

Head Office



Carleton Place, Ontario

CANADIAN CO-OPERATIVE WOOL GROWERS ~ LIMITED ~

BRANCHES AND ASSOCIATIONS
ACROSS CANADA

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www.realwoolshop.ca

CCWG WOOL MARKET UPDATE – SUMMER 2015

At the time of this writing, business conditions within the global wool textile industry during 2015 have improved in many ways compared to the results achieved in 2014. Looking ahead the economic indicators for the major wool consuming countries is generally positive for the remainder of this year, which should be advantageous for sustained improvement of wool product demand and raw wool prices. However there are risks that could affect this positive outlook given some of the fragile and volatile global economic and political conditions that currently exist.

At this stage it is not known what effect if any the recent stock market correction in China or events in Europe ie Greece default and the depressed Eurozone economy will have on the wool market. If consumer confidence waivers it could have a negative impact on retail sales which would ultimately affect wool demand and wool prices down the road. In view of these recent events, analysts are forecasting that there quite likely could be a lot of volatility in equity and commodity markets for the remainder of this year. As always, global currency exchange rates will be very much affected by this and will continue to be one of the principal drivers leading the direction of the wool market.

China continues to be extremely important to global wool trade. As an example, approximately 80 percent of Australian and New Zealand wool production is now exported to China for early stage processing. Some mills in China are currently facing a shortage of cash flow and tight credit control is making trading conditions difficult. Major changes continue to take place within the Chinese economy as it transitions from a manufacturing export model to one that is focused on catering to domestic consumer demand and service industries as the middle class continues to rapidly grow. A large new middle class is emerging across Asia as a result of rising incomes. Much of this growth is coming from China, of which the working population is larger than that of the USA and Europe combined. The increase in purchasing power will have a strong effect on the global economy in years to come.

China's annual economic growth rate is still expected to remain high at around 7% for the next two years which should be helpful for wool prospects. With the significance of China to the wool trade and the ongoing global uncertainty, it is impossible to predict the future direction of the wool market but in recent months it has held up reasonably well. Global wool production continues to remain static at best and is expected to stay at around current levels, or decrease slightly. At this stage there is no sign of a sustained recovery in sheep numbers from any of the major producing countries.

In 2015 CCWG has continued to forward contract the Canadian wool clip to world wide customers that we have established in China, USA, Europe, India, Uruguay and Canada. Our standards of consistently graded and objectively measured wool has enabled CCWG to sell

Canadian wool into these markets with trust and confidence, we are grateful for the excellent business relationships we have developed with a large network of international wool buyers. I am optimistic that wool financial returns will be better for many grades in 2015 compared to the previous year. At this time our initial payment schedule is as follows.

Domestic Fleece - 60¢/ lb.
Range Fleece - \$1.50 / lb.

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

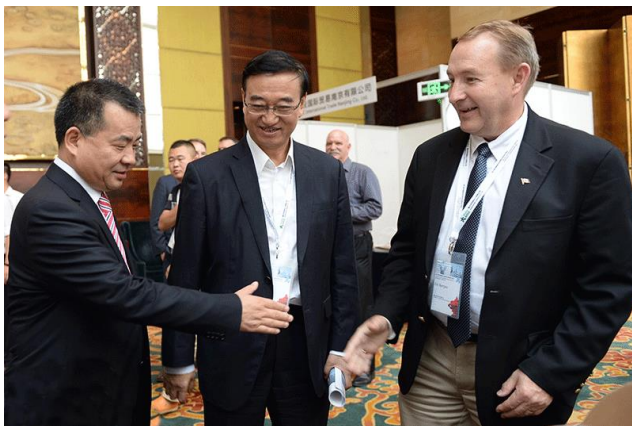
Yours truly,
Eric Bjergso, General Manager
ericb@wool.ca www.wool.ca



Eric Bjergso, CCWG General Manager



CCWG trade show booth attracts attention



Mr Song Lin Zhang, Chairman China SDIC International Trade Co., Ltd (left) and Eric Bjergso CCWG General Manager conclude some Canadian wool business.



Delegates attending the 27th International Wool Trade Fair & Information Conference

The 27th International Wool Trade Fair & Information Conference was held in Qingdao, China. Nearly 500 representatives from 26 countries attended the three-day conference from September 11th-13th, 2015.

Nanjing Wool Market Conference is an annual meeting of the global wool industry that facilitates discussion on current industry issues, future developments, and new market opportunities. Participants include growers, traders, primary processors, spinners, weavers and garment manufacturers, together with organizations involved in the wool related pipeline.

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CCWG Wool Market and Business Update – Fall 2014

International Wool Market

The wool market in 2014 has recorded very mixed results compared to the previous wool selling season. Fine wools around the world have struggled due to over-production whereas medium crossbred and coarser micron wools have fared better as the year has progressed.

China continues to be the most dominant country in the world in terms of being a producer, processor, exporter and consumer of textile fibers. Although the Chinese economy is still quite robust at around 7% annual growth, they are facing many new challenges. The Chinese government is transitioning the economy away from the “old normal” which was based on high investment to build capacity, cheap labour and exports, to the “new normal” which will feature developing domestic consumption, focusing on quality, brands and technology with a shift from production orientation to service orientation in their economy. One aspect of this transition has been a tightening of access to credit and this is having an impact on many wool textile mills in China and their ability to conclude new business because of cash flow issues. As a result **China’s wool** imports are down over 12% compared to the previous year. Another concern for the wool textile industry in China is the new environmental regulations that are being introduced. This will require significant investment to develop effluent control systems that will meet these new standards. As a result, this is taking away some capital from wool purchasing as factories invest to upgrade their recycling and disposal methods to comply with the new regulations.

China is still by far the **world’s** largest wool importer, processor and exporter of wool products, **however Vietnam’s** importance to the wool supply chain continues to grow. This has been due to good conditions for wool apparel manufacturing, a strong export reputation and the ongoing Trans-Pacific Partnership (TPP) agreement negotiations. Wool demand improvement continues to be contingent on the Chinese economy, their export market and on global economic recovery. Although key economic indicators for Europe and USA have been encouraging, other global events such as the Ukraine crisis, ongoing tensions in the Middle East and the Ebola epidemic will not be helpful for the wool business and could

undermine achieving global economic stability. Despite competition from other fibres, raw wool demand is expected to improve in the coming months as the economies of major wool consuming countries continues to make positive progress, albeit at a slow pace. World wide wool production will drop again this year in most major wool producing countries. In Australia wool production is predicted to fall by 3.7% in the 2014/15 season due to on going drought conditions and the resulting reduction in sheep numbers. A similar situation is also occurring in New Zealand although sheep numbers there appear to be stable at present. This continued low level of world wool production will assist in supporting wool prices to a degree, but is not a healthy situation for the long term viability of the wool industry if it continues.

Last month I attended the Nanjing Wool Market Conference and Trade Show which was held in Nanjing, China with over 500 processors, exporters and brokers from 26 countries attending. This conference is the premier trade event on the international wool calendar. It is an excellent forum to obtain current wool market information as well as the forecast for future prospects of the wool business. There is no where else in the world that we can display our wool in front of so many prospective buyers. Overall the mood of the conference was generally positive and most wool exporters were able to negotiate and write some new business. In general, the consensus was that business conditions and orders are better than last year at this time. This is an encouraging sign for raw wool demand going forward.

