

Wool News June 2017

Time to get with the programme and join the Wool Integrity journey

Two years ago, PGW's export arm, Bloch & Behrens, introduced a quality brand mark called Wool Integrity NZ™, to lift the profile of ethically grown New Zealand wool from farm to market. Wool carrying this brand is proving popular with a growing number of manufacturers whose new-generation customers seek full disclosure about the integrity journey of the products they buy and wear. It may seem idealistic, but this consumer group is a reality. They are tech-savvy and well-informed about matters of animal welfare, product safety and environmental issues.

Overall, this is good for a natural product like wool. However, traceability and transparency are key to satisfying this important market. It is vital that we meet this demand.

To this end, the Wool Integrity programme involves documenting all stages of wool production from farm to market and providing solid information about the performance and lifecycle of wool in clothing, textiles, carpets and

building materials. Wool is very strong in all these consumer areas, but the production backdrop must meet market approval.

PGW is in a unique position to verify New Zealand wool production standards because of its hands-on involvement across the entire pipeline. But to make it work, we need growers on board.

This is important. We need all our farmer clients to sign up so that the wool from YOUR farm to the end user is connected. It is the way forward to secure and future-proof the market for New Zealand wool. Take time to talk to our wool team about the Wool Integrity programme and how it will benefit all of us over time.

Please download the form from our website www.pggwrightson.co.nz/services/wool/woolintegrity and sign and email back to Ross Calman (rcalman@pggwrightson.co.nz).



Market Comment

On approach to the end of the season, the market remains difficult due to weak demand out of Asia where the majority of the world's wool yarn processing centres are based. Asia comprises over 50 countries and is the largest and most populous continent in the world. This time a year ago, wool buying out of Asia absorbed 53% of the total New Zealand strong wool clip. This year that figure has dropped to just 31%. Why? An over-supply of wool began building across Asia back in February 2016. The trend was difficult to read at the time, due to the complexity of market forces at play and the diverse number of countries involved. Then in June 2016, Brexit proved calamitous for world currencies and Asian buyers pulled back sharply, taking time to assess the global situation. This stalling of the market has left about 20% of our crossbred and second shear wool in abeyance with little support on the domestic front.

New Zealand's domestic market for wool carpet has been in decline for the past two decades. In the 1990s, almost a quarter of our strong wool was bought for local consumption. These days 93% of the national clip is exported, and Kiwis are walking about on cheaper synthetic carpets and wearing 'plastic' clothing. We need only look at what is in our wardrobes and underfoot in our homes to see why the crossbred price is at \$2.50 per kilo.

Rather than selling into such a lacklustre market, some growers are holding bales back from sale, yet despite this, clearance rates have continued to fall. Values look set to remain sluggish until inventories are worked through, forcing a lift in demand.

Now might be a good time to consider other selling options. We have a range of fixed-price forward contracts on offer across most wool types and there is keen interest in three-year flexi-wool contracts. Talk to your PGW wool representative about what will work best for you.



Wool Branding Gets Personal

Executives from top Norwegian sports brand, Devold, flew to New Zealand in April to talk face-to-face with select PGW wool growers about a marketing campaign entitled 'Sheep to Shop' in which wool branding gets personal.

It's a real game-changer because it involves Devold branding their garments directly alongside the farm that grows the wool – in a loop made possible by a very short wool pipeline shared by just three parties; the grower, PGW and Devold. It's all about traceability, transparency and trust, and it is history in the making.

The Small family (Ron, Sue, Tom and Clair) hosted the meeting at their woolshed on

the high-country station, Blairich, nestled in the Awatere Valley of Marlborough. Devold CEO Cathrine Stange and General Manager (Lithuania) Tor Jonsson explained the concept of 'Sheep to Shop' with a group of 20 PGW growers.

PGW Business Development Manager Craig Smith is excited about the programme and draws a comparison with the wine industry. He explains, "Like enjoying wine grown in a particular region of New Zealand, Devold consumers will know their clothing has come from the deep South or the Marlborough region by its unique qualities such as fabric evenness or lustre."

A farmer producing 10 tonnes of wool can expect to have his name, farming operation, stock and bloodlines linked to about 30,000 garments. In fact, smaller lots of five tonnes are catered for to allow more niche growers to participate. PGW controls the wool through the processing chain to wool top stage and Devold takes over from there – maintaining traceability right the way through.

More than this, Devold wants its customers to wear their wool garments with a clear conscience. Only biodegradable materials are used in their manufacturing processes - no heavy metals and no short cuts. Just pure,

natural, sustainable wool grown on sheep from farms prepared to back their product by putting their own name on the label.

