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CANADIAN CO-OPERATIVE WOOL GROWERS ~ LIMITED ~

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CCWG Update – Spring 2016

International Wool Market

As we enter the 2016 wool marketing year, demand for wool has been reasonably good with any price movement mainly attributable to local currency adjustments to the USD. Wool prices in general have held up quite well compared to other textile commodity fibres which have all fallen in recent weeks. Oil based synthetic fibers in particular such as polyester, acrylic and nylon have all declined in price due to lower oil prices and excess production capacity. Cotton prices have also continued to fall, due mainly to high global supplies. World wide wool availability is quite constrained so there is no concern in the short term about over supply.

China continues to lead the way as the major global importer of raw wool but retail clothing sales in China and wool clothing exports are both lower compared to a year ago. Although there is currently slower economic growth in China, it is still projected at a very respectable 7% for the next two years. There is still uncertainty about the Chinese stock market and the transition of the economy in China from a manufacturing export model to one that is more focused on servicing domestic consumer demand. Elsewhere the economies of many of the major wool consuming countries have steadily improved during the past year which should result in improved prospects for wool in 2016.

At the present time stocks are reported to be quite low throughout the Chinese wool textile industry and mills remain very cautious with new purchasing requirements. This is mainly due to the slower Chinese economy and also a further tightening of credit availability which in some cases is hampering new buying activity. On the fashion runways wool continues to exhibit a strong presence and more wool is now being used by sport and leisurewear manufacturers. This is a very positive development but there is also concern in some quarters regarding changing global climatic patterns and the impact it may have on some wool clothing sales, in particular cold weather countries that are now experiencing milder than usual winter conditions.

World wide wool production remains at 70 year lows with no significant increase predicted in the near future. Australian flocks continue to decline due to ongoing drought conditions in many of the major wool producing regions. Although Australian wool production is projected to decline by 7% this year, it is predicted that sheep numbers and wool production will start to increase at a modest rate over the next few years.

Elsewhere, New Zealand wool production is expected to fall by 5% this year which follows a 2% decrease the previous year. Sheep numbers have declined in New Zealand while other farming entities such as dairy have gained in popularity.

In 2016 the outlook for the overall global wool market is generally positive going forward, but there can always be unforeseen risks or uncertainties that may have a negative impact on the market and on consumer confidence.

Domestic Wool Market

The bulk of the 2015 Canadian wool clip has now been sold and at CCWG we are continuing our practice of orderly and disciplined wool marketing going into 2016. We have negotiated a number of forward contracts to our established international network of wool buyers in China, USA, Czech Republic, Bulgaria, India, Uruguay and Canada. Wool sales and currency hedging will continue to take place throughout the year, thereby enabling us to average our exposure to currency fluctuations and changes in the market place. As always, our standard of consistently graded and objectively measured wool is a key component to successful wool marketing and satisfied customers.

In other news, a few highlighted items of recent CCWG activities are as follows.

- CCWG sales for fiscal year ending February 29, 2016 just under 10 million dollars and wool volume is up 7% compared to the previous year. Paid out 7¢ per pound in profit sharing for the Shareholder Wool Shipper Loyalty Reward Program (SWSLRP) and 7% dividend to CCWG shareholders of record date December 31, 2015. See www.wool.ca for more information. The retail division of the company has again achieved highly satisfactory financial results that have contributed to the companies' positive bottom line.
- The company is expecting to proceed in 2016 with plans to build a new 14,000 square foot warehouse and retail facility at Broxburn Business Park which is located just outside Lethbridge, Alberta. This will replace an older company owned property located within the city of Lethbridge.
- Renovations were completed in 2015/16 at our retail locations at CCWG Livestock Supplies and Equestrian Centre, Real Wool Shop in Carleton Place, Ontario and Premier Choix Agricole in St. Hyacinthe, Quebec. Improvements were also made to wool handling equipment at the Carleton Place wool grading facility.
- Upgraded company websites and invested in more user friendly ecommerce platforms.
- As a sheep industry partner we continue to financially support initiatives such as All Canada Sheep Classic, Royal Agricultural Winter Fair, International Campaign For Wool, Canada's Outstanding Young Farmer Program, Canadian sheep shearing competitions and shearing schools, numerous sheep shows and 4H competitions across the country.
- Established an annual National 4H Scholarship Program with 4H Canada to commence in 2016.
- Developed new printed promotional material to assist producers in improving the Canadian wool clip. A best practices wool video will be produced in 2016 that follows Canadian wool from the farm through to the final graded and baled product at Carleton Place.
- Appointed a new Agent to represent CCWG in Atlantic Canada, Antigonish Farm and Garden Co-op from Antigonish, NS.
- Looking forward at plans to commemorate the companies 100th anniversary which will be in 2018.
- On going implementation of the companies new long term strategic business plan.

For more information on the wool market or assistance in marketing your wool clip with CCWG, please contact the undersigned.

Yours truly,

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