Domestic Wool Market

Our wool volume for 2014 is stable compared to 2013 and we are currently in a well sold position for this years wool clip with a number of contracts to fulfill by year end. In addition to our traditional wool markets which consists of China, USA, India and domestically, we have also successfully marketed Canadian wool this year to a large combing mill in Czech Republic. This gives us an excellent opportunity to offer our graded and objectively measured wools to a wide range of potential buyers in different countries. We continue to upgrade our wool handling equipment to improve our overall efficiency. Another new high density wool press with automatic conveyor feed will be installed at our Carleton Place wool grading facility later this fall, replacing an older baler that has now become redundant. In terms of wool grading, Jim McNeely our long time Wool Superintendant continues to train Pat Lamothe and Nathan Pappas-Barabe as our apprentice wool graders and they are making good progress.

In other news we are pleased to be a supporter of the Campaign for Wool (www.campaignforwool.org) which came to Canada for the first time in 2014. It is hoped that this wool promotion will become an annual event and we look forward to participating. The purpose of the campaign is to encourage collaboration between an international community of woolgrowers, major fashion designers, retailers, manufacturers, artisans and interior designers.

Our retail business continues to grow and thrive, this is very important to the overall well being of the company. During the past year major renovations were

completed at CCWG Livestock Supplies and Equestrian Centre at Carleton Place as well as at our Quebec branch, Premier Choix Agricole in St. Hyacinthe. In order to expand our ecommerce business, two new user friendly websites have been developed www.premier-choix.ca and www.realwoolshop.ca to compliment our main website www.wool.ca. In western Canada we welcome new staff members that have joined manager Brian Shaw at our Lethbridge branch following the retirement of long time **employee's**, Jim and Val Shields. A new team under the leadership of Jacob Morin is also now well established at our Quebec division, Premier Choix Agricole.

The successful results that our business has recorded could not be achieved without a loyal and dedicated staff and Board of Directors, for which we extend our sincere thanks and appreciation. Our organization looks forward to continuing our service to agriculture and the sheep industry and to the challenges of completing new projects in the coming year.

Respectfully submitted,

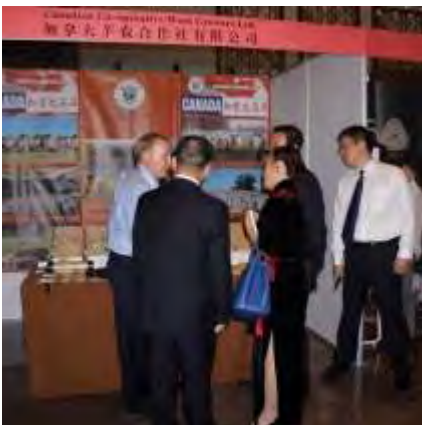
Eric Bjergso
General Manager

2014 Nanjing Wool Market Conference and Trade Show



Eric Bjergso, CCWG General Manager attended the 26th China International Wool Trade Fair and Information Conference which was held in Nanjing from September 12th – 14th, 2014. Over 500 representatives from more than 20 countries around the world attended this annual event. Canadian wool was again on display and over 500,000 pounds was contracted for prompt shipment and forward sales.

For more information on the conference: www.woolmarket.com.cn/en



Eric Bjergso, CCWG General Manager discusses Canadian wool with Chinese and other international wool buyers.

Campaign for Wool, coming to Canada!



ENVIRONMENTAL SUSTAINABILITY

The Campaign for Wool is a global endeavour initiated by its patron, The Prince of Wales, in order to raise awareness amongst consumers about the unique, natural and sustainable benefits offered by wool. The Campaign for Wool currently runs in 12 different countries including France, Australia, Japan and the United States.

A launch event was held in Pictou, Nova Scotia on Sunday, May 19, 2014 and included local sheep, farmers, artisans, representatives of the Canadian Wool Industry and models wearing wool designs from

the Campaign's newly confirmed founding retail partners Holt Renfrew, Joe Fresh and Pink Tartan.

"We are thrilled to be able to bring the Campaign for Wool to Canada," says Eric Bjergso, General Manager for Canadian Cooperative Wool Growers, The Campaign's Canadian delivery partner. "Wool is a wonder material; a sustainable fabric that supports rural economies. We are grateful to The Prince for helping to share that story with Canadians".

Campaign activities are centered on an annual Wool Week, a weeklong festival of events and workshops celebrating wool in all its guises. Canada's first Wool Week will debut this fall in Toronto in partnership with our founding retail partners. Specific events and timings will be announced at a later date.

Encouraging collaboration between an international community of woolgrowers, major fashion designers, retailers, manufacturers, artisans and interior designers, the Campaign has been instrumental in educating consumers about the versatility of wool, and reconnecting them with its myriad uses – From luxurious fine merino knitwear to fire-retardant insulation for the home.

Since its launch in 2010, The Campaign for Wool has influenced a new demand for wool on an international scale, and its efforts have seen an outstanding threefold increase in the price farmers receive for their wool.

For more information, please visit www.campaignforwool.org or www.princescharities.ca





Grand Re-opening of CCWG Livestock Supplies & Equestrian Centre

July 23rd, 2014 - Wool roving cutting ceremony and BBQ



Left to right: Eric Bjergso, CCWG General Manager; Andrew Brydges, CCWG Stockmans; Lee-Anne Durant-McIntyre, CCWG Livestock Supplies Manager; Wendy LeBlanc, Carleton Place Mayor; Dwayne Acres, CCWG President.



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CCWG Wool Market and Business Update – Fall 2013

International Wool Market

There has been only moderate improvement in the wool market in 2013 compared to the very difficult trading conditions that prevailed throughout most of 2012, none the less this is good news and hopefully the market has turned the corner. World wool prices slipped throughout 2012 because of continuing poor demand within the textile industry, a direct result of difficult economic and retail conditions around the globe. Although economic conditions in the major wool consuming countries continues to present challenges for the wool industry, there are signs of improvement beginning to emerge. Particularly in the USA, Japan, the UK and the Euro zone but growth in retail sales still remains relatively weak.

Economic growth continues to be the key driver for improving raw wool demand and confidence in the market place, with the end result being increased purchasing of consumer goods. Wool prices are also influenced by wool supply and historically low global wool supplies and production could be helpful in lifting wool prices at some stage when real demand increases. The forecast is that global wool production in the coming year is not expected to increase and may actually decrease slightly.

Although growth in China slowed to 7.5% in 2013, it remains a major global market for wool with over 50% of the New Zealand wool clip and upwards of 75% of the Australian wool clip exported to China. The situation is much the same for most other wool exporting countries. Significant change is taking place in China as it **transitions from a low cost exporting nation into the world's largest affluent** domestic economy. In addition to rapidly rising Chinese labour costs, the Chinese government is pushing industry reform with the main focus on restructuring and upgrading existing facilities, introducing new technologies, reducing overcapacity and improving environmental performance with energy conservation and reduction of emissions.

To assist in offsetting some of the associated costs of reform the Chinese government is supporting textile exports by reducing costs for a number of measures, including customs clearance, tax reduction and financial support. Their

austerity program has resulted in the delay of some government contracts such as uniforms etc but it is expected that after evaluation these will be tendered in the near future and will give a boost to the Chinese textile industry.

The outlook going forward is cautiously optimistic for wool trading and demand over the next 12 months with current sentiment definitely being more positive than a year ago. According to Dr Paul Swan of AWI, a key opportunity to improve the demand and price for wool in a competitive market will be the new emerging economies of Asia, Brazil and Russia where sales of premium goods will increase considerably as 320 million consumers move from lower economic income to middle and high income levels.

Domestic Wool Market

We are in a well sold position for the 2013 Canadian wool clip and our main buyers continue to be China and USA. For marketing the Canadian wool clip, we will continue our practice of a carefully calculated and disciplined wool marketing approach. This will consist of a combination of forward contracts and spot sales at opportune times throughout the year, of our fully graded and objectively measured wools, to our established wool markets. As well, we will manage our foreign exchange risk with a hedging strategy that utilizes option dated currency contracts. In order to better serve our producers we have continued to expand our network of wool collection depots across the country and this initiative will be continued where it is practical. Wool handling equipment is also being updated on an ongoing basis to improve efficiencies.

