

2022-23 Season Review

Last season was challenging on many fronts. With the war in Ukraine pushing up energy costs for most of our European customers, and consumers worldwide faced with rapidly increasing cost of living, 2023 was expected to be a very difficult year – and therefore, a price rise on NZ wool was not expected. That turned out to be wrong.

The commercial carpet sectors, most notably the cruise ship and airline industries, saw a strong improvement in demand, causing better style NZ wool to increase considerably in price during first half of 2023.



The price increases were fuelled by limited supply of better style wools, as well as the Cyclone damage to WoolWorks' North Island scouring plant at Awatoto, which saw exporters lose the equivalent of 5% of the annual NZ wool clip in the flood and having to be replaced.

Palle Petersen - General Manager of Bloch & Behrens

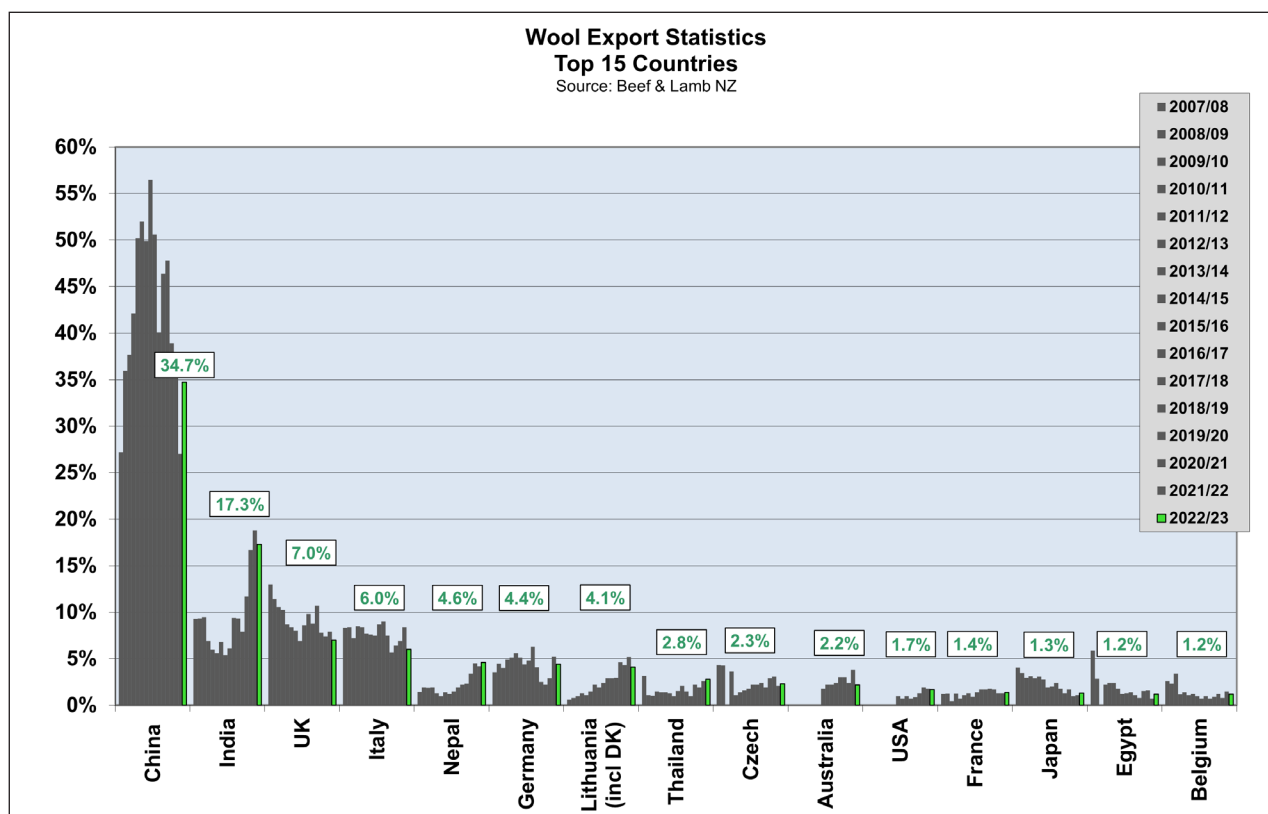
Export Statistics

2022/23 season

