

*Wools of New Zealand Shareholder Communication No. 79
7 December 2016*

From the Chief Executive North Canterbury Earthquakes

Wools of New Zealand has a number of grower shareholders located in areas affected by the earthquakes of 14 November and consequent aftershocks. We have made direct contact with many and we can report that most growers and their communities are safe. We know it's a tough time for some people as they come to grips with the fallout of a major traumatic event like this and having come through the Christchurch Earthquakes, we are aware that people are often hesitant to ask for help.

Wools of New Zealand assisted in providing some initial relief to the affected rural regions in the days immediately following the quake. Fresh drinking water supplies were donated and delivered to North Canterbury through an initiative driven by Christchurch Boys High School. Water was donated by ourselves and Ravensdown along with the families of the school's 1500 students.

Julie Graham, our Grower Liaison in Cheviot, has been actively working to support her community through involvement with Hurunui Civil Defence. Ultimately the first priorities of Civil Defence remain to take care of essential needs such as food, shelter and medical requirements. Fed farmers are assisting affected farmers. For more information phone 0800 FARMING.

Direct-2-Scour & Tender Model Update

WNZ are pleased to announce that since the launch of the new D2S model on 1 August 2016, wool volumes received have increased by 16% compared to the same period last year. As always, we strongly encourage all shareholders to support your company with your wool. If any shareholders are not sure of the process please contact the Grower Liaison representative for your region. Highlights of the recently improved model include:

- Being designed to create urgency, stimulate sales through a competitive process and to move wool through the system in a timely and efficient manner
- New wool IT management system delivering efficiency through the supply chain
- Faster reporting to growers for appraisals, valuations and sale results
- Strong support from wool export purchasers assisted by the location of our wool at scour stores in Timaru and Hawkes Bay and efficiencies for subsequent scouring

Good competition for your wool via tender sales platform.

Wool Quality

We have seen some very good styled wool coming through D2S this season and wool has been well prepared. We thank all our growers for continuing to make such a good effort with wool preparation in these challenging market conditions.

Wool Scour Merger

Some news in relation to the drawn out wool scour merger as this week Australian carpet maker Godfrey Hirst lost the Court of Appeal case to stop the merger of the wool scouring operations of NZWSI and Cavalier Wool Holdings. It is Cavalier's view that the merger is necessary to improve efficiencies and to retain this important first stage of 'added value' in New Zealand. It has been reported that Godfrey Hirst will not appeal the decision.

Bale Weights

There has been a recent trend towards overweight bales. We remind all our growers that bales must be 100 kg minimum and must not exceed 200 kg. Heavier bales have serious implications for the health and safety of our logistics, wool store and wool scour service providers, while overweight bales are not as

commercially viable as they cannot be dumped for greasy export purposes. As WNZ is charged for repacking overweight bales, these costs will be passed onto offending growers in future.

Specification Sheets

A reminder wool specification sheets should be sent to direct2scour@woolsnz.com as soon as possible once the wool has left your shed. A copy of the spec sheet must always accompany the truck and the wool on the truck must match what is on the spec sheet.

Market Signals

1. China wool import statistics

Some concerning statistics out of our China representative office for October, which indicates that China imported 3.2 million kg of NZ wool in October, an almost 40% reduction on the same time last year. On a cumulative basis (Jan-Oct) NZ wool imports in to China are a third less than over the same period in 2015 with a current trend of using more synthetic fibre and importing cheaper wool from other origins. This recent decline in the wool export market demonstrates the need for a branded and innovation led model to create a more resilient, sustainable and stronger New Zealand wool industry.

2. Lower lamb crop expected

This season's lamb crop is expected to fall by 5.7% compared with last year, says Beef and Lamb New Zealand in its latest season outlook. The farmer-funded industry group said the crop's expected decline to 1.5 million head would be due to breeding ewe lambing percentages easing 1.7% points, fewer breeding ewes and fewer lambs from hoggets compared with the previous season. In the June year, NZ's total breeding ewe numbers fell by 4.5% to 18.89 million. This was due to decreased numbers in all regions, the largest of which was in Marlborough-Canterbury. North Island breeding ewe numbers fell by 3% to 8.97 million, while South Island numbers decreased 5.8% to 9.92 million. Overall, hogget numbers were down 2.6% to 8.95 million head. This was due to the South Island decreasing 6.2%, underpinned by dry conditions and limited carrying

capacity for these going into winter. Total sheep numbers for the year to 30 June decreased 4.1% to 28.57 million head, following a 3.2% decline in the previous year. The largest decline occurred in the South Island, down 6.3% on 2014, to 14.47 M head.

For more info check out:

<http://www.woolnews.net/news/fall-in-nz-sheep-numbers-reflects-carryover-of-dry-conditions/#sthash.idDyfyAN.dpuf>

WNZ Grower Finalist in South Island Farmer of the Year Awards

Congratulations are due to Mendip Hills Station manager and WNZ growers Simon and Miesha Lee, for



being named finalists for the South Island Farm of the Year and taking home the award for human resource management.

Regards, Rosstan Mazezy

Contact Us

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

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