong wool directly to end users.

- CP Wool's new partnership with J Mish Mills (which replaces the Just Shorn brand in the US) was established, which sees our range of premium NZ wool carpets and rugs distributed through J Mish's large network of dealers and designers throughout the US.
- Our joint venture through CP Wool with Amie and James Nilsson (founders of Merino Kids) under the high-end Hushaberry Heritage brand has got off to a solid start. Last month we sold rugs to Cape Kidnappers and Blanket Bay Lodges. Hushaberry has also been appointed as Land Rover's lifestyle brand partner.
- Bringing in Hemp New Zealand as a 15% shareholder in NZ Yarn, announced just last week and detailed in this newsletter is a further highlight. Partnering with Hemp NZ opens up more opportunities for us in the natural fibre space – an area which has very exciting potential as the tide of consumer preference turns against synthetics.

Highlights across the wider Carrfields group include:

- Bedding down the integration of the livestock team from Farmlands, which, coupled with organic growth, has resulted in our national team of agents growing from 90 to over 130. We also opened a new office at the Temuka saleyards and welcomed an experienced and talented stud stock team to the livestock division.
- Our new Dubai office has had a successful first year, with our team of 6 traders and admin staff, who come from multiple different countries, establishing our presence in the market.
- Carrfields Technology, our new division within the Irrigation business, has a number of projects both recently launched and underway, including signing an

agreement with Pessl Instruments for distribution of their technology products within New Zealand. These products are focused on providing farmers easy access to data about their farm

- The development of the Winseed brand, including the Indian subsidiary, is continuing to gain traction. The Winseed vegetable portfolio has made major steps forward with exceptional results, specifically with our new hybrid carrot, beetroot and radish varieties.
- Our Contracting business has had a solid year with an exceptional maize harvest.
- Our machinery business had record machinery and parts sales. Our inaugural machinery auction, held in Tinwald, Mid Canterbury in May, was also a great success and we are looking at holding another in 2019.
- We are making great progress in our Carrfields & CP Wool CARE programme which focuses on continuous improvement and cementing our core values of people, service, safety, innovation, and integrity.

Looking ahead to 2019, 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 and build trusted relationships in all markets we operate in.

On behalf of the Carr family, Primary Wool Co-operative, our board of directors and management, I would like to thank you all for your continued support of Carrfields and CP Wool's various businesses in 2018. We wish you all a safe and happy Christmas and a successful new year ahead.

Craig Carr
CP Wool Chairman
Managing Director - Carrfields

CEO's update



Dear CP Wool growers

It has been a slow start to the season with wet weather delaying shearing and we even had one early December South Island auction cancelled due to lack of volume.

We are predicting the weather will settle post Christmas and January will see a flurry of shearing in both islands resulting in full weekly sales in both North and South Island catalogues.

The market for crossbred wool so far has been relatively soft, with poorer style, longer wool being discounted.

However, we believe there should be reasonable demand for good colour and well prepared second shear and lamb's wool in the new year.

We are currently offering contracts for NZ Yarn wool supply, lamb's wool contracts and fine wool contracts for our international channel partners, please contact your local CP Wool representative for more details.

CP Wool are actively involved in MPI Minister Damion O'Connor's wool group as we want to see more consolidation at a grower level and a pan-sector strategic

approach to the future.

We are delighted to have Brent Dawson join the team as General Manager CP Wool, his initial focus will be driving improvements in supply chain and logistics along with enhancing service.

Brent brings a strong background in supply chain management, including 15 years with Gallagher in Hamilton running their domestic and international supply chains. Most recently, he was Managing Director at RX Plastics in Ashburton. He is passionate about rural New Zealand and the opportunity to work in the wool industry, being part of the natural fibre resurgence.

Many thanks for your support and we wish you a Merry Christmas and prosperous new year.

Colin McKenzie - CEO

CP Wool announces exclusive partnership to distribute NZ wool carpets in the US

Premium New Zealand wool carpets and rugs will soon be available to thousands more US consumers under a new distribution partnership between Carrfields Primary Wool (CPWool) and J Mish Mills.