Briefly highlighted, some 2013 CCWG activities are as follows.

- Participated at the 25th International Wool Trade Fair and Information Conference which was held in Suzhou, China Sept 14th – 16th, 2013. Canadian wool was on display at the trade fair and we successfully negotiated a number of contracts for delivery through to February 2014. The event was attended by 500 delegates from the Chinese and International wool trade. It was very informative and a great venue to promote Canadian wool to a wide range of potential buyers. Traveled before and after the conference with CCWG agents in China to promote and market, graded and objectively measured Canadian wool.
- For the fiscal year ending February 28, 2013 the co-operative recorded gross sales of \$8,688,513 which represents an 8% increase from the previous year. Sales have increased almost 28% over the past three years. The Board of Directors authorized a dividend payment of 7% to the shareholders of record date December 31, 2012 and 5 cents per pound to the Shareholder Wool Shipper Loyalty Reward Program (SWSLRP). Full details on these programs can be found on the company website www.wool.ca. Wool volume increased by 8.2% in 2011 and 8.6% in 2012 but slipped by 6.5% in 2013, due mainly to a reduction in wool consignments from Quebec.
- The CCWG Board of Directors approved managements proposal to renovate the Carleton Place Stockman Supply Store. The project involves demolishing and renovating the existing Stockman Supply Store which is contained within the warehouse and is comprised of an

area of approximately 7,500 square feet. The original stone walls of our CPR roundhouse will be sandblasted to highlight the beautiful architecture of the **building which was built in the 1800's. As well, fifteen large heritage style** windows will be installed.

The current store and inventory has been relocated into our new warehouse building until the project is completed (estimated 10 – 12 weeks). During this time frame the new storage building will not be used for storage of graded wool bales.

The design-build contractor for the project will be Cornerstone Builders Ltd from Belleville, ON. (see www.wool.ca for a slide show of the renovation in progress)

- An older model wool baler at the Carleton Place wool grading facility has recently been replaced with a new high density wool press that was purchased from a USA manufacturer.
- Major sponsor for numerous sheep related events during the year across the country.
- Working closely with ear tag manufacturers, the CSF and provincial sheep organizations in support of the CSIP. Renewed contracts and distribution agreements for the upcoming year.
- CCWG websites, www.wool.ca, www.premier-choix.ca have been upgraded along with new user friendly e-commerce in English and French.
- CCWG promotional materials have been updated and a new French Livestock Supplies Catalogue is now available from Premier Choix Agricole.
- Helped organize and supported shearing schools in western and eastern Canada in 2013.
- New staff appointments have been made at CCWG branches in Lethbridge, AB, Saint-Hyacinthe, QC and Carleton Place, ON.
- Sponsored a research project undertaken by Dalhousie University to investigate the feasibility of wool value chain development.

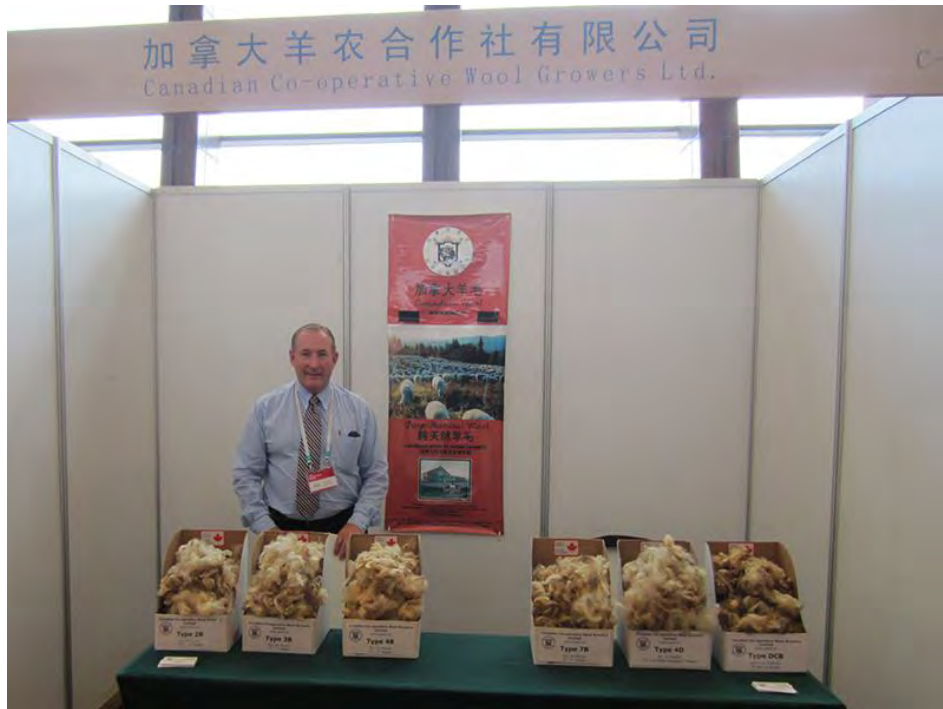
Our retail business continues to grow and is a very important source of revenue for the company. It enables us to present a strong balance sheet for operating the business and for financing future expansion, capital expenditures, as well as our ongoing support and commitment as a sheep industry partner.

Appreciation is extended to all CCWG staff and Directors for the successful results that have been achieved during the past fiscal year. We also thank our loyal customers for their continued support and patronage.

Respectfully submitted,

Eric Bjergso
General Manager

25th China International Wool Trade Fair and Information Conference



Eric Bjergso, CCWG General Manager attended the 25th China International Wool Trade Fair and Information Conference which was recently held in Suzhou, China from September 14th – 16th 2013. Canadian wool was on display at the trade fair and we successfully negotiated a number of contracts for delivery through to February 2014.



Paul Wang, Assistant General Manager of Shanghai Favours Import & Export Co. Ltd. discusses Canadian wool with Eric Bjergso.



Eric Bjergso, CCWG General Manager addresses the conference delegation with an update on the Canadian sheep and wool industry.



Eric Bjergso, CCWG General Manager examines Canadian wool with visitors from Uruguay, D'Jalma Puppo and Margarita Cortabarría of Estancia Puppo SA.



