

GROWER UPDATE

#111 - JUNE 2019



**FROM THE
CHAIRMAN
MARK SHADBOLT**

2020 LAMBSWOOL CONTRACTS

I am pleased to announce that the Wools of New Zealand (WNZ) 2020 Lambswool contracts are now available to all WNZ shareholders and suppliers.

This is the eighth year in succession that a lambswool contract, directly linked with a customer, has been offered by WNZ, acknowledging both the consistency of our deliveries and the quality of our growers' lambswool.

This year WNZ has worked closely with the customer to bring increased opportunities to growers resulting in 3 separate lambswool contracts, as follows:

1. EU Ecolabel
2. Standard Lambswool
3. Standard Lambswool higher colour tolerance

The contract negotiations factored in the points of difference that WNZ and our growers bring to the partnership. This enabled us to conclude another EU Ecolabel two-year flexi-price contract, that builds on the success of last year's two-year contract. It also demonstrates the ongoing commitment from both the

customer and WNZ to develop a longer-term strategic partnership.

The addition of the new lambswool contract with a higher colour tolerance is an example of WNZ working with the customer to bring increased opportunities to our growers who are challenged with colour.

The prices for all 3 of these lambswool contracts are well ahead of the current market with average lambswool market prices currently at \$5.30/kg for good colour and \$4.00/kg for the higher colour.

Support your company and the strategic partnership that WNZ continues to develop with the customer. Benefit from the certainty that the lambswool contracts provide ahead of the new lambswool season.

WNZ seeks to progressively improve the value to our growers, as seen by the increased price in a declining market.

2020 EU ECOLABEL FLEXI-FORWARD CONTRACT 2-year

Specifications

- Length: 2-3" (50-75mm)
- Micron: 28-31.5
- Colour: 2.0 max
- VM: 0.2 max

Price

Year 1:

- Tier 1 - \$6.25/kg clean
(28-30 mic; 0.0 VM; 0.0-1.0 Y-Z)
- Tier 2 - \$6.00/kg clean
(30.1-31.0 mic; or 0.1 VM; or 1.1-1.5 Y-Z)
- Tier 3 – \$5.75/kg clean
(31.1-31.5 mic; or 0.2 VM; or 1.6-2.0 Y-Z)

Year 2

Linked to the Lambswool Indicator as outlined in the EU Ecolabel Flyer that will be sent to growers who sign up to this contract.

Payment

- 50% 60 days after wool accepted into contract
- 50% 180 days after wool accepted into contract

2020 STANDARD LAMBSWOOL CONTRACT

Specifications

- Length: 2-3" (50-75mm)
- Micron: 28-31.5
- Colour: 2.0 max
- VM: 0.2 max

Price

- Tier 1 - \$6.00/kg clean
(28-30 mic; 0.0 VM; 0.0-1.0 Y-Z)
- Tier 2 - \$5.70/kg clean
(30.1-31.0 mic; or 0.1 VM; or 1.1-1.5 Y-Z)
- Tier 3 – \$5.40/kg clean
(31.1-31.5 mic; or 0.2 VM; or 1.6-2.0 Y-Z)

Payment

- 50% 60 days after wool accepted into contract
- 50% 180 days after wool accepted into contract

2020 STANDARD HIGH COLOUR LAMBSWOOL CONTRACT

Specifications

- Length: 2-3" (50-75mm)
- Micron: 28-31.5
- Colour: 4.0 max
- VM: 0.2 max

Price

- Tier 1 - \$4.70/kg clean
(28-30 mic; 0.0 VM; up to-3.0 Y-Z)
- Tier 2 - \$4.50/kg clean
(30.1-31.0 mic; or 0.1 VM; or 3.1-3.5 Y-Z)
- Tier 3 – \$4.30/kg clean
(31.1-31.5 mic; or 0.2 VM; or 3.6-4.0 Y-Z)

Payment

- 50% 60 days after wool accepted into contract
- 50% 180 days after wool accepted into contract

STRATEGIC PARTNERSHIP

WNZ have a strong strategic partnership with our lambswool customer and are currently working with them to finalise a 5-year plan for incremental growth and sustainable supply. WNZ have been their largest supplier of lambswool, with consistent supply to specification.

THE FORWARD CONTRACT ADVANTAGE

Those growers who have been rewarded over time by locking in their prices via forward contracts understand that it's not about being better or worse than the spot price. Rather contracts of this nature are an important part of providing price certainty for our growers' businesses, and in attracting and strengthening relationships with customers.

We have gone through three years of challenging market conditions. Price is important, but as a grower owned company we are focused on building long term value in your wool and your company, underpinned through your delivery of wool that meets the required specifications, volume and timing.

The fact that we are entering the eighth year of our industry leading lambswool contract is testament that we've performed by meeting specification, deliveries and quality.

We expect this contract to fill quickly, so we encourage you to act with **urgency**.

STAY IN TOUCH

Our team are always ready to help. Your best bet is to talk to your local Grower Liaison but you can find all of us at www.woolsnz.com/contact-us