



Wools of New Zealand Shareholder Update No. 105, 3 December 2018



**FROM THE
CHAIRMAN –
MARK
SHADBOLT**

Annual General Meeting

Forty-three grower shareholders, Board Directors, staff and guests attended the Wools of New Zealand 6th Annual General Meeting last Thursday, 29th November, at Palliser Ridge, Pirinoa.

Our thanks go to Palliser Ridge owners Jim and Marilyn Law and managers Kurt and Lisa Portas for hosting us.

The event marked an appropriate end to a financial period that, while challenging, proved to be a defining one, as we achieved our five year objective of moving to a fully commercial model, concluding the WMDC commitment by growers who have been rewarded with additional shares through our Product Disclosure Statement (PDS).

As noted in our last newsletter, we also consider our financial performance satisfactory for the year, reflecting the direct benefit of channels to market initiatives, including direct to market forward contracts, fortnightly tenders, fortnightly NFX events and more efficient D2S process.

Growers were reminded however, that it isn't likely to get any easier in the short term, as:

- The CCWI indicator is 15c above a 6 year low, currently at 285/kg clean
 - The market has dropped 18% in the last two months
 - Fleece types are now at 25 year lows in both NZ cent and US cent equivalent
 - Slipe wool is at a 16-year low
 - European customers are well bought through to mid-2019
 - Chinese demand low, with Chinese Government intervention forcing change in manufacturing and land use
 - US Tariffs on Chinese finished product changing dynamics of production and supply
 - Consumers are trending away from all carpet to hard flooring. In the medium to longer term there are encouraging signals:
 - Consumers and retailers have fallen out of love with plastics. Global multinationals are turning to the use of natural fibres like cotton, plant based material and wool.
 - Major brands like Nike and IKEA have also shifted their positions, moving to sustainably produced fibres and aligning themselves closely with leaders in the sustainable fibres and materials industry, many through the international Textile Exchange.
- Going forward our aim is to keep our commercial focus simple, through :
- Investing in our "in-market" 100% Grower Owned brand story to further build our value proposition where the Wools of New Zealand brand is connected directly to the sale of our wool

- Long-Term Partnerships in market to provide less susceptibility to market fluctuations and support sustainable prices for growers
- Focus on continuing to build grower commitment to supply
Investing in value add opportunities and points of difference that are unique.



Six of the Best – RWS-accredited growers look the part in their new RWS M&S New Zealand lambswool blazers.

L-r: Richard Tosswill, Adam Gaskin, Andy Bunny, George Tatham, Matt Wyeth, and Kurt Portas

2018 Grower of the Year



Our congratulations to this year's Grower of the Year, Simon and Melissa Turner of Glenhope in Hawke's Bay.

The award acknowledges the Turners' commitment to producing quality wool to contract specification. All shareholders who have signed up to the WNZ STAPLE programme are eligible to win the annual accolade, now in its fourth year.

We established the award to acknowledge growers who were committed to regular supply, so it's never been about sheer volume. Rather it's about commitment to our STAPLE programme, 100% supply of

annual wool production year on year, 100% commitment to the Wool Market Development Commitment (WMDC) and commitment to our forward contracts and continually meeting specification and volume contracted.

Glenhope is located in the Puketitiri district 65kms from Napier. The 690 hectare farm was purchased by Simon and Melissa in 2016 from Simon's family. Some 222 hectares were part of the original farm acquired by Simon's Great Grandfather Wilfred Turner in 1919.

The farm is a high performing sheep and beef breeding and finishing operation. The Turners currently run just over 5,000 Romney including a small Romney stud. It is a summer safe property with a good mix of flat to hill country. Lambs are shorn mid-January, Hogget's in October and Ewes in Mid-December – post weaning.

Said Simon: "Wool has been through a rough ride in recent years but we continue to believe in the product. We are backing Wools of New Zealand and its contracts as we believe in their strategy and their vision."

The Turners will receive a hand-tufted rug made from Wools of New Zealand wool.

Regards

Mark

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