www.wool.ca

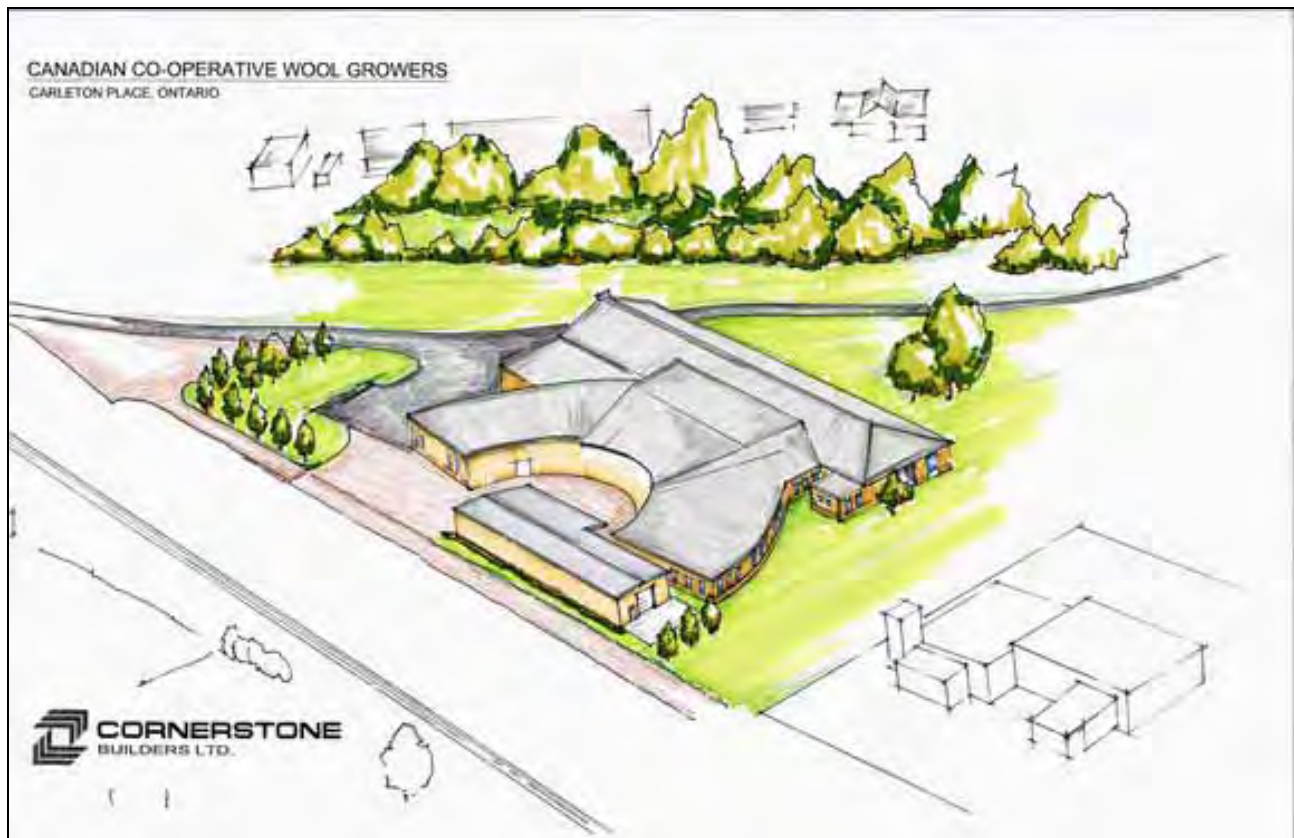
Canadian Co-operative Wool Growers Limited
Wool Market & Business Update Fall 2012
Submitted by Eric Bjergso, General Manager

Unfortunately the much improved wool market conditions of 2011 have not carried through into 2012. The global economic downturn has affected all major wool consuming countries and the situation is not expected to improve before the second half of 2013. Weak demand and lack of orders has resulted in difficult marketing conditions with wool prices falling in excess of 30% on a global basis during the past six months. China remains the major purchaser and processor of wool from all origins, but many mills are now operating at less than 50% capacity with minimal export business being concluded. We will need to see China buying wool for export orders before there will be any significant improvement in wool prices. World wool production is not expected to increase in the coming year and this will help support wool prices to a degree.

For marketing the Canadian wool clip, we will continue our practice of a carefully calculated and disciplined wool marketing approach. This will consist of a combination of forward contracts and spot sales at opportune times throughout the year, of our fully graded and objectively measured wools, to our established wool markets. As well, we will manage our foreign exchange risk with a hedging strategy that utilizes option dated currency contracts.

Briefly highlighted, some 2012 CCWG activities are as follows:

- Participated at the 24th International Wool Trade Fair and Information Conference with a Canadian wool display. Held in Sanya, China Sept 12th – 14th, 2012 the event was attended by 500 delegates from the Chinese and International wool trade. It was very informative and a great venue to promote Canadian wool to a wide range of potential buyers. Traveled after the conference with CCWG agents in China to promote and market graded and objectively measured Canadian wool.
- For the fiscal year ending February 29, 2012 the co-operative recorded gross sales of \$8,000,824 which represents a 10.6% increase from the previous year. Sales have increased almost 20% over the past two years. The Board of Directors authorized a dividend payment of 7% to the shareholders and 5 cents per pound to the Shareholder Wool Shipper Loyalty Reward Program (SWSLRP). Full details on these programs can be found on the company website www.wool.ca. Wool volume increased by 8.6% in 2012 and 8.2% in 2011.
- A new storage warehouse at Carleton Place has been completed and the official ribbon cutting ceremony took place during the AGM on August 11th. It will be utilized as an efficient storage and shipping area for graded wool bales as well as storage for our rapidly expanding livestock supplies business.



- Major sponsor for several sheep related events during the year across the country.
- Implementing on going instructions from the Board of Directors on the CCWG Long-term Strategy Plan.
- Working closely with ear tag manufacturers, the CSF and provincial sheep organizations in support of the CSIP. Renewed contracts and distribution agreements for the upcoming year.
- Labour saving material handling equipment has been purchased for CCWG branch locations. Hired two apprentice wool graders to be trained at the Carleton Place, ON wool grading facility.
- Opened a new satellite store in Waterloo, ON at the OLEX Auction and Farmers Market.
- Plans are underway for extensive renovations to take place at CCWG Livestock Supplies and Equestrian Centre, Carleton Place during the coming year.
- CCWG website www.wool.ca is currently being upgraded along with new user friendly e-commerce.
- CCWG promotional materials have been updated and a new French Livestock Supplies Catalogue will be available by November 2012.

The national wool **Certificate of Merit** recipients for 2011
were announced as follows

Quebec Hugh Sutherland Huntingdon, QC	Ontario Dave Willard Stella, ON
Ontario Jim & Nancy Kehoe Lansdowne, ON Shearers: Gerald Gemmill & Don Metheral	Ontario Anita O'Brien Lansdowne, ON Shearers: Gerald Gemmill & Don Metheral
Manitoba Alfred Epp Boissevain, MB	Manitoba Early Dawn Land & Livestock Ltd Virden, MB
Saskatchewan Range Dale & Dawn Montgomery Maple Creek, SK Shearer: Cliff Metheral	Saskatchewan Range Rex Furgeson Maple Creek, SK Shearer: Dan Cahoon
Saskatchewan Domestic Brimar Farms - Martin Catto Lipton, SK Shearers: Cliff & Kathy Metheral	Saskatchewan Range Richard & Wanda Perrault Val Marie, SK
Alberta Range East Cardston Colony Cardston, AB Shearers: Colony Shearers	Alberta Domestic Raymond Harrison Spirit River, AB
Alberta Domestic Brian Taylor Darwell, AB TOE OLO	British Columbia Richard & Elizabeth Chambers Dunster, BC
British Columbia Horse Camp Ranch – Dennis Clausen Clinton, BC Shearer: David Cadsand	

As well, three long serving Ontario sheep shearers were recognized by CCWG for their outstanding service and dedication to the sheep and wool industry.

Fearnley Davies – Tweed, ON
Neil Metheral – Glen Huron, ON
George Foster – Jasper, ON

Lee-Anne Durant-McIntyre, Manager of CCWG Livestock Supplies & Equestrian Centre at Carleton Place was also recognized by Management and the Board of Directors on achieving 25 years service with CCWG.