Total clean weight exported: 77.8 million Kgs

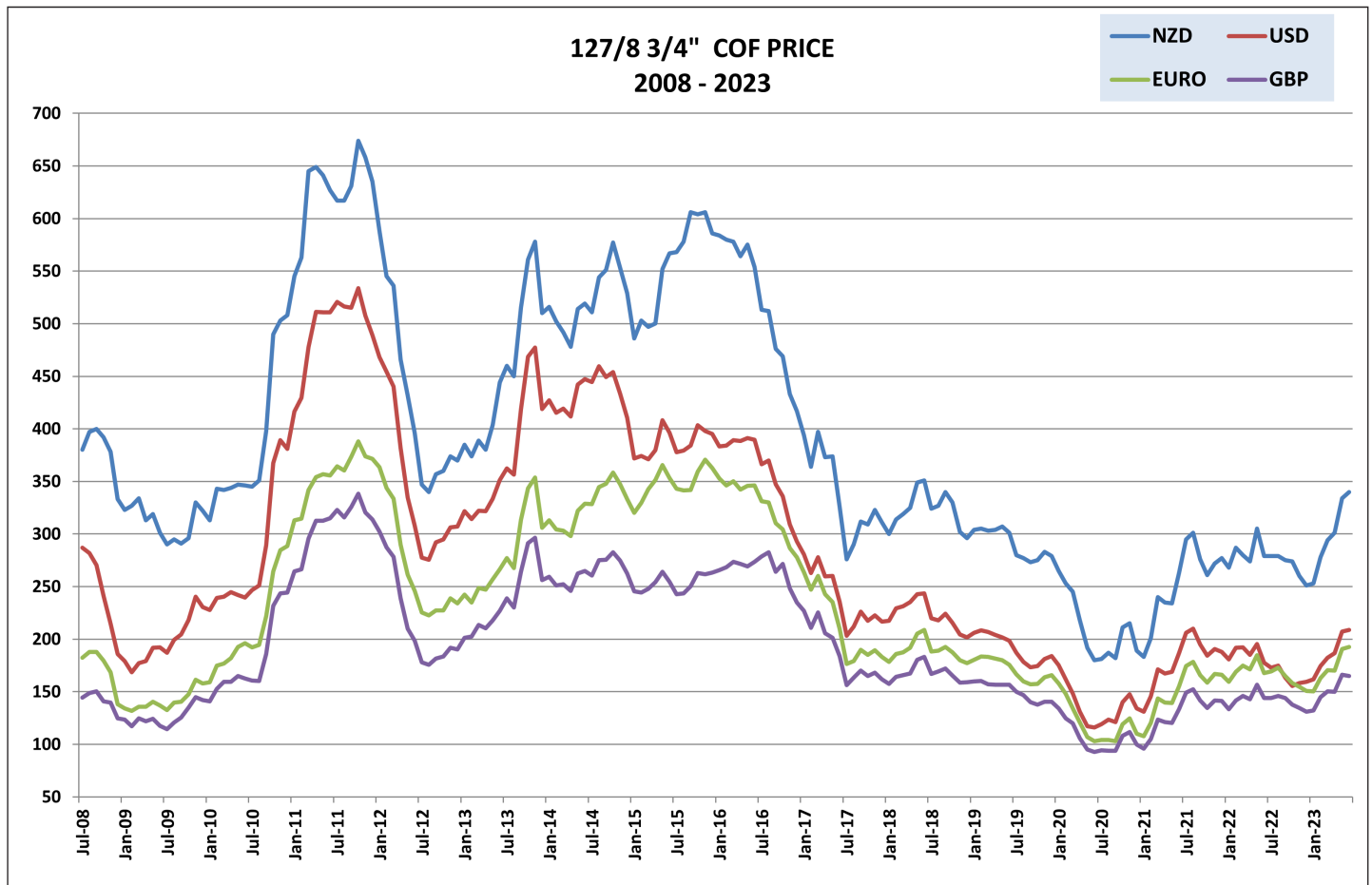
(2021/22 season: 87 million Kgs)

Below is the breakdown of the market share by country:



Crossbred Indicator

15 year graph



Low price impact on quality and supply

The low prices that farmers have been faced with for the past 6 years, combined with a significant increase in the cost of shearing, has caused many farmers to look at ways to reduce costs to remain profitable:

- Moving to only shearing sheep once per year, resulting in a decline in volumes of good colour second shear wools, achieving a 50% reduction of the annual shearing bill.
- Reducing handling costs by doing less sorting for quality at shearing time.
- Moving away from traditional wool breeds, to increase meat production, which is now the main income from sheep farming. These new breeds of sheep produce less wool with an increased risk of coloured fibre.
- Reducing sheep numbers in favour of cattle.
- Planting of trees for Carbon Credits.

