

## Spot the Benefits of Auction

### 'Spot market' by definition...

The spot market is a public financial market in which financial instruments or commodities are traded for immediate delivery.

### The PGW wool auction system offers ample benefits to spot market sellers, particularly in the current climate of dwindling supply, and the reasons are many.

Pre-sale, export industry representatives are able to (and want to) physically appraise the wide range of wool types produced from the grab samples which are taken from each bale within every line to be offered at auction. These samples are accompanied by comprehensive test data measured from core samples of wool (also removed from each bale) and reported by an independent laboratory which has no other interest, financial or otherwise, in the wool itself.

All exporters attend the auction armed with their pre-sale assessments of every line, which allows each of them to make keen judgement of what lines of wool they can or cannot combine to suit their processor orders.

In turn, this gives vendors the best possible exposure to the market place and the opportunity to capitalise on the expertise of wool exporters to push boundaries to ensure their wool deliveries are maximized for wool type. Also, price is driven by full benches of buyers competing fiercely at every auction and often at prices above international price levels.

At the close of each auction, a lot of work ensues concerning invoices, account sale documents, receipt of payment, collection of testing fees, receipt of shipping instructions and branding of wool bales prior to dispatch to wool scourers or wool dump facilities. All of these functions require expert

interpretation and control but at the end of the day the system is robust and proven effective.

In fact, the "prompt" wool payment system (a specific day and time when buyers must pay in full for their wool purchases and growers are paid) is one many industries would like to emulate.

Therefore, we are of the opinion that any public criticism directed at the auction system tends to be proffered by misinformed and inexperienced commentators – most of whom will agree with us (and all of us at PGW) that supply and demand remain the key drivers of the wool market.

With sheep numbers in decline and exporters continuing to drive up sales of New Zealand wool across the globe – demand is surely set to increase isn't it? We all certainly hope so.

That's our view.

**Rob Cochrane and Allan Jones**  
**PGW Wool Procurement Managers**



## NEW NEW NEW Three-Year Flexi- Wool Contracts

Working closely with our in-house exporter, Bloch & Behrens (B&B), PGW has recently launched a new product called the 'three-year flexi-wool contract', to help create price stability in volatile times and complement our existing selling options.

While auction remains our primary tool for selling wool in the spot market (for all the reasons outlined in our opening story) and fixed price contracts can be used to lock in a fixed price for the future supply of a line of wool for delivery within 12 months, discussions between B&B and major European manufacturers have revealed the need to address longer term price stability to suit select markets. Over the past few years, price volatility has made it very difficult for several of B&B's established international customers to plan ahead.

As a result, we are now offering three-year flexi-wool contracts to help iron out the price bumps. In simple terms, it is a supply agreement for a specific number of bales for a three-year period, with the price being calculated when each line of wool is delivered into store, and based on the three-year moving average of a good colour 3/4" crossbred second shear.

We believe some of our woolgrowers will themselves see value in achieving longer term price stability to help them reduce their exposure to fluctuations in their annual wool income. It really comes down to a matter of matching the right grower with the right contract.

Talk to your local PGW wool representative about the sales tool most likely to suit you. Our wool team understands the permutations of each marketing method and can offer you full and concise information to help you reach a good decision.

# Architect Builds Respect for Wool

Top Wellington architect and founding member of award-winning Studio Pacific Architecture, Stephen McDougall was appointed an ambassador for the Campaign for Wool NZ in November 2012.

It was a natural fit for Stephen and the team of 40+ at Studio Pacific which has long been committed to environmentally sustainable practices. They designed NZ's first green star rated building, the Meridian Building on Wellington's waterfront. Completed in 2007, it is still recognised as one of New Zealand's most advanced green buildings.

"Given its superior qualities, there's a lot going for wool in buildings", according to Stephen McDougall.

Whether it's insulation for construction or flooring and textiles in interiors, the characteristics of wool are highly

beneficial. It's natural, breathable, has excellent sound absorbing qualities and it's fire retardant. If it does catch fire, it doesn't produce the toxic fumes associated with synthetic alternatives. Wool also acts as a sink for volatile organic compounds (VOCs), the emissions from paints and lacquers, cleaning products and some office equipment.

It is these benefits that drive Studio Pacific to specify wool wherever possible in its projects and in the past year or so they have encouraged almost 250 homebuilder clients to specify wool carpets. Wool was specified in the recent Infratil office refit too – although in commercial workplace application, wool faces fierce competition from synthetic products because of the perceived durability of synthetics. But all the factors need to be weighed and assessed ahead of choosing between the two.

