

Wools of New Zealand Shareholder Communication No. 38
1 September 2014

From the Chief Executive

– Ross Townshend

NEW Camira 205 Laneve Lamb's Wool Supply Contract

As we advised in newsletter No. 37, Wools of New Zealand has renewed its contract with Camira Fabrics to supply Laneve Lamb's Wool for 2015, the fourth consecutive year. The contract is for increased volumes and is a great growth story for our top-end Laneve lamb's wool and our branded sales and marketing strategy.

The wool to be supplied is to the same quality, specifications and prices as 2014, namely:

- Full traceability from Camira back to farm
- WNZ Integrity Program accredited farms
- Approved pesticide declarations with wool consignments
- 0.0% VM, with some 0.1% and 0.2% accepted (with price steps as below) Colour: y-z 0.0 to 1.0 max
- 28 to 30 micron
- 2" to 3" length.

Prices:

- \$6.25/kg clean for 0.0% VM
- \$6.10/kg clean for 0.1% VM
- \$5.85/kg clean for 0.2% VM (limited quantities)
- NEW commitment bonus of 10c/kg for contracts signed and approved by 31st October 2014.

Payment Terms:

We have taken on board shareholder comment and for 2015 supply, we are offering easier deferred terms with:

- 40% paid at 30 days (twice as much twice as fast, to cover shearing and other costs)
- 40% paid at 30th November 2015
- 20% paid at 28th February 2016

These easier terms have a cost (at typical overdraft rates) of ~22 c/kg which is a saving of 8c/kg over the 2014 contract.

Our deferred payments terms reflect the need for both Camira and WNZ to finance a long supply chain (December 2014 to May 2016) and short supply window (December to March), in exchange for superior wool prices.

WNZ's 2014 Laneve Lamb's Wool contracts, for example, paid \$6.25/kg (for 0.0%VM) which was well ahead of the lamb's wool spot market, seasonal average of approximately \$5.00/kg.

While our lamb's wool contract prices for 2015 supply are the same as the 2014 contract, growers will be better off by 8c/kg less financing costs plus the 10c/kg commitment bonus: worthwhile gains of 18c/kg or 3%.

We anticipate that our 2015 contract price will maintain similar margins over the spot market price, so there are some real incentives for growers to commit to these contracts, now available on our website. Other information that you will need regarding our Integrity Program, approved (and non-approved) pesticides and some “how to” guidelines, relating to pesticide, VM and wool harvest management.

In our experience, growers are tough on their assessment of their own wool quality. 2014 contract failures were only a small proportion of the wool submitted and notably, micron and colour failures accounted for more wool than VM failures. We encourage growers to sign up as opposed to being negative about their own wool production.

In the event that a grower’s wool doesn’t meet the Camira specification, there is a drop-down to our direct-to-scour D2S supply, where you will be offered a fair spot market price for your wool.

We encourage you to consider these new 2015 contracts and to commit as soon as possible to ensure that you get a contract while available, to assist our supply planning to Camira and to gain the 10c/kg early commitment bonus.

Market Report

This week’s South Island Wool sale saw prices consolidate on the back of continuing shortfalls of volumes coming forward onto market. The auction comprised 7,700 bales of which 83% sold. Compared to the South Island sale on 21 August, Mid Micron Fleece 24 and 24.5 micron were 4% cheaper, 25-26.5 micron were 1% dearer, 27-28 micron firm and 28.5-30.5 micron declined 2-3%.

Fine crossbred Fleece and Early Shorn and Second Shear 33-35 micron were 1-2.5% dearer, Coarse Crossbred Fleece 36-37 micron were 2% firmer and 38 micron was 1% dearer.

Combing and Carding Oddments remained firm. Next sale is on 4th September and will comprise approximately 7,500 bales from the North Island.



Contact Us

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