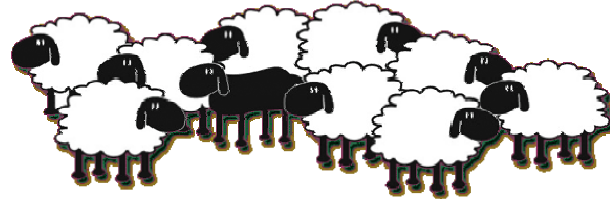
NOTE: Check Annual General Meeting link on www.wool.ca for more photos

NOTICE OF ANNUAL GENERAL MEETING

The 95th Annual General Meeting of the
Canadian Co-operative Wool Growers Limited
will be held in

Saint-Hyacinthe, QC

October 19th 2013 at 2:30 pm



CCWG DIRECTOR ELECTIONS 2012

The following Canadian Co-operative Wool Growers Limited directors term of office will expire in 2012. Any shareholder interested in a director position is required to file a nomination ballot supported by three shareholders from the provincial sub district in which they reside, at least 60 days prior to the provincial shareholders meeting. Copies of our corporate bylaws and nomination ballots are available upon request from any branch of the Canadian Co-operative Wool Growers Limited. All nomination ballots must be received at Head Office by August 31, 2012.

British Columbia	-	Ken H. Mallinson (acclaimed 2 year term 2013/14)
Alberta South	-	John D. Balderson (acclaimed 2 year term 2013/14)
Saskatchewan South	-	Ward Harden (acclaimed 2 year term 2013/14)
Ontario East	-	Dwayne C. Acres (acclaimed 2 year term 2013/14)
Québec	-	David Mastine (acclaimed 2 year term 2013/14)

NOTICE OF MOTION

– CONSTITUTION AMENDMENT / CCWG DIRECTOR REPRESENTATION

It was moved by Marg Zillig, seconded by John Woodburn and carried that an elected and voting Board of 10 Directors should continue to be maintained and that this number of directors should not be exceeded. However, the current makeup of the board should be reconstructed or realigned to provide for 2 elected directors from the province of Québec in view of their sheep numbers and wool production (25% in 2011/12). Consideration might be given to appointing non voting board advisers or associates from time to time as may be required.

An amendment to the motion was made by Ken Mallinson, seconded by John Balderson and carried that one director position from the province of Saskatchewan be eliminated.

Note: this notice of motion will be discussed at the 2012/13 provincial shareholder meetings. It will then be voted on by the CCWG board of directors at next years AGM which will be held in Saint-Hyacinthe, QC on October 19, 2013. Shareholders are encouraged to contact your director representative on the CCWG board to express your views.

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October 2012

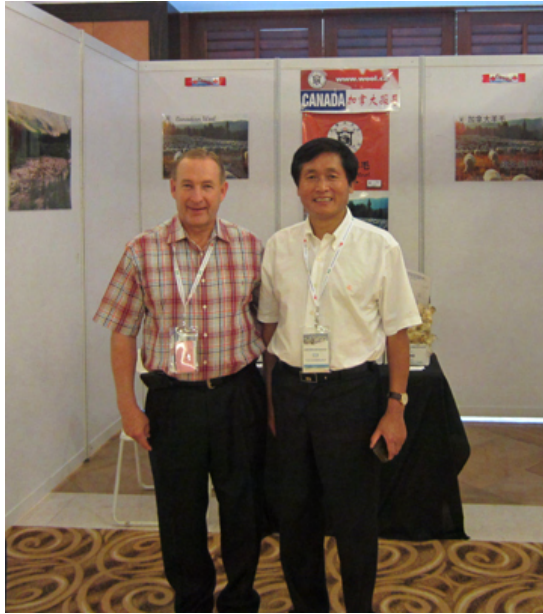
CCWG Wool Market Update – Fall 2012

In September I traveled to China again this year to participate in the Nanjing Wool Market Trade Fair and Information Conference with a Canadian wool display. Approximately 500 delegates registered for the conference from China as well as internationally. It was very informative and a great venue to promote Canadian wool to a wide range of potential buyers.

The wool market has been slipping since spring 2012 and at the time of this writing, prices worldwide have dropped in excess of 30%. Weak demand and lack of orders because of the global economic down turn has resulted in most Chinese mills operating at less than 50% capacity. Greasy wool stocks in China remain low but inventories of fabric, wool yarn and top are building. Wool price competitiveness relative to other fibres remains high in terms of historical comparisons. Cotton prices have dropped dramatically from a year ago and stocks are up by 47%. Market prices for man made fibres such as polyester and rayon which are petroleum based have also dropped in line with crude oil prices and reduced demand. It is projected that wool market improvement is not likely to occur until the second half of 2013 at the earliest due to global economic prospects and the current slow down in the major economies. The Chinese government plans to boost their economy by creating 130 million new jobs by 2015, which will help to improve domestic consumption. In terms of global wool production for 2012/13 a slight decrease is forecasted due mainly to alternative farming practices such as dairy, sheep meat and food crop production. Following the conference I travelled with one of our agents to visit a number of mill customers in southern China. We managed to conclude contracts for fall 2012 delivery with 5 buyers for a total of 13 containers of graded and objectively measured Canadian wool, which was much better than I had originally anticipated.

Submitted by
Eric Bjergso
General Manager

**Nanjing Wool Market Conference and Trade Fair in Sanya, China
September 12th – 14th, 2012**



Wen Qingnan, President
Tianya Wool Industry Co., Ltd
(the largest wool combing mill in China)
Eric Bjergso, General Manager
CCWG



Eric Bjergso, CCWG General Manager
discusses Canadian wool with a visitor
to the CCWG booth during the Wool
Trade Fair

Almost 500 representatives from more than 20 countries around the world attended the 24th International Wool Trade Fair and Information Conference held in China's beautiful coastal city Sanya, September 12th – 14th, 2012



Future of Wool Industry Lies in Cooperation



Where will wool prices go? What will enterprises do to cope with the current difficult situation? How to realize sustainable development of wool industry? Almost 500 representatives from more than 20 countries around the world attended the 24th International Wool Trade Fair and Information Conference held in China's beautiful coastal city Sanya, to discuss those topics.

This conference was organized by China Wool Textile Association and China SDIC International Trade Co., Ltd., and executive organized by Nanjing Wool Market. Leaders from Department of Foreign Trade, Administration of Quality Supervision & Inspection and Quarantine, China National Textile and Apparel Council, Consulate General of the United States in Guangzhou, Uruguay Embassy in China, Australian Embassy in China, International Wool Textile Organization and so on attended the conference. CWTA also released 2011-2012 Wooltop Mill Competitiveness Top 10 Award.

Traditional wool textile industry has confronted with unprecedented difficulties since the beginning of 2012. Increasingly higher labor cost and restrained high level of wool prices lead to greater material cost and high risky financing cost. All of them depress the business of industry, weaken their competitiveness and it is inevitable for lower benefits. In the first half of 2012, the total profit of 1123 above-designated-scale enterprises is 4.18 billion RMB, 2.2% higher year on year. Polarization among companies becomes more serious, the proportion of loss-incurring enterprises reaches 24.13%, and their deficit is even 92.33%. Ms. Peng Yanli, President of CWTA, said that the situation of wool textile industry is rigorous and it is hard to overcome those difficulties at a short time. The industry should strengthen confidence, and pay more attention to industry readjustment and collaborate to fight.

In 2011/12, wool prices surged, then demand weakened, and finally prices fell back. Gloomy world economy makes wool prices start to go downwards.

But just before the conference opening, wool prices rebounded. At the mean time, America announced to a third round of quantitative easing, or QE3. According to Ms. Yang Xiaoxiong, General Manager of Nanjing Wool Market, the future wool price is depended on the balance between demand and production. Demand is the major factor that influences wool prices. Where to find and how to create demand is always an issue for our wool people.

Life Cycle Analysis or short LCA is being increasingly used by global companies such as Marks & Spencer based in the UK, VF Corporation based in the US or the giant Inditex in Spain to help reduce their overall environmental burdens across the whole life cycle of their goods and services. As for the current LCA data, wool is bad and recycled polyester is good. IWTO has set up a working group that has looked at existing LCA data. The working group initially made up of the grower nations has defined a strategy on how to change wool's environmental credentials. IWTO will be seeking further funding from not only the grower nations but the key global processing nations of wool.