The synthetic industry's advances in green technology are often touted as an added incentive for clients looking for that green angle. The 'recycled back' story is very big right now. But if you're genuinely seeking some integrity about environmental impact, it's vital to ask, 'recycled from what?' Maybe the product is made from



recycled coke bottles, but if we're talking 0.01 percent of the world's mountain of plastic coke bottles, what impact is that achieving really?

Wool genuinely offers sustainability. It's grown on grass and grows back every year. Stephen is optimistic about opportunities for wool in commercial work, especially in apartment complexes and the deluxe hotel market with both specialty and corridor flooring.

Stephen believes the wool industry is wise to stay focused on innovation and keeping people informed about the inherently beneficial qualities of this natural, renewable resource. Consumer opinion is turning and the fact is – ultimately nothing feels as good as wool.

## NZ Wool Week

26 May – 2 June 2014

The Campaign for Wool (CFW) NZ launched Wool Week across the country from 26 May to 2 June – entitled "We're Loving Wool". Billboards have gone up around the country's main centres; Auckland, Wellington and Christchurch and, among numerous other activities, live sheep shows will be held in Auckland. Wool Week aims to educate consumers generally and city dwellers in particular about wool and its long list of desirable qualities for use in fashion and home furnishings. Auckland's boutique magazine 'Verve' ran a six-page wool feature in its May 10-year anniversary issue which kicks off with a story submitted by PGW Wool – an acknowledgement of the journey of wool from the farm to fashion. It is heartening to see the subject of wool being embraced by those who are active and influential in news media circles. Thanks to them, the inestimable, natural value of wool is steadily seeping back into consumer consciousness.

**Know wool, think wool, buy wool and wear wool.**



THE CAMPAIGN FOR WOOL  
Patron: HRH The Prince of Wales



New Zealand Wool

14 www.vervemagazine.co.nz  
THE WOOL FEATURE

61 — A bale of wool ready to be spun for fabric  
62 — Cedric Bayly

### WOOL TO THE WORLD

Cedric Bayly is a seasoned wool man. His career in wool stretches back to the days when he began an apprenticeship in a wool store sweeping floors and helping clients before training in the finer art of classing wool and preparing it for sale. Now, he is general manager of wool for the world's largest supplier of crossbred wool, New Zealand wool services company, PGG Wrightson Limited.

In recent years wool has made a huge comeback. It is a natural, renewable resource which is chemical and 'green'. It is very much in favour with modern architects, discerning home decorators and cutting-edge fashion designers. Wool's inherent fire-retardant, acoustic and hygroscopic qualities make it a popular choice for carpets, soft furnishings, bedding and insulation — technically proven to keep homes safer, quieter and drier. In fashion, wool is very wearable. It not only handles well, but while maintaining excellent thermal comfort, even in wet conditions. These are superior qualities that petroleum-derived synthetics simply can't touch.

PGG Wrightson is a well-regarded, nationwide wool broker that works efficiently to keep wool flowing smoothly throughout the global supply chain. It woodmen from rearing and shearing sheep, all the way through to marketing and baling domestic and world market specifications. These tasks are by no means simple and PGG Wrightson employs a variable team of talented people from farming and university backgrounds to tackle various aspects of the job, including flock selection, animal nutrition, wool harvesting, carriage



“In recent years wool has made a huge comeback. It is a natural, renewable resource which is on-trend and 'green'. It is very much in favour with modern architects, discerning home decorators and cutting-edge fashion designers.

At this — offering clear market advice to both farmers and manufacturers for their mutual benefit.  
At weekly wool auctions, PGG Wrightson sells to a batch of 21 wool exporting companies including its own subsidiary company, Borch & Behrens Limited. Borch trades for several generations, supporting 30 countries around the world. It is a successful commercial model that sees profits retained within the New Zealand economy.  
PGG Wrightson offers the perfect blend of on-farm advice, technical skill and business acumen to help grow, prepare and sell New Zealand wool to meet exacting criteria across diverse local and international markets.  
Over and above this — an encourage everyone to know wool, think wool, buy wool and wear wool.

## IWTO Congress Message is Clear

The wool industry has an opportunity to do something quite incredible.



Speaking at the 83rd Congress of the International Wool Textile Organisation (IWTO) on 29 April 2014, grassland ecosystem pioneer and biologist Allan Savory described how only a system of properly managed livestock will stop the desertification of our planet – a process that is taking place across most of the world's land.

**“Even if we all stop using fossil fuels, we cannot stop desertification unless we use livestock,” Mr Savory told the audience of wool community leaders from around the world. One delegate described the message as one of the most important moments in the industry.**

Most of those present were not aware of Savory's work, which comes at a time when a number of woolgrowers are diversifying farms due to a sustained period of low wool prices. With global wool production generally acknowledged to be in decline, Mr Savory's message comes as a further wake-up call to an industry that is working hard to demonstrate the natural benefits, technical properties and overall positive environmental credentials of wool.

