

# Open letter to all New Zealand sheep farmers

14 October 2011

## The Future of the New Zealand Wool Industry is in your hands.

At Wool Equities, we recognize that your income from wool is often the cream on the top and that it is only in this past year that wool has become profitable for you. We are concerned that continued profitability is at risk due to the proposed sale of approximately 64% of New Zealand's largest independent wool scouring and exporting company, New Zealand Wool Services International Ltd (NZWSI), to Cavalier Wool Holdings Ltd.

As a very profitable wool trading company, NZWSI assists in underpinning the international price of your wool. They achieve this through their very successful selling and processing of over 30% of the New Zealand wool clip.

The Commerce Commission has given permission for Cavalier Wool Holdings Ltd to purchase NZWSI – creating a wool scouring monopoly, and dismantling NZWSI. We believe this monopoly and closure of NZWSI could cause **a reduction of up to \$2/kg** for all wool sold. This belief has been supported in the Commerce Commission's June 2011 final decision which concludes that **"higher post-acquisition scouring prices would not be simply absorbed or passed on. Instead, increased prices would be likely to translate into lower margins for growers."**

As a representative of over 9,500 New Zealand's wool growers (almost 80% of New Zealand's sheep farmers), Wool Equities is working hard to ensure this does not happen through the formation of the NZ Wool Investment Co. (Wool Co) but we need your help.

We are holding a series of meetings to discuss a proposal to protect your wool cheques for the future. We urge you to please join us to understand how you can assist in the consolidation of the wool industry and ensure that wool scouring assets remain in farmer ownership before it is too late.

LOCATION	VENUE	DATE	TIME
Mossburn	Mossburn Community Centre	Monday 17 October	10am
Gore	James Cumming Wing	Monday 17 October	2.30pm
Balclutha	Rosebank Lodge	Monday 17 October	7.30pm
Palmerston	Waihemo Lodge	Tuesday 18 October	10am
Ranfurly	Maniototo Park Stadium	Tuesday 18 October	2.30pm
Waimate	Waihao Forks Pub	Tuesday 18 October	7.30pm
Pleasant Point	The Poplars	Wednesday 19 October	10am
Methven	Brinkley Resort	Wednesday 19 October	2.30pm
Lincoln	Lincoln Events Centre	Wednesday 19 October	7.30pm
Amberley	Amberley Hotel	Thursday 20 October	10am
Cheviot	Cheviot Hotel	Thursday 20 October	2.30pm
Blenheim	Heartland Hotel	Friday 21 October	10am
Tapawera	Tapawera Hotel	Friday 21 October	2.30pm

I look forward to meeting with you.



**Cliff Heath**

Chairman Wool Equities Ltd and NZ Wool Investment Co Ltd (Wool Co)