

Wools of New Zealand Shareholder Communication No. 55
29 June 2015

From the Executive Chairman

New 2015-16 WNZ Laneve Integrity Program EU Eco-Label Compliant Lamb's Wool Contract

Wools of New Zealand is pleased to announce the terms of its 2015-2016 lamb's wool contract:

- Available to all WNZ shareholders and supporters
- An approximate 15% increase on last season's contract price
- Recognises the value of our brand partner relationships, our ability to build in-market relationships and our marketing and technical capabilities.
- A real market linked contract.

Key features of our new 2015-16 contract include:

- Increased price
- Improved payment terms
- Broader wool specifications.

Specifications:

- EU Eco-Label compliant*
- Micron: 28.0-31.5
- Length: 2"-3"
- VM: 0.0-0.2
- Colour: Y-Z 0.0-2.0

Pricing:

- \$7.15/kg** clean (28.0-30.5 Mic + 0.0 VM + 0.0-1.0 Y-Z)
- \$7.00/kg** clean (30.6-31.0 Mic or 0.1 VM or 1.1-1.5 Y-Z)

- \$6.70/kg** clean (31.1-31.5 Mic or 0.2 VM or 1.6-2.0 Y-Z - limited volumes)

** "Early bird incentive" of 10 c/kg for contracts signed up by **31 July 2015**

Payment terms:

- 50% paid 60 days after acceptance into contract
- 50% paid 240 days after acceptance into contract
- * To comply with EU Eco-Label standards all growers entering this contract must be WNZ Integrity Program registered and enter the contract knowing that they must comply with compliant pesticide requirements which will be subject to independent third party verification.

WNZ believe this is a very attractive contract so please consider seriously and act promptly by contacting your local SLO directly.

STAPLE Programme

We have had a good uptake of STAPLE commitment forms so far:

- Staple is a crucial planning tool that allows us to understand what type of wool you produce and when it is produce
- This information then allows us to specifically target growers as and when new contracts are launched as well as target specific in market customers

- The deadline is **30 June** so please return these forms promptly.

Spare forms can be downloaded from our [website](#).

Shed Meetings

During our ongoing informal shed meetings we have received clear signals that these are the best forum to meet shareholders and discuss how the company is progressing. Direct feedback includes:

- Continued requests for contracts to protect our businesses from volatile spot market movements. This is an area that we will continue to work on and grow over time
- Positive feedback to our SLO initiative and enhanced face to face contact with WNZ
- Better understanding of our market led efforts as opposed to procurement driven behaviour.

We thank those shareholders who have made their wool sheds and homes available and growers who have made the effort to attend. We will continue to arrange shed meetings and will advise you of these as and when they occur.

Budget and WMDC

The Board have just signed off the 2016 budget. Two key points:

- 2016 budgeted profit of \$0.8 million
- Income is approximately 50% sourced from commercial revenues and 50% from WMDC (whereas at inception we were 100% reliant on WMDC)

The 2016 budget aims to increase our investment from the farm gate to the market, through:

- Better communication and connection with shareholders via SLOs and shed meetings
- Connection with your shearers and shed hands to assist clip preparation and education
- Developing contracts for long term certainty for growers and customers
- A focus on a broader range of contract opportunities in various high value markets

- EU Eco-Label compliance – including keeping Eco label scouring in NZ and WNZ certification
- Strengthening the WNZ Laneve on-farm Integrity Program
- Pesticide education programmes and on farm management practice
- Investment in development and commercialisation of new technology
- Continued investment in market led pull strategies.

There are some potentially game changing innovations available to WNZ which if successfully commercialised could change the fortunes of the industry. This is work in progress and will be reported on as progress is made.

Since we began in 2013 the coarse crossbred wool market indicator has moved from \$4.00/kg to its current level of \$5.57/kg (refer graph below). This is encouraging for sheep farmers but we still require your commitment to ensure the upward trend is maintained.

In June 2014 the board debated the increase of the WMDC in line with the WNZ prospectus which allows the company at its discretion to adjust the WMDC from \$0.15 to \$0.20 per kilogram following three consecutive months above the index price of \$4.50.

At that stage the board agreed to hold the WMDC at \$0.15/ kg to allow growers to benefit from enhanced returns, while watching the direction of the wool market for a longer period. Given the points raised above and the need to keep moving forward with our market led strategy the board have reviewed the WMDC position and agreed to increase the WMDC by five cents to \$0.20/kg effective from **1 July 2015** - the beginning of the new wool selling season. For growers with wool in the system or for those of you sending wool into contract or D2S the current 15 c/kg will apply until the next invoicing round in November 2015. For the reasons set out above and the need to keep building the company for your long term benefit we trust you will see this move for the positive reasons explained.

Mark Shadbolt
027 4329506

Fixed Price Forward Contract

In addition to our Flexi-Forward contract there are two new Laneve forward contracts available to shareholders, both for European brand partners:

WNZ 062	
Length	2-3" (can accept slightly longer)
Micron	35-39
Y-Z Colour	3.0 max
VM%	0.1 max
Delivery to scour	July to December 2015
Price/kg clean	\$5.20
Limited Volumes	
WNZ 063	
Length	2-4" (can accept slightly longer)
Micron	36-39
Y-Z Colour	3.0 max
VM%	0.1 max
Delivery to scour	June to October 2015
Price/kg clean	\$5.40

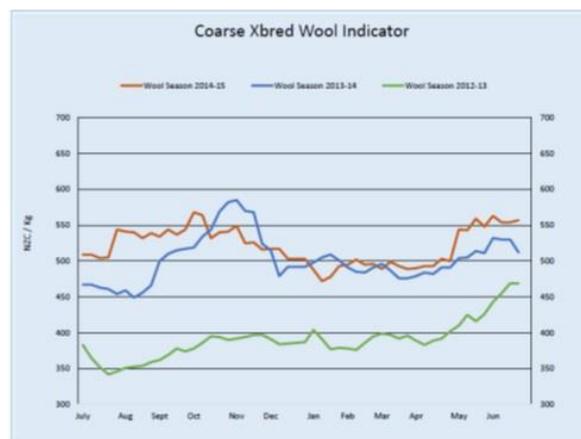
Laneve Flexi-Forward	
Length	2-3"
Micron	35-39
Y-Z Colour	0.0-2.5
VM%	0.0-0.1
Price	\$5.17/kg clean
Delivery to scour	Q3: July-September 2015
	Q4: October-December 2015*
	Plus 1 Quarterly Price Review

Market Report – 25 June 2015

The combined North and South Island auction comprising 20,585 bales saw a 91% clearance and a generally firm market, except for the previously over pressured Fine Crossbred types which eased slight.

Finer Mid Micron Fleece was 3-6% easier with the coarser types firm to 2% dearer. Fine Crossbred Fleece and Shears which had been under pressure for the Chinese market eased 2-6%. Coarse Crossbred Full Fleece was firm in the South Island and ranged from firm to 3.5% cheaper in the North. Longer Coarse Shears were 1-2.5% cheaper with the short types 1-2% dearer.

First lambs were 1-3% easier while long oddments were firm to 3% dearer. Short oddments ranged between 1-7% stronger. The first sale on 9 July will comprise approximately 9,400 bales from the North Island.



Contact Us

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

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