

Wools of New Zealand Shareholder Communication No. 23  
22 January 2014

## From the Chairman

### More Shareholder Commitment Needed

We are fast approaching our first anniversary since capitalising Wools of New Zealand; made possible by your support as grower shareholders. I believe that you committed to Wools of New Zealand because you wanted to see change in a shrinking and unprofitable industry.

Since capitalisation we have pursued a number of commercial opportunities and endeavoured to provide you with profitable alternatives. Many of you requested contracts and we have now established various contract options, most notably the Camira and Grentex contracts already well communicated to you over the last few weeks. More will follow.

We thank those of you who have acted promptly to sign up to these contracts. We acknowledge that some of the specs are tough and payment terms are quite different to anything you have been offered in the past but these contracts are very much aligned with our key objectives:

- To build Wools of New Zealand, evolving within five years to be a fully commercial Grower-owned sales and marketing company
- To develop the market-pull strategy by increasing branded contracts and relationships with the supply chain.
- To provide transparent feedback to Shareholders rewarding them for delivering fit-for-purpose product to our customers.

The payment terms for the Camira contract are a shared effort between you the grower, Wools of New Zealand and Camira and reflect the genuine spirit of the contract. Using this as an excuse not to sign up is unjustified and must be put in context. In reality the lamb's wool cheque represents only a small percentage of total farm gross revenue – in my case 2% - while the funding cost is minimal compared to the \$0.75/kg gain and savings provided through the Direct to Scour channel.

It is also disappointing that others in the industry have acted to undermine our efforts and confuse you as growers. For two years we have brought out the Camira lamb's wool contract and led the market (2012 market price \$4.80 versus the Wools of New Zealand contract price of \$5.35; 2013 market price \$4.80 versus our contract price of \$6.10).

In both years the open market or price paid by others in the industry was initially well below the transparent pricing offered by Wools of New Zealand and in both years the market has climbed to match our contract price which has benefited all growers. Procurement behaviour must change if we as an industry are to return to profitability.

We do not have a field force nor intend to have one although we are considering employing a small number of grower liaison people to allow a closer and more direct link between our shareholders and supporters and the market. We prefer to treat you as professional business people who can use your own initiative and act accordingly when opportunities are presented to you via email or hard copy.

If you want a more profitable wool and sheep industry please be mindful of your investment and commitment you've made in Wools of New Zealand. We have only just started but are working as hard and fast as possible to provide benefits to you.

Remember it's your investment, your company, your future. Not supporting your company will impact on you and the whole shareholder base. I urge you to act promptly in relation to the current contracts offered and others that will follow.

Mark Shadbolt  
Chairman, Wools of New Zealand

## Domotex Tradeshow

Last week, I attended the massive Domotex trade show in Hanover, Germany – the world's largest flooring trade event. This is the centrepiece of our European marketing effort for the year.

Wools of New Zealand takes a large 450 square metre area and sub-lets sections to nine Brand Partners around a common area. Our creative team at the Centre of Wool Excellence in Ilkley, UK, did a superb job designing the stand that drew universally positive comment (refer photos to right).

We met with more than 30 groups all in one location - this is impossible on any other basis. There was considerable interest in direct sales of your wool to Wools of New Zealand trade partners and others that will result in more contract opportunities like Camira and Grentex currently on offer.

Ross Townshend  
Chief Executive

## Contact Us

As always, please feel free to contact us if you wish to discuss anything.

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