

Wools of New Zealand Shareholder Communication No. 59
13 September 2015

From the Chairman

Staple® Grower of the Year - NgaRua

Our congratulations to David and Janet Hobson, of Tasman, who have won the Wools of New Zealand (WNZ) Staple® Grower of the Year award for wool supply during the 2014/2015 season. The couple have won an overseas market visit to be taken in early 2016.



The Hobson's NgaRua farm combines 700 hectares across two properties on the Motueka side of Takaka Hill and Canaan Downs, a

500-hectare leased property surrounded by the Abel Tasman National Park. The farms represent approximately 4,000 stock units.

The award, which is open to all shareholders and growers who sign up to our Staple commitment programme, is based on hitting targeted supply rather than about sheer volume. While there were a high number of close contenders, David and Janet ticked all the boxes across commitment, quality and supply into contract.

Last year the Hobson's shifted their shearing pattern to a five and seven month second shear system with their 2,500 Perendale ewes. They shear 600 hoggets annually and they finish their own lambs.

In accepting the award David commented: "Our involvement with Wools of New Zealand has

provided some insight into how things are evolving from a grower perspective and how the market pull strategy is working. It helps that we had a good season despite the dry conditions and of course the improving wool price has been a bonus, particularly for lamb's wool where the ongoing WNZ contract has helped change the market over the past several years."

New Chief Executive

Welcome to Rosstan Mazej as our new Chief Executive. Rosstan commenced work last Tuesday and has really started to get to grips with Wools of New Zealand (WNZ). He's got plenty of questions but is gaining a real appreciation of our company's commercial opportunities.

We look forward to introducing Rosstan to you over the next few months.



Thank you to all who have supported me over the last six months as Executive

Chairman. The team, particularly Board and Management, have been very supportive and stepped up as required. I'm looking forward to working with Rosstan to continue to build WNZ for the benefit of our grower shareholders.

Rosstan and I will be in the market in the UK and USA at the end of September and we will update you on the outcomes of our visit on our return.

Shed Meetings

I've lost count of the number of shed and individual grower meetings that we've conducted in the last four months. Together with our SLOs we have travelled thousands of kilometres to visit many of our growers on their home patch. We have found this to be really beneficial in providing a greater level of understanding of where WNZ is headed and the benefits available to individual growers through D2S and contract opportunities.

We were also able to outline new innovations which are intended to set WNZ apart as an international sales and marketing company. I have on many occasions emphasised that we are in a transition phase and where we are is not the end game. In the interim strong grower support is appreciated and paramount.

I do get frustrated when growers comment that they can get 10 cents more from someone else or that someone else can handle their wool for less than WNZ. I recognise that reducing costs by growers is important. At the same time I emphasise that saving a few cents is not the game - improving your wool price per kilo is. The lamb's wool contract is a great example of how our market led model can work to your benefit, with incremental growth of at least \$1/kg annually for the last three years putting money directly in your pocket.

I posed two main questions during our shed meetings;

- When have we as growers been offered contracts starting with a seven?
- When have we as growers been offered lamb's wool contracts in July or August, long before the lambs are born, let alone shorn?

We believe we've changed the market significantly. Yes, there are similar contracts out in the market, however these are not market linked and are effectively copycat to cover procurement goals.

Shed Meetings

We are very pleased with the support shown by grower shareholders in filling the lamb's wool contract since its launch. More recently we've

accepted contracts from non-shareholders as we seek to fill the large volume required.

Payment terms continue to be an area of concern for shareholders. We have continued to review these terms year on year and this season growers will receive more money up front, with 50% now paid within 60 days and 50% paid 180 days thereafter.

These deferred payments terms reflect the need for both our Laneve brand partner and WNZ to finance a long supply chain (September 2015 to June 2016) and short supply window in exchange for superior wool prices. This season's offer price of \$7.50 represented a 20% increase on last season's price. We believe it remains a very attractive price and should be considered seriously.

If you haven't yet sent your contract, I would urge you to do so, or if you don't have a contract or have a neighbour who you think would be interested, contact your local SLO directly to discuss.

Traceability

We announced our relationship with Oritain recently relating to tracing wool of origin using Isotope technology linked to the trace elements in the soil. This is a scientific test and is very robust. Initially we will be able to verify wool of country of origin ie, NZ, British, Chinese etc. which provides a very high level of integrity in finished products.

Too often we are seeing finished products with performance issues that were specified 100% NZ Wool and upon testing found to be blended with wools of other origins. In the future as our database grows WNZ will be able to trace wool to regions and possibly long term to farms which allows some strong marketing and integrity. I emphasise that this is a market driven initiative, in other words we are receiving ongoing inquiry from a number of our global brand partners who wish to know exactly where their wool is from.

WNZ believe this test will provide integrity to the NZ wool clip and ensure that what is specified is supplied.

Fixed Price Forward Contracts

WNZ 064 - WNZ Laneve Integrity Program EU Eco-Label Compliant Lamb's Wool Contract

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:

- \$7.50/kg** clean (28.0-30.5 Mic + 0.0 VM + 0.0-1.0 Y-Z)
- \$7.30/kg** clean (30.6-31.0 Mic or 0.1 VM or 1.1-1.5 Y-Z)
- \$7.00/kg** clean (31.1-31.5 Mic or 0.2 VM or 1.6-2.0 Y-Z - limited volumes)

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. Note: Volumes for forward contracts (WNZ 062, 063 and flexi-forward), have been filled.

Mark Shadbolt

Market Report – 10 September 2015

A weakening New Zealand dollar and steady off-shore buying interest saw all wool types improve for the South Island offering of 9,300 bales with 87% selling.

The weighted indicator for the main trading currency came down 1.29% compared to the last sale on 3 September.

Compared to the last time sold on 27 August, Merino Fleece 21.5 micron and finer were 5-10% dearer with 22 to 23.5 microns 1-2% firmer. Mid Micron Fleece 24 to 29 micron were firm to 3.5% dearer with 29.5 to 31.5 3 to 7% stronger.

Compared to 3rd September sale, Fine Crossbred Full Fleece and longer shears were 4-6.5% dearer with shorter shears 1-3% firmer. Coarse Crossbred Full Fleece was 5-7% stronger, longer shears 3-6% dearer and shorter shears ranged from 1.5-6% stronger.

Oddments were firm to 4% firmer. Next sale on 17 September comprises approximately 6,000 bales from the North Island.



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