During the conference, China-Australia Joint Working Group on Wool held the signing ceremony of General Terms and Conditions Governing the Purchase of Australian Greasy, Scoured and Carbonized Wool, Wool Top and all other Types of Wool Fibres. Ms. Peng Yanli (representing China), President of CWTA and Mr. Robert Ryan (representing Australia), President of FAWO, has signed on the contract. China is the largest wool buyer, and Australia is the largest wool producer in the world. China's annual imports of Australian wool account for almost 80% of Australian wool exports. China-Australia Joint Working Group on Wool has reached agreements on establishing effective channels of communication between the two countries' wool industry organizations, on dialogue mechanism to solve disputes, on maintaining mutual benefits, and on promoting wool trade.

Mr. Xu Wenying, Vice President of CNTAC said that the signing ceremony of General Terms & Conditions is a major milestone on bilateral wool business between the two countries, which is much easier to understand, operate and protect both sides' interest. Besides, the new contract is in line with china's reality, close to IWTO's terms, and is favorable to spread to China's other wool suppliers. Hope China and Australia will strengthen cooperation in the future by learning, promoting, updating and making full use of the new contract, and promote a healthy and sustainable development of wool textile industry.

Thank you for your support and looking forward to seeing you next September!

Nanjing Wool Market
21st September, 2012

Head Office



Carleton Place, Ontario

CANADIAN CO-OPERATIVE WOOL GROWERS ~ LIMITED ~

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CCWG Wool Market Update – Summer 2012

While wool market conditions improved throughout most of 2011, the current situation is not so positive with quite difficult wool market conditions prevailing.

A combination of factors can be attributed to the current wool market decline and a few of the more significant items to consider are as follows.

- 1) Retail sales in Europe continue to struggle due to a lack of consumer confidence resulting from the ongoing sovereign debt problems in the Euro-zone. As a result there is also extremely high unemployment levels in several European countries.
- 2) Although consumer confidence in the USA is better than a year ago, consumer interest in spending is subdued and retail clothing sales are lower than a year ago.
- 3) Chinese wool textile conditions are very soft compared to a year ago. Lack of orders has resulted in numerous mill closures with some operating on a reduced work week. China's exports of wool garments are well down on the previous low point recorded in 2010 during the global financial crisis. The impact is significant when you consider that approximately 60% of China wool imports are re-exported as wool top, yarn, fabric or garments. As a result China's raw wool imports are down by 9% compared to a year ago. Economic growth in China at 7.6% is at it's slowest pace in three years as investment has slowed and demand has fallen in key markets such as Europe and USA.

In terms of global wool supply, there continues to be a decrease in production. In Australia the volume of wool tested is 3% less than a year ago and the number of bales offered at auction has also declined by 7%. Similar trends have emerged in most other major wool producing countries.

The lower availability of global wool supply has helped to support wool prices to a degree, even though demand conditions for raw wool have fallen in recent months. In view of the subdued prospects for global economic growth and retail sales, it is predicted that raw wool demand is likely to continue to be weak for the remainder of 2012 and that wool prices will also be under pressure in the coming months.

For marketing the Canadian wool clip, we will continue our practice of a carefully calculated and disciplined wool marketing approach. This will consist of a combination of forward contracts and spot sales at opportune times throughout the year, of our fully graded and objectively measured wools, to our established wool markets. As well, we will manage our foreign exchange risk with a hedging strategy that utilizes option dated currency contracts.

Submitted by

Eric Bjergso
General Manager



www.wool.ca

Canadian Co-operative Wool Growers Limited **Wool Market & Business Update Fall / Winter 2011**

*Submitted by Eric Bjergso,
General Manager*

Coming into 2011 there was widespread optimism for improving wool market conditions and this proved to be the case up until about August of this year. Finer wools made the greater gains but coarser micron wool prices also lifted which resulted in very good trading conditions at higher prices. China continues to be a major destination for wool processing, purchasing 42% of total global wool production. It is very positive news that the Chinese government has committed to invest in R & D technology innovation, management and marketing to ensure that the Chinese wool industry remains competitive and produces quality products. European processors have been much more active in purchasing raw wool in 2011 which has also contributed to better overall demand. However, since August the wool market has been quite unstable due to a number of factors. The outlook for economic growth in many of the major consuming countries has weakened in the past few months as a result of continued volatility in world financial markets because of government debt in the USA and the Euro zone. This has negatively impacted most commodities and wool is no exception. The current global financial market environment with fluctuating currency rates, combined with high unemployment in USA and Europe is having an effect on consumer confidence. Quite often textiles are immediately affected when this type of market place conditions prevail, as the consumer will choose to delay purchases.

The important autumn / winter season in the northern hemisphere usually accounts for approximately 60% of annual world consumption of wool clothing and will be very much dependant on consumer spending attitude over the next three months. If this level can be maintained, demand for raw wool would be expected to improve. Greasy wool stocks at the mill level are very low because in general they have been reluctant to replace stock without new down stream orders in hand, but at some point in time the mills will need to re-enter the market. In terms of global wool production, it is predicted to be up marginally in 2011/12 mainly due to a modest increase in Australian sheep numbers. However, total available world wool supply is actually projected to fall slightly because there is very little carry over stocks of wool held in any of the major wool producing countries. In conclusion, the forecast is that the low stocks of raw wool at the mill level and limited world production of raw wool should help to moderate any slide in wool prices. A lot will depend on what impact the continued uncertainty of world financial markets will have on consumer spending.

The 2011 Canadian wool clip has been sold primarily by forward contract throughout the year and also on the spot market for prompt shipment. Our main markets this year continue to be China, USA, India and a new market we have established in Uruguay as well as our domestic mills in Canada. We have developed trusting relationships with long established customers in these markets for a wide range of graded Canadian wool types, from Rambouillet to Romanov and everything in between. The reputation of graded Canadian wool is very good because we have strived to make consistent quality deliveries on an ongoing basis. We continue to grade and market the Canadian wool clip according to international wool industry accepted practices & standards. All of our wool types are objectively measured after grading, which gives us an essential marketing tool that accurately measures all relevant specifications for each lot of wool that is being offered to the trade. This enables CCWG to offer our well prepared and better quality graded wools for the higher market value opportunities that they deserve. Having said that, there is a market for all wool types and it is

our job to obtain maximum market value for each of them. We look forward to better days ahead in providing sheep producers with improved financial returns for wool. Thank you for your support.

Canadian Co-operative Wool Growers Limited **(CCWG)**

A few highlighted items of recent CCWG results and activities are listed as follows:

There is good news regarding the wool market this year with much improved wool prices for both finer and coarse micron wools. Enhancements have also been made to our Wool Preparation Incentive Rebate (WPIR) program.

Labour saving material handling equipment has been purchased for CCWG branch locations.

Developed a new market for Canadian wool in Uruguay.

Participated at the 23rd International Wool Trade Fair and Information Conference with a Canadian wool display. Held in Nanjing, China Sept 6th – 8th, 2011 the event was attended by over 700 delegates from the Chinese and International wool trade. Traveled with CCWG agents in China to promote and market, graded and objectively measured Canadian wool.

Major sponsor for several sheep related events and supporter of entry-level sheep shearing courses.

Implementing on going instructions from the Board of Directors on the CCWG Long Term Strategy Plan.

Working closely with ear tag manufacturers, the CSF and provincial sheep organizations in support of the CSIP and the implementation of mandatory RFID on January 1, 2013. Renewed contracts and distribution agreements for the upcoming year with ear tag manufacturers.