Under the agreement, leading carpet business J Mish will design and manufacture carpets and rugs from yarn grown and spun in New Zealand. The products will then be distributed throughout the US via J Mish's large network of dealer and designer relationships.

Colin McKenzie, CEO of Carrfields Primary Wool Group, says the partnership will build on an existing relationship to increase the profile of New Zealand wool across the residential market in the US. "We're very excited about expanding our relationship with J Mish, who have already been manufacturing carpets from CP Wool yarn at their facility in Cartersville, Georgia, for several years," he says.

"We're confident that J Mish has the reputation, resources and scale needed to put New Zealand wool carpet in front

of consumers across the US, as a highly desirable and sustainable choice for soft flooring."

Carpets and rugs made from CP Wool yarn will be included under J Mish's Signature and Promenade ranges. The company's strong focus on design means their carpets and rugs will showcase the beautiful, unique characteristics of wool, McKenzie says.

"J Mish is widely recognised as a leader in styling, design and colour of wool carpet in the US, so they are in a great position to build the reputation and profile of New Zealand wool among US consumers."

CP Wool's current manufacturing arrangement, under which yarn sourced and spun in New Zealand is exported for manufacture into carpets and rugs at J Mish's plant in Cartersville, Georgia, will continue.

The J Mish partnership follows CP Wool's recently-announced joint venture with Amie and James Nilsson (the founders of the highly successful Merino Kids brand), to distribute carpets and rugs in Australasia under the Hushaberry Heritage brand.

"We're confident that these new partnerships place us on the best footing for leveraging the tremendous opportunity for New Zealand wool which exists in the consumer market globally," says McKenzie





NZ Yarn welcomes Hemp New Zealand as new strategic partner

NZ Yarn Ltd, a world-leading producer of New Zealand wool yarns for the global soft flooring market, is pleased to announce a major new strategic shareholder and business partner: Hemp New Zealand Ltd.

Under the agreement, Hemp New Zealand has acquired a 15% interest in NZ Yarn, with the objective of installing a hemp fibre processing facility within the NZ Yarn factory in Burnside, Christchurch.

The new partnership will be a catalyst for market-leading innovations in hemp fibre processing, as well as the development of new consumer products made from hemp yarn, wool & hemp yarn blends and non-woven wool and hemp products.

Craig Carr, chairman of NZ Yarn, says Hemp New Zealand's investment in NZ Yarn is an important strategic milestone for the company.

"Hemp New Zealand's investment strengthens and diversifies the NZ Yarn business. It also enables NZ Yarn to engage in significant additional product innovation, as well as broadening its product portfolio and customer base with a natural fibre that has huge unrealised potential," Carr says.

"Hemp has many synergies with wool, as well as sustainable ethical provenance and environmental credentials. These qualities are of critical importance given the environmental catastrophe which synthetic

fibres are contributing to," Carr says.

Dave Jordan, chief executive of Hemp New Zealand, says the company's investment in NZ Yarn signifies a major step in the growth and development of the hemp industry in New Zealand. It will also enable Hemp New Zealand to set up a leading-edge natural fibre processing line, which separates hemp stalks into fibre (which can be woven and used in yarn systems) and hurd (the woody core material which has fire retardant and insulating properties and has many uses, including in the construction industry).

The processing line, which is expected to be the first of its kind in New Zealand, will enable Hemp New Zealand and NZ Yarn to jointly develop hemp-based and a combination of wool and hemp-based products for the consumer and industrial markets in New Zealand and overseas, Jordan says.

"There are many, many consumer and industrial uses for both hemp fibre and hurd. We're extremely excited about partnering with NZ Yarn and initially developing hemp and wool yarn blends which will provide consumers with a wider variety of products made from natural fibres," he says.

"We will also be working with NZ Yarn to investigate other uses for the fibre and hurd, which provide an environmentally-friendly alternative across a huge range of industries globally including consumer products, food

and industrial applications."