Mr Savory's holistic system of managed grazing has proved successful in countries across the planet including some of the most damaged grasslands in the world, such as Patagonia in Argentina. The Merino wool being produced under Savory's sustainable grazing practices in Argentina is bought by outdoor apparel company, Patagonia Inc, for use in its performance base layer line. The direct traceability of the wool is a crucial advantage in the marketplace, where consumers increasingly demand information about provenance and environmental impact.

The traceability point was echoed by the key note speaker, renowned South Africa trends analyst Dion Chang. Emphasizing the connection consumers feel to a brand when they understand the process behind the product, Mr Chang urged delegates to remember that wherever they are in the supply chain, they are hooked into the ultimate user.

“Consumers like it when their brands reflect their values,” said Mr Chang.

Sustainability, provenance, and “fibre accountability” featured highly in the programme of the annual three-day forum for leaders from all parts of the wool supply chain. Establishing wool's environmental credentials is a top priority for the fibre that is increasingly seen by caring consumers as a sustainable lifestyle choice for fashion and interiors.

“The wool industry must move quickly and surely to put environmental support for wool on the table,” said IWTO president Peter Ackroyd, speaking in his capacity as chief operating officer for the Campaign for Wool (CFW). IWTO, as the globally recognised authority for standards in the wool trade, has worked with the CFW since its inception in 2010 to provide scientific support for wool's environmental and health benefits. Originally conceived as a five-year initiative to raise awareness about the unique, natural, and sustainable attributes of wool, the Campaign's patron, HRH The Prince of Wales, made it clear through Mr Ackroyd that he would continue his patronage for an indefinite period. The world's leading environmentalist, HRH publicly endorsed the work of Allan Savory last year.

Other congress sessions included presentations on:

- Research into wool recycling.
- Innovations in wool in sleepwear and extreme condition apparel.
- Waste water management in the wool scouring process.
- An overview of the new chlorine-free “Superwash” standard.

More than 225 representatives from the international wool community attended, from countries including Argentina, Austria, Australia, China, Mongolia, New Zealand, Norway, South Africa, the United Kingdom and Uruguay.

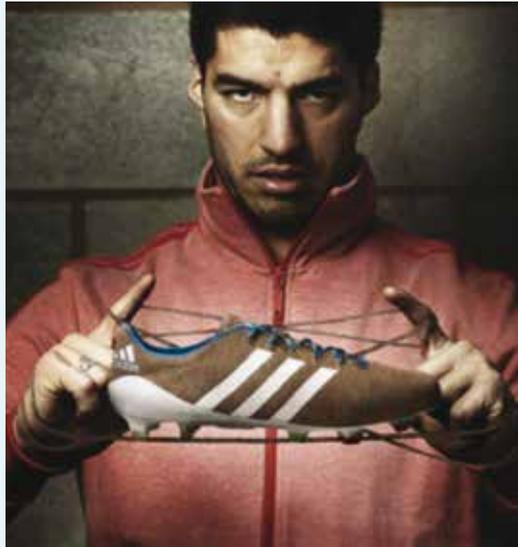
**For more information on Allan Savory and his work please visit: [www.savoryinstitute.com](http://www.savoryinstitute.com)**



Delegates gathered in the IWTO congress hotel lobby.

## Knitted Football Boot Scores Brilliantly!

Adidas linked up with Liverpool striker Luis Suarez to debut the world's first woollen knitted football boot at a Manchester United versus Liverpool game at Old Trafford last month – ahead of the World Cup in Brazil. The Uruguayan footballer performed brilliantly, as he has all season, and scored the third in the 0-3 win. No one could have hoped for a better result – for Liverpool, for Suarez or for the innovative woollen football boot!



The Adidas limited-edition 'primeknit' woollen football boot includes an upper that is knitted from heel-to-toe and provides a bespoke second-skin fit that retains the strength of a conventional football boot. Developed over the course of two years, it is said to offer the same levels of strength and stability as conventional boots, while using fewer materials and weighing less – the boot weighs just 165 grams.

Using yarn means that the shoe doesn't produce any waste material, making the primeknit the company's most sustainable football boot.

Although the technology has already been used in the Adidas and Nike ranges of running shoes, the increased demands on the upper that playing football brings meant that further development of the material was required before it could be used for this sport.

Each piece of yarn is coated in a water-resistant polymer to ensure the boot doesn't become waterlogged when wet. Designers also created specific zones on the fabric to increase flexibility or stability depending on which part of the boot the yarn is located.

Primeknit is a technology that is right at the heart of Adidas innovation. It is the stuff of dreams – combining the comfort and responsiveness of playing barefoot with the protection of a traditional design. It's an exciting development for football and for wool.

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## Strong Segment Indicator