New staff appointments have been made at CCWG branches in Lethbridge, AB, Saint-Hyacinthe, QC and Carleton Place, ON.

Expanding our dealer network, relocated our store at Perlich Auction Mart in Lethbridge, AB to a new ground floor location. Plans are underway to open a new satellite store in Waterloo, ON at the OLEX Auction and Farmers Market.

For the fiscal year ending February 28, 2011 the co-operative recorded gross sales of \$7,233,340 which represents a 9% increase from the previous year. The Board of Directors have authorized a dividend payment of 7% to the shareholders and 4 cents per pound to the Shareholder Wool Shipper Loyalty Reward Program (SWSLRP). Full details on these programs can be found on the company website www.wool.ca. Wool volume increased by approximately 8.5% from the previous year.

A real estate transaction was concluded during the year with the purchase of a vacant corner lot on our Carleton Place property by the TDL Group. The net proceeds realized from this sale will be applied towards financing a capital project to construct a new building at Carleton Place for additional storage capacity. Utilization of the new warehouse will be to accommodate an efficient storage and shipping area for graded wool bales as well as our rapidly expanding livestock supplies business.



CCWG Carleton Place, Ontario (Before October 21, 2011)



The old Quonset shed and storage trailers have been removed from our Carleton Place property to make way for a new building measuring 45' x 150' x 18' that is equipped with an adjustable loading dock. The objective is to accommodate an efficient storage and shipping area for graded wool bales as well as storage for our rapidly expanding livestock supplies business. Construction was completed this fall on schedule, due in part to very favourable weather conditions. This will be a great asset for our Wool Division and Stockman Supply Department to share.

CCWG Carleton Place, Ontario

(Now January 9, 2012)



WOOL MARKET & BUSINESS

Update 2009 / 10

Submitted by Eric Bjergso, General Manager

The global financial crisis of 2008 took a heavy toll on the international wool market and resulted in wool prices depreciating by as much as 70% during the year. In 2009 wool prices were erratic during the first 6 months but then began to stabilize and strengthen, in particular Merino types because of concerns of future availability of supply. Unfortunately coarser micron wools have not yet been able to realize much benefit from the advancement of fine wool prices. Australian wool production has now fallen to its lowest level in almost 100 years as the ongoing drought and high meat prices continue to have an impact towards the reduction of the national flock. As the global economy improves and consumer confidence is restored, it is expected this will also give a boost to genuine demand from the market place. The OECD composite lead indicators are predicting increasing consumer activity and therefore increasing demand. The International Textile Manufacturers Federation (ITMF) reports that global yarn and fabric production is moving very well through the textile pipeline to the consumer, making the prospects for wool look quite promising going forward.

Leading the way will be China whose dominance in the international wool market continues to grow, they are now importing 80% of the Australian wool clip and a high percentage of overall global wool production. Wool processing activity in Europe is in decline while Chinese orders continue to drive the market. Wool prices are still very much influenced by and sensitive to currency fluctuations as the USD has weakened considerably against other commodity based currencies. China continues to intervene in currency markets to prevent the RMB from appreciating as a way of assisting exporters.

The Chinese government's combination of economic stimulus, liberal credit access and broad financial support for exporters has been very successful and enabled factories to start rehiring workers previously laid off and to ramp up production. Government subsidies, tax breaks and other support programs for exporters has allowed Chinese exports to remain competitive even in a weakened global economy. Continued improvement in the wool market will be contingent on the Chinese economy maintaining its present strong performance. As incomes rise in China the demand for finished wool products is expected to rise significantly making the Chinese a major processor as well as consumer. Another good sign for wool is that recent textile exhibitions in Europe and China have reported a lot of interest in wool which is very favourable news and can only help contribute towards better demand in the coming year.

In terms of new international wool promotion, Australian Wool Innovation (AWI) has recently launched the Wool Carbon Alliance (WCA) to promote the environmental advantages of wool. This group of international wool industry representatives will work together to market the natural benefits of wool and how it can help to reduce global warming. Research indicates that carbon emissions can be reduced significantly by using wool for clothing, carpets, bedding, upholstery and insulation.

During the first quarter of 2010, the global raw wool market has recorded positive gains, due primarily to the continued economic recovery of major wool consuming countries. China and India continue to be the main drivers in the market while demand from Europe remains subdued. Wools in the finer micron range have made the largest gains but coarser wools have also improved. Over the past six weeks wool prices internationally have slipped as the market place waits and reacts cautiously to the current instability of commodity market currencies. This has created somewhat of a crisis in buyer confidence and softer demand for new orders. It is not expected that conditions will improve significantly until global stock markets and volatile currencies recover. Overall, tighter available wool supplies worldwide will help to offset any downside to the market, mills have to continue buying wool to secure their supply and keep machinery running.

Canadian wool volume received and marketed by CCWG in 2009 has stabilized and we are hopeful that the sheep industry will be returning to a positive growth mode. The main markets this past year for Canadian wool continues to be China and USA where we have developed excellent business relationships. Our structured wool marketing approach and consistent quality deliveries of graded product have kept us in good standing with our network of wool buyers, enabling them to purchase from CCWG on an ongoing basis with confidence. The retail divisions of CCWG continue to expand and achieve good financial results despite the recessionary conditions of 2008/09. The CCWG staff are a great credit to our organization and they are our most valuable asset, we congratulate them for a continued job well done. For some recent key activities of CCWG we would highlight the following items:

- Travelled to China in September 2009 on a wool marketing trip and participated in the Nanjing Wool Conference with a Canadian wool display. The conference is attended by over 600 delegates from the wool trade and was an excellent forum for CCWG to promote Canadian wool to an international audience. (see www.wool.ca for more information)
- Major sponsorship partner, All Canada Sheep Classic 2009, Calgary Stampede, Sheep Shearing Competition, Royal Agricultural Winter Fair, Toronto, Agribition, Regina and Canada's Outstanding Young Farmers Program, Ottawa.
- Signed an exclusive distribution agreement for the Canadian market with Shearwell Data Limited to market their line of identification equipment and Farm Works management software. The Shearwell electronic SET tag is approved for the Canadian Sheep Identification Program.
- CCWG long term strategy plan presented to Board of Directors and management at the AGM held in Saskatoon May 2009.
- CCWG in association with CSF and Agriculture and Agri-Food Canada produced an updated English and French version of Wool Production in Canada.
- Researching value added opportunities for wool, such as wool insulation and other products.

CCWG Wool Prices - May 2010

Domestic	20¢ Initial Payment
Range	60¢ Initial Payment

WOOL MARKET & BUSINESS

UPDATE 2008 / 09

Submitted by Eric Bjergso, General Manager

At the beginning of last year the international wool market outlook was quite positive with firm wool prices and reasonable demand from all primary markets. Unfortunately this scenario was short lived as deteriorating global economic conditions coincided with downward pressure on most commodity prices. The wool market was severely impacted by the financial market collapse and credit crisis of October 2008 which resulted in significant price reductions for commodities world wide. Wool was no exception, although wool has not been as adversely affected as some other commodities such as wheat and oil. Compounding the problem is a worldwide tightening of credit to both business and consumers, which is making it difficult for companies to finance new business transactions and discouraging retail spending. Volatile currency movement continues to add further uncertainty to an already turbulent and fragile market place. The economic slowdown that is taking place in all major wool consuming countries will continue to make wool marketing conditions difficult as new mill orders are currently in steep decline compared to a year ago. Recent forecasts have predicted that the world economy will grow at around 0.5% in 2009 which would be the lowest on record since the second world war. Realistically the current expectation is that this economic outlook will result in reduced demand for global trade of all raw materials, including wool due to softer retail conditions for textiles.

