

Wools of New Zealand Shareholder Communication No. 73  
29 July 2016

## From the Chief Executive

### Launching Our Improved Direct to Scour Model (D2S)

As communicated in last week's e-bulletin, we have been working hard to improve our 'Direct to Scour' model. The model has been developed in an effort to provide an increased range of services and sales options and to promote positive competition.

As we progress through the next 4 weeks I urge you to please focus on all communications from us. We are working to transition as smoothly as possible to the improved model where WNZ will be collaborating with Cavalier Woolscourers (CWS) but we require you to be aware of the changes that will impact on the supply and sale of your wool. A summary of the information follows with more detail to come from your Grower Liaison representative.

#### Supply and Logistics - key changes include:

- Your wool will continue to be sent to Timaru (South Island) and to CWS Napier (North Island)
  - South Island New Direct to Scour Model commences 1 August 2016
  - North Island New Direct to Scour Model commences 15 August 2016
- An independent and fully transparent wool handling service by CWS to allow efficiencies and cost savings for growers and wool purchasers
- More specific information on the changes to the model as follows:
  - A competitive cost structure with handling fees for main line (greasy) wool of 10.5c/kg; a buying and administration fee of 5c/kg

and a 1% sales commission dependent on the chosen sales platform

- 60-days free storage, 80c/bale per week thereafter
- New grouping of small lines and oddments, designed to make these types more commercially viable
- Acceptance of all your wool including bin bales and dags
- Ability to hold part consignments of wool in non-peak season periods, thereby saving additional testing fees
- Ability to choose own freight to scour or consolidate using WNZ pre-arranged freight provider
- WNZ has invested in the installation of a wool management system which will provide improved communication and efficiencies through the supply chain and a high level of direct reporting to growers in a timely manner

In an effort to promote competitive pricing, and in addition to Forward Contacts, WNZ has developed two new sales options for our growers; a Wool Tender and a Wool Schedule:

#### Wool Tender:

- Designed to promote positive competition
- It will operate on a weekly basis dependent on volumes and seasonal variances
- Wool will be sold to the highest bidder
- It will initially be offered to purchasers representing over 80% of the New Zealand export volume
- WNZ will reserve the right to accept or decline any bid in the best interests of the grower

### Wool Schedule

- As part of our drive to provide more certainty for the value of your clip, we are also developing a weekly wool schedule with leading wool broker and exporter Segard Masurel which we anticipate to roll out within the coming weeks
- The grower will be provided with a schedule and the opportunity to accept a price before the wool has left the shed

### Forward Contracts

- Market driven contracts remain a key component of the WNZ strategy and we continue our in-market effort to provide increased forward contract options to you

Our D2S model will operate with a focus on continuous improvement. We will continue to look at how we can improve the overall model with a wider range of compelling sales options.

You will be receiving by mail soon an updated specification sheet book and tally book. In the meantime, the spec sheet can be downloaded on [www.woolsnz.com](http://www.woolsnz.com) or can be requested via email at [info.nz@woolsnz.com](mailto:info.nz@woolsnz.com) or from your grower liaison. NB: There will be a significant amount of communications from us over the coming weeks. Next week please look out for detailed information on the changes to the 'Direct to Scour' model. This information will be important for you to understand the changes that will be happening and what is required from you to support us as we seek to improve the model and ultimately your returns.

We appreciate your support and understanding as we seek to improve our Direct to Scour model.

### New Zealand Wool Export Volumes Down

In the latest Beef and Lamb wool report published this week, New Zealand wool export volumes for the year ended 30 June 2016 have dropped a significant 13% compared to the previous year, which indicates a reduced national wool clip.

WNZ is pleased to report that wool volumes transacted by our growers increased 10% in the 12 months to 30 June 2016, and volumes are expected to continue to grow as we seek to deliver our improved Direct to Scour model,

commercialise new technologies and develop further customer driven marketing opportunities.

Our 100% NZ grower ownership is a real strength, both on the supply side and in the market, providing customers with surety of supply. We ask all shareholders to support their company with their wool to make us stronger together.

### New Wool Supply Manager

Welcome to Ivan Gullidge who is starting next week as wool supply manager, based in the Christchurch office. With 23 years of experience Ivan has brought substantial wool technical expertise to the company. WNZ are pleased to have someone of Ivan's calibre join the team.

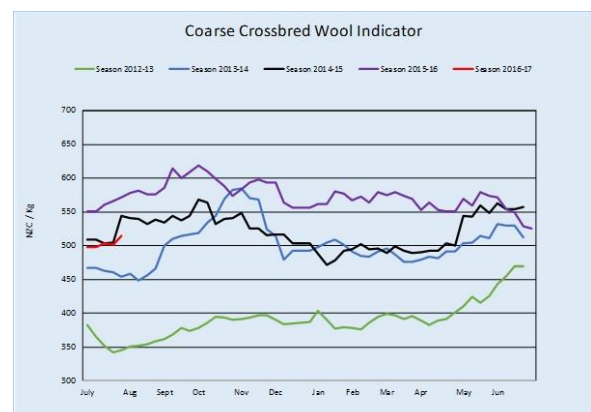
Regards, Rosstan Mazej

### Market Report

Despite a strengthening NZ dollar, the varied selection at this week's South Island auction attracted strong support. Of the 7700 bales on offer 85% sold. A selection ranging from 21 micron merinos to 42 micron coarse wools with a cross section of styles and lengths provided attractive options to buyers which overrode the possible negative impact of the stronger dollar compared to the similar South Island offering on 14 July.

Mid micron fleece were well supported with increased Chinese interest, lifting 4-12%. Fine crossbred fleece and shears were 2-3% firmer. Coarse crossbred full fleece lifted 3% for all styles with coarse shears ranging from firm to 3.5% dearer.

Oddments were up 3 -5%. Volumes are 4-7% higher compared to last week's North Island auction. Next sale on 4th August comprises approximately 5,000 bales from the South Island.



## Contact Us

Please contact your regional Grower Liaison (GL) directly if you wish to discuss anything.

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