Hemp fibre has a long history of human use dating back thousands of years and is now undergoing a strong resurgence globally, says Jordan.

"The resurgence in popularity of hemp is based on its excellent environmental characteristics. It is pest-resistant, easy to grow organically and produces a very good yield of fibre per hectare compared with many other crops," he says.

"Hemp fibre also doesn't require chemical processing or bleaching, it blends very well with other fibres and it has excellent strength and durability. Overall, hemp can provide a very good return for both farmers and processors, as well as a high quality end product for the consumer."

These characteristics make hemp a great addition to New Zealand's natural fibre marketing story alongside wool, says Carr.

"We see the partnership with Hemp New Zealand as a fantastic opportunity for farmers to diversify into growing hemp and to be part of the resurgence of natural fibre, as well as the diverse future uses of hemp which we are looking forward to developing with Hemp New Zealand," he says.

"We are looking forward to working with Hemp New Zealand to unlock the great potential of this product, whose benefits are still largely unknown to most consumers."

Wool market report

Simon Averill, National Wool Manager



CROSSBRED UPDATE

With a stronger New Zealand dollar and limited offshore interest we have seen crossbred prices ease. This is concerning considering the limited volumes being offered before Christmas.

The limited volumes have been due to widespread wet weather and larger than normal quantities of cull ewes being sold with their wool. This has had a negative impact on wool flow however, we expect volumes to pick up once the weather improves.

Lamb's wool to date, has been keenly sort after and the early offerings with fine micron and good colour have been attracting encouraging prices. There is still strong interest in the finer crossbred and hogget types as the Chinese market still has a desire to buy these types of wool.

With the wet weather we've had around the country in the last two months it will be important that preparation standards in the shed are upheld. The removal of high coloured wool out of the main line is important as this can impact further processing.

FINE WOOL UPDATE

MERINO

With the fine wool season coming to an end, growers can look back and realise prices have not been seen at these levels across all

categories since the BOOM times of the 1980s.

It has been just reward for an outstanding growing season which has seen most growers increase wool weights which has resulted in a significant net return.

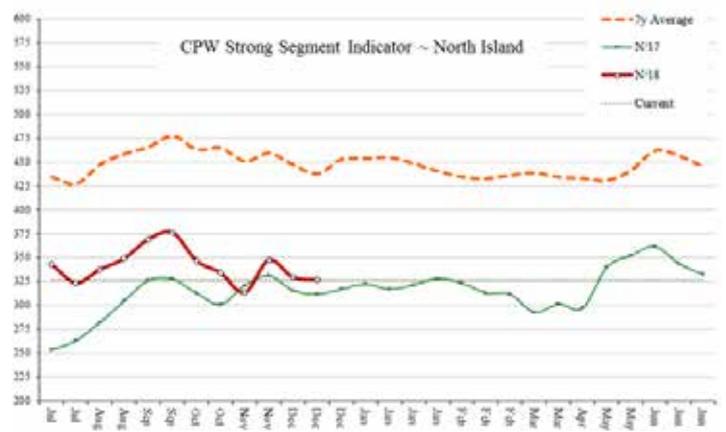
We have seen a slight ease in prices during October/November compared to the highs in August/September, but prices are recovering especially for the good sound types.

In recent years growers have held wool over into the New Year to capture some gains in the market when the wool flows have eased off, but this season has seen all merino wool sold prior to Christmas.

MID MICRON

Prices in the 23 to 30 micron range have seen similar trends to the merino market but prices have been more volatile fluctuating by \$1.00 to \$2.00 clean between sales. Demand however, is still promising although there has been some price resistance from overseas manufacturers.

The quality of the clip this season has been outstanding, with many growers clipping more wool, which has had a positive result on their bottom line.



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CP Wool Client Communication

This will be our last quarterly newsletter to our valued clients. Going forward we are going to communicate you more regularly with useful market information as well as information on projects and our businesses. The objective of this change is to ensure that our supplied information is current and relevant to current market conditions and trends.

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