

From the Chief Executive

Challenging Export Market Conditions - A time for cool heads

A degree of uncertainty currently surrounds the New Zealand wool market.

There are a combination of factors at play that industry participants have recognised as the most challenging they have seen for a long time.

These factors include:

- Very high NZD exchange rate relative to other key trading currencies
- China wool buying has slowed due to weakening domestic currency and wool inventory levels
- Brexit uncertainty
- Northern Hemisphere holiday season with leave impacting wool buying

Given last Thursday's sale had approximately 50% of wool being passed in, and a 7-10% price reduction, industry participants are being cautious with their purchasing activities until there is more clarity and certainty around current market conditions. To this end WNZ and our growers are experiencing delays in receiving pricing for wool. We ask that growers be patient during this uncertain period.

We are working closely with the industry and will convey any updates to you promptly.

Revamped Direct to Scour Model (D2S)

We have listened to our growers and as a company we continually look at ways of creating refined models and options designed to encourage efficiency and provide transparency and independence. The outcome is always to achieve improved financial benefits to grower suppliers and WNZ.

- For over two years we have operated a successful D2S model with NZWSI as our service provider who priced the wool outside our contract based system on a weekly basis. We have learnt a lot during this time and appreciate the spirit of co-operation shown to us by the NZWSI team.
- As of 1 August 2016 we will launch a new refined D2S model directly with Cavalier Woolscourers (CWS). We will be conveying the changes to you in detail over the coming weeks.
- The key changes will include:
 - An independent and fully transparent wool handling service provided by CWS as close to the scour as possible to allow efficiencies for the growers and the purchasers
 - Your wool will continue to be sent to Timaru (South Island) and Napier (North Island) with more information to follow
 - Competitive pricing models will be introduced, providing commercial rigour within the process due to wool being available to a variety of purchasers providing you, our growers, with options to choose.

- Market driven contracts will continue to be a key component of the WNZ strategy
- Further refinement of the D2S model and sales options will be developed over the next twelve months
- All services beyond that agreed with CWS, including the installation of the Talman Wool IT system, will fall under the direct responsibility of WNZ, which will enable a greater level of direct reporting to our growers.

This is an exciting step forward and one which we hope will be well supported by our growers.

New Appointment

With the recent departure of Brent Melville our Grower Liaison representative for the central South Island, we are pleased to appoint Sharyn Miller to the team. Sharyn brings a wealth of industry experience and technical expertise to the company, and will be making herself known to shareholders over the coming weeks.

Wools of New Zealand Shareholders Receiving Awards

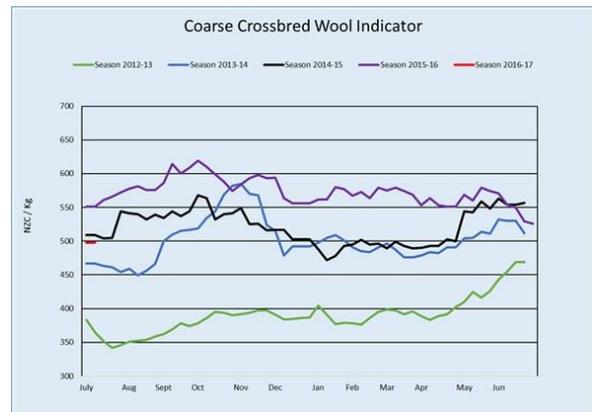
As you will read in this week's Farmers Weekly there have been a number of farmers receiving awards within the sheep industry. We wish to congratulate the following WNZ shareholders:

- Emily Crofoot, Castlepoint Station, Masterton, was honoured with a special award in recognition of her services to the sheep industry at the Beef + Lamb New Zealand Sheep Industry Awards.
- Blair and Sara Gallagher, Rangiatea Perendales, Canterbury, won the Beef + Lamb New Zealand Genetics maternal trait leader for lamb survival award.
- Dan and Tam Jex-Blake, Mangapoike Ltd, Gisborne, were presented with the Primary ITO sheep industry trainer of the year prize.

- Derek Daniel, Wairere Ltd, Masterton, was awarded the Farmlands Co-operative significant contribution to the NZ sheep industry award in recognition of the influence his Wairere genetics have had on the country's sheep flock.

Regards,
Rosstan Mazej

Market Report



Contact Us

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

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