Devold manufactures a broad collection of baselayers, mid-layers and outer layers for year-round outdoor activity and they sell their quality sports label in high-end retail stores throughout Europe. They won two prestigious awards at this year's ISPO Munich fair for their 100% wool Trollkyrkja jacket and their lightweight Tinden Spacer jacket.

By visiting New Zealand and connecting with the farmers that grow the wool for their award-winning clothing, Devold is comfortable that their vision for ethically grown product is shared by everyone in the equation. It's a simple and honest business arrangement and one that is encouraged by PGW and their export arm, Bloch & Behrens, which sells the wool by contract to meet specified quality criteria.

Devold and many other quality-focussed global production entities are turning to contract wool as their preferred method of conducting business and securing supplies of this increasingly elitist product. It creates brand partnerships between manufacturer and grower and establishes clear quality guidelines and values to each participant. It's a good arrangement for a product that is still prized for its natural comfort and protection. Wool remains unbeatable in this respect and New Zealand needs to ensure that only the highest quality wool is delivered throughout the world to preserve and constantly improve its reputation as the best source of this amazing product.



Devold executives Cathrine Stange and Tor Jonsson with Ron Small of Blairich Station in Marlborough admiring the farm's cob cottage which dates back to when Devold first set up business in Norway in the mid-1800s.

Breathe Easy with Wool

Made from a New Zealand wool blend, stylish new antipollution face masks, designed by Karen Walker, have been launched by Auckland firm Healthy Breath.

The product targets mainly Asian markets where consumers spend upwards of \$2 billion on face masks every year and sales are growing exponentially.

The reusable mask, branded MEO, has been designed using a replaceable filter made from a New Zealand wool blend and with interchangeable cover designs created by Walker.

Healthy Breath partners another Kiwi company called Lanaco, which specialises in developing functional materials derived from natural wool.

The wool blend used in the masks utilises the naturally occurring biological properties of wool fibre to extrapolate unwanted microscopic toxins from the environment. Lanaco's Helix™ filter media is scientifically proven to harness the alpha helix DNA molecule that is embedded in wool and provides functionalities such as moisture-absorbing properties and breathability.

Healthy Breath president Wei Gao explains, "The unique biological properties of the wool filter mean the



MEO masks offer electrostatic filtration of the finest levels of atmospheric particulate matter, as well as protection from bacteria, while still being easy to breathe through."

It's a great 'number eight wire' story about innovative Kiwis utilising the wonderful attributes of pure New Zealand wool and selling it to the world.

Cleansweep for Rowland Smith at Golden Shears

Gun Hawke's Bay shearer Rowland Smith swept to victory winning his fourth Golden Shears Open title in Masterton in March. The win has sparked comparisons between Smith and the shearing legend, David Fagan in his prime.

Smith was in commanding form, winning not only the Open title but also taking his first PGG Wrightson National Championship All-Breeds title and leading New Zealand to a brilliant victory over Australia in the Trans Tasman Test.

In front of a crowd of over 1,000, Smith left his defence of the Golden Shears title in no doubt. He beat the second-place getter and highly respected Taranaki shearer Aaron Haynes by a comfortable margin. Southland shearer Nathan Stratford took third place despite putting in one of his best Golden Shears Open final performances.

It highlighted a very special determination. This was also evident in the highly prized PGG Wrightson National competition, which Smith won by 1.618 points from the 2013 winner John Kirkpatrick. Stratford was again third, and the defending champion and five-times winner Tony Coster of Rakaia was fourth.

Joel Henare claimed the Open woolhandling title for a fifth consecutive time, his total being one short of the record of six won by late mentor Joanne Kumeroa between 1995 and 2012. Runner-up was Taihape's Sheree Alabaster and Pagan Karauria of Alexandra took third place.



Minister visits 'The Wool Shed'



"I had a great visit to 'The Wool Shed' at Wa Ora Montessori School in Wellington, helping show students the amazing story behind wool. Wool is hugely versatile and has a wide range of uses. It's flexible, comfortable to wear and fire resistant. There is also great potential for new high-tech uses of wool products which will help create new markets and higher returns for farmers."

- Hon Nathan Guy

In March the Minister for Primary Industries, Hon Nathan Guy, joined students at Wa Ora Primary School as they explored The Wool Shed (a converted shipping container) to learn about the merits of homegrown New Zealand wool. He was joined by Chair of the Campaign for Wool New Zealand Trust, Renata Apatu, and the Campaign's Wool in Schools' partner, Cedric Bayly, General Manager, PGW Wool.

