



#128 – 15th June 2020



FROM JOHN McWHIRTER, CEO

We are feeling somewhat enlightened the team of 5 million here in New Zealand has eliminated COVID-19.

Through level two and three, Wools of New Zealand has continued trading with weekly tenders and NFX being offered to the market with a good uptake of sales to ensure wool keeps moving through the supply chains.

Open cry auctions have also resumed over the past 3 weeks with restricted volume on offer and high pass rates given the lack of global demand. Prices have reduced from pre covid 19 lockdown by to 25-35% on some types due to lack of global demand driven primarily by many supply chain participants not operating or operating at reduced volumes. Ultimately consumer demand will drive an increase in demand.

As the global economic situation is still uncertain, we need to ensure that we remain adaptable and flexible to ensure we prepare for the evolving situation. We remain in close communications with each of our partners in the market as well as looking at other opportunities in new markets. The majority of our export sales have been delayed until production facilities are back on stream. We are thankful for the quality of customers that we have throughout US/UK, Europe and Australasia who continue to be committed to our partnerships.

We have appreciated the communications attendance through Zoom calls and individual phone calls over the past few months to ensure you remain connected and aware of our current situation as a small grower owned company. Agility is key to ensure that we ride out the storm. We appreciate all of our grower shareholders support through this time and acknowledge that everyone has individual financial circumstances to be aware of, so we thank you for that. We also appreciate the support from the Government wage subsidy that has been able to support us through this time of reduced revenues through lockdown. We continue to focus on conservation of cashflows and cost reduction. Both staff and directors continue on reduced salaries and hours to ensure we meet the ongoing financial commitments of the company until confidence returns and supply chains start moving again. That said we are very focused on sales, customer relationships and moving wool through the supply chain effectively and efficiently.

We know many of you will be preparing for winter shearing, so we recommend keeping your wool flowing and send it to our stores in Timaru and Napier. Sitting on wool only compounds the current negative supply demand curve. We recommend you are vigilant with your clip preparation, particularly with removal of any coloured wool due to scanning marks or other management practices. Poor preparation further compounds the value received.

Please contact your local GL if you have any questions and keep an eye out on the weekly market reports to keep abreast of the most up to date pricing.

As always feel free to contact me also if you have any questions.

John McWhirter