Outlook for 2023/24 Season

We are still faced with reduced scouring capacity following the February Cyclone (more on that separately), so the past few months our entire focus has been on meeting our existing commitments.

Pricing outlook

Hopefully, from the start of 2024 we will be nearly back to “business as usual”, although still with the uncertainty of the Ukraine situation hanging over us.

We continue to see solid demand from a wide range of markets, so we do think that the general price trend continues to be upwards.



Considering that wool is still cheaper than nylon, combined with the fact that consumers are more and more looking for natural, sustainable materials, we continue to believe that there is a future for wool, but long term it must also be traded at a price that makes it financially viable for farmers to produce, otherwise we are going to continue to see a reduction in quality and the volumes available.

Weather outlook

After 3 very wet summers which has resulted in higher-than-normal volumes of poor colour wool, the predictions for this summer is warmer and dryer weather, so we are likely to see an increase in the volume of good colour wools, but potentially higher levels of VM.

Certainty of supply

With our parent company, PGG Wrightson, being a leading wool broker, we are lucky to be able to source much of our wool directly from growers, so when it comes to being able to guarantee supply, we are in a better position than most of our competitors.

Our top priority will always be our international customers, ensuring that we deliver the quality that is expected from us, along with providing the best possible service with regards to delivering on time.

The global shipping chaos resulting from COVID-19, and the Cyclone impact certainly presented us with some challenges, but our dedicated shipping team of Tania and Aaron have done a superb job of keeping wools moving during that period.



Wool Integrity NZ™ update

The demand from consumers for a quality, sustainable and ethically produced product with traceability at every stage of its journey from farm to market continues to grow.

Our flagship Wool Integrity NZ™ brand has seen an increased demand from our world-wide partners looking for a consistent B&B product, delivered on time every time, which has followed a path of genuine integrity.



Finished products made from 100% Wool Integrity NZ™ branded wool are eligible to carry the Wool Integrity NZ™ logo. This ingredient brand would sit alongside a manufacturer's brand providing added-value endorsement of genuine integrity.

Gerard – Contract Manager

Shipping Update

We are still experiencing shipping logistical disruptions at New Zealand ports due to staffing levels, lack of equipment, and weather conditions. This has resulted in port congestion, delays, port omissions, and shipments being rolled to the next available vessel. 20ft containers have been in short supply, with many being shipped out of NZ empty to meet shipping company commitments overseas.

While congestion issues overseas have slightly receded, IMO clean fuel regulations are expected to have an ongoing effect. We are certainly experiencing slightly longer transit times, especially to Europe.



On the news front, Maersk has just launched the world's first methanol-enabled container ship, Laura Maersk in Copenhagen. This is an important step towards Maersk's long-term objective of having its fleet operate on green fuels. With sustainability being at the forefront of most companies' minds, Maersk's innovation reflects B&B's philosophy of delivering a more sustainable product to our customers.

Tania – Shipping Manager

Scouring update – Awatoto

On 14 February 2023 tropical cyclone Gabrielle severely damaged much of the Gisborne and Hawke's Bay regions of New Zealand's North Island. With more than 400mm of rain in 24 hours, infrastructure including roading and bridges were severely compromised.

Local wool scourer WoolWorks scours up to 80% of all wool grown in New Zealand across its three sites. They operate two wool scours in the Hawkes Bay region, Clive and Awatoto. Unfortunately, due to

a failure of the local flood protection system the Awatoto plant was seriously damaged and has been un-operational since. Five million clean kgs was also lost in storage - 12% of Awatoto's annual throughput.

Luckily the Clive plant located only a few km away was undamaged and due to a recent upgrade has increased its capacity over the months that followed. As this much smaller plant can only process half the volume of the damaged Awatoto plant there has been considerable pressure on scouring space for wool grown in the North Island.

For the past 6-7 months, the WoolWorks team have been busy scoping and purchasing new equipment and readying the site for reoccupation. Equipment has been ordered from all over the world to replace damaged equipment, and the building process is well underway, with new electrical rooms and buildings being constructed.

The new WoolWorks building is progressing nicely, and they are on track to move back onto the site and to resume normal operations in late November 2023. The team at B&B are proud of the way we have managed to navigate through this disaster. With our client's needs always front of mind we have worked together with the team at WoolWorks. We look forward to seeing the new plant up and running late in 2023 and getting back to some normality in 2024.

- Mark Hunter, Senior Wool Buyer-Trader



February 2023



August 2023



November 2023