

Wools of New Zealand Shareholder Communication No. 34  
21 July 2014

## From the Chief Executive

### Contracts

We are pleased to report that we continue to receive a high level of enquiry in relation to contracts that are currently out in the market for delivery during July and August. There have been a number of questions and concerns raised and we are working through those. For the sake of clarity:

- Contracts are for limited volumes. We set a limit to the amount of on-spec wool that we secure to meet the market. This will be the case for all contracts, so it is 'first come first served'.
- Wool must meet specification to be accepted. We have received a fair amount of feedback in relation to 2" to 3" wool being rejected when our spinning customers specifically need 2" to 4" to make good yarn. In basic terms, 2" to 3" has mean length of 2.5", while 2" to 4" has a mean of 3.0", which is 20% longer on average.
- No D2S logistics process = no contract. Only wool that comes through the Direct to Scour (D2S) process (either for D2S or Contract) is eligible for contract. We are unwilling to take wool that has been through any other logistics system first, as this both adds to cost and increases the margin for error. This extends to brokers, merchants or wool store.

We would generally encourage you to apply for contracts that you think you might hit. We are finding that where growers apply for specific contracts, that the majority meet the spec. Where this isn't the case the option is to drop down to D2S. In the latter respect we continue to monitor pricing to ensure that you are receiving a market related price.

### Your Supplier Liaison Team

Below the Wools of New Zealand team check out a Camira wool consignment during a recent visit to scour.

From left are: Jason Everson (operations manager), Brent Melville, Avril Jordan (executive assistant), Wayne Baxter and Hannah Coop (inset).



## Market Report

The South Island auction offering 10,122 bales last week received varied support despite a weaker New Zealand dollar compared to the last sale on 10 July.

Steady demand from China underpinned the Fine Crossbred sector, however most carpet wool types eased as contracts in this area have been harder to conclude recently.

The fine end of the Mid Micron fleece were strongly supported lifting 5-7% with the 27 to 30.5 microns weakening 1.5-4%. Fine Crossbred Fleece and Shears were in good demand, lifting 1-2% while Coarse Crossbred Fleece, good and average styles were firm to 2% cheaper with poor styles firm.

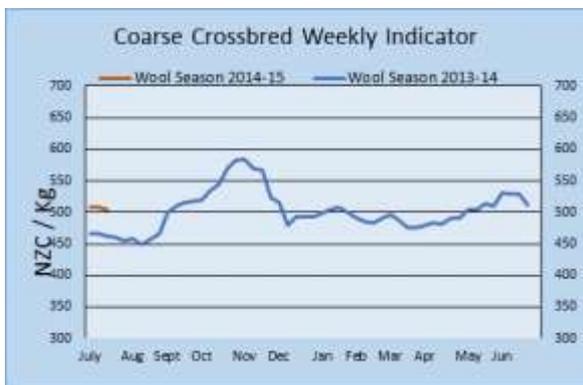
Longer coarse shears were 1-2% easier with shorter types firm to 3% dearer.

First Lambs were generally unchanged. Long Oddments were firm with short oddments firm to 2% dearer.

Next sale on 24 July comprises approximately 8,130 bales from the North Island.

The new wool season is underway with the standard crossbred indicator ahead of the same period last year.

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## Contact Us

Please contact your regional Supplier Liaison Officer (SLO) directly if you wish to discuss your wool supply options.

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