Wool in Schools is a flagship initiative to educate Kiwi kids about the many benefits of wool grown right here in our own backyard. The project has two key components – a portable shipping container branded 'The Wool Shed' and a supporting website to engage and educate New Zealand children.

The Wool Shed container is jam packed with a whole raft of woolly experiences to engage children of all ages. The contents range from raw wool samples to end products showcasing the innovative uses of wool in everyday and specialised products. The container was the brainchild of PGW Wool. It can be transported from school to school and forms the hands-on interactive component to the education programme which also offers teachers an excellent complementary online learning resource.

"The value of educating children of this age is that they will carry this knowledge



through into their adult years, influencing their lifelong consumer decisions and potentially affecting their future career choices," explains Cedric Bayly, General Manager, PGW Wool.

The global Campaign for Wool is hugely successful in the northern hemisphere where the bulk of the world's population lives, and where New Zealand's key markets for wool exist.

The Campaign was initiated in October 2008 by His Royal Highness the Prince of Wales, who had observed that the wool industry was facing enormous and unprecedented challenges. The Prince convened experts from across the agricultural, wool textile and retail sectors to discuss how to reverse the trend towards petro-chemical fibres. His Royal Highness is now the global patron of The Campaign for Wool and remains actively involved in spreading the message that wool is a precious natural, renewable and biodegradable resource that offers many technical and ecological benefits.

During his visit to New Zealand in November 2015, Prince Charles participated in the inaugural opening of The Wool Shed at Tawa College in Wellington. The Prince shared his passion for wool with year 8 students and it was a huge success.

Wool in Schools is aimed at teaching New Zealand children about this amazing natural, sustainable and renewable resource, the production of which does not place a burden on the planet. It knits together students and wool knowledge to create a legacy for the future of New Zealand wool.

Schools interested in booking The Wool Shed should visit the website:

www.woolinschools.nz

A force for sustainability

Point6 is a leading sock manufacturer, based in the United States, with very strong business connections in New Zealand – linked to SH8Merino, a grower-focused company working for the sustainability of fine wool, and PGW Wool.

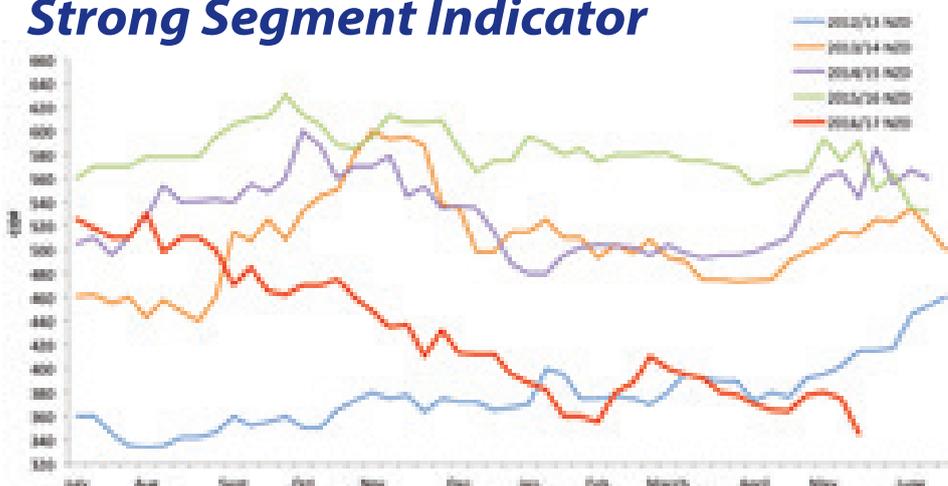
Founder and CEO of Point6 socks, Peter Duke, and Business Development Manager for PGW, Craig Smith, have joined forces to help promote an advertising campaign entitled 'a force for sustainability' in association with the Outdoor Industry Association (OIA) in the USA.

The OIA is a membership-driven trade organisation for the outdoor industry. In collaboration with its members, it is a force for the industry in recreation and trade policy, sustainable business innovation and increasing outdoor participation.

Under the banner 'TOGETHER we are a force', Craig Smith and Peter Duke are photographed together (below) to demonstrate their working together to treat animals, people and the environment respectfully - all the while questing to make the perfect, responsibly sourced, performance wool sock. Americans are encouraged to join the OIA and become part of a powerful force achieving meaningful changes in recreation and supporting sustainable supply chains.



Strong Segment Indicator



PGG Wrightson Wool

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