China continues to be the major market for a significant percentage of global wool production although many mills are currently struggling financially. At the present time with export orders sharply decreased, many mills are experiencing difficulty moving inventory and are operating at considerable reduced capacity. The domestic business in China has remained reasonably satisfactory for worsted and hand knitting yarns and was recently supported by a number of large government uniform orders which will help to keep machinery running. Recent reports out of China indicate that mills remain cautious regarding holding wool inventory and that greasy wool stocks are at historic lows. Although there is no immediate prospect of an increase in demand or a significant rise in wool prices, there are some signs that the down cycle could be nearing its end. The economic stimulus packages that are being introduced in many countries will eventually improve the economic cycle while restoring business and consumer confidence. We just have to be patient for these results to start taking effect later this year, which should then be followed by a return to more normal trading conditions and improvement in market demand

and wool prices.

Australian wool production has been in a declining trend due to continued severe drought conditions and competition from other competing agricultural business. The lower wool production in Australia and other countries means that there is no stockpile of wool anywhere in the world to support the wool trade when conditions improve. This situation has helped to support wool prices in recent months due to future concerns about wool availability and the delicate balance of supply and demand. As recessionary conditions begin to disappear the market could change quite rapidly as low wool stocks in the textile pipeline will create a competitive shift in demand with tight supplies resulting in rising prices.

Briefly highlighted, some recent key activities over the past few months of CCWG are as follows:

- Continued expansion of our wool marketing network in China, USA and India for Canadian wool.
- Developed new wool programs to reward shareholder / wool shippers (SWSRP) and wool preparation incentive / rebate (WPIR).
- Major sponsorship partner, All Canada Sheep Classic 2008, Calgary Stampede Sheep Shearing Competition, Royal Agricultural Winter Fair, Toronto and Agribition, Regina.
- Developed a travel assistance program to sponsor Canadian sheep shearer's training in New Zealand. Also sponsored the Canadian sheep shearing team that participated at the Golden Shears World Competition in Norway, October 2008
- Continuing our sheep shearer training programs in Canada for entry level and advanced shearers. An advanced course will be held at Eweville Station in Holstein, Ontario from March 9th to 13th and will be jointly sponsored by CCWG and OSMA.
- Re-designed our wool handling and grading facility at Carleton Place for improved efficiencies. Installed a new high density double chamber wool press. Preparing to construct a new storage building for the wool operation and our expanding livestock supplies business. Developing a small parcel of vacant land at Carleton Place which will assist us with financing our capital expenditures.
- Established a new wool collection depot for central Alberta at Innisfail, in association with Sunterra Meats.
- Wool Grower Magazine and CCWG Livestock Supplies Catalogue now in full colour and largely expanded to include our increasing product line, major distribution of CSIP ear tags. Recently signed an exclusive distribution agreement for the Canadian market with Shearwell Data Ltd to promote and market their line of electronic ID equipment and FarmWorks management software.
- Our website www.wool.ca is updated with a new look and increased wool services information as well as an extensive sheep breeders guide. Ecommerce catalogues for CCWG Livestock Supplies and Real Wool Shop are now online.
- Formed an alliance with Premier USA as their exclusive distributor for the Canadian market which has produced very good results and broadened our product range.
- Upgraded to Business Vision for company accounting and point of sale software at all branch locations.
- Purchased a prime 1.3 acre commercial building lot in Broxburn Business Park for

potential relocation of our current branch at Lethbridge, Alberta.

- Opened a satellite retail outlet at Perlich Auction Market Ltd, in Lethbridge, Alberta.
- Currently preparing a new long-term strategic plan.
- Jointly working with CSF to produce an updated Canadian Wool Production Manual.

Although the current market situation will no doubt present some challenges in the foreseeable future, it is important to stay positive and optimistic regarding the potential of our sheep and wool industry. There are still great opportunities to expand the business in Canada and we are confident that innovative producers will achieve successful results.

CCWG Initial Payments

Domestic 20¢ Initial Payment

Range 35¢ Initial Payment

Under normal wool trading conditions, we endeavour to issue wool grading statements and final payments to producers within 6 months of the initial payment after the wool has been graded and sold.

WOOL MARKET & BUSINESS

UPDATE FALL 2008

Submitted by Eric Bjergso, General Manager

The international wool market started the current season with optimism and firm prices, but unfortunately conditions worldwide have deteriorated since late spring of this year with economic uncertainty continuing to drag the market down. China still remains the major destination for a significant percentage of global wool production, but the rate of growth of China's industrial output has slowed considerably with a reduction in export orders for textile products. The summer is traditionally a down time in the wool market as mills schedule in annual vacations but this year was unusually quiet with the temporary shut down of many Chinese processors due to the Olympics. Our agents in China report that the Chinese government are continuing their efforts to control the economy from overheating by raising interest rates and tightening operating credit available to business. This has had a negative impact on cash flow, with many mills now operating at reduced capacity and looking to delay wool purchases as late as possible.

The worsening market conditions and low growth rate in the United States has spread and now appears to be a global situation. The impact of continuing financial turmoil throughout the world where exchange rates and stock markets have experienced record daily changes and fluctuations has eroded business confidence with trading conditions at a standstill in many cases. It is difficult to conclude new business transactions when there is such dramatic movement in currency values. Wool tends to be very price and demand sensitive to any signs of an economic downturn, so at the present time, global uncertainty and volatility in financial and commodity markets are not positive signals for the wool industry. Another cloud

hanging over the market is the potential impact of slower real estate values and higher inflation that would put pressure on consumer discretionary spending limits for items such as clothing.

In the major producing countries, wool production is still in decline. New Zealand sheep and wool production is being displaced by the expanding dairy industry and other agri business. Dry conditions in many parts of Australia and concerns regarding availability of feed has resulted in the continuing reduction of their national sheep flock with wool production projected to decline by 6% this year. Prices have improved this year for lamb and sheep meat as well as the live sheep trade.

Lower available global wool supplies should help to ensure that the current downside of the market is limited to some extent. Analysts are not predicting any dramatic improvement in wool prices until global financial problems are stabilized sometime during 2009.

In terms of international promotion of wool, Australian Wool Innovation, which is an organization responsible for research and marketing, will spend more than \$120 million over the next three years promoting wool. The attributes to be emphasized are that wool is eco-friendly, completely natural, biodegradable, sustainable and authentic. Other marketable features are that wool can be light, soft and comfortable as well as multi functional i.e. eveningwear or sporting clothes. The objective is to expand wool demand, which in turn will achieve higher wool prices. The promotion will be aimed at retailers, suppliers and consumers.

Briefly highlighted, some recent key activities of CCWG are as follows:

- 1) Continued expansion of our wool marketing network in China and India for Canadian wool.
- 2) Developed new wool programs to reward shareholder / wool shippers (SWSRP) and wool preparation incentive / rebate (WPIR).
- 3) Major sponsorship partner, All Canada Sheep Classic 2008, Calgary Stampede Sheep Shearing Competition, Royal Agricultural Winter Fair, Toronto and Agribition, Regina.
- 4) Developed a travel assistance program to sponsor Canadian sheep shearer's training in New Zealand. Also sponsored the Canadian sheep shearing team that is participating at the Golden Shears World Competition in Norway, October 2008
- 5) Continuing our sheep shearer training programs in Canada for entry level and advanced shearers.
- 6) Re-designing our wool handling and grading facility at Carleton Place for improved efficiencies. Installed a new high density double chamber wool press. Preparing to construct a new storage building for the wool operation and our expanding livestock supplies business. Developing a small parcel of vacant land at Carleton Place to assist with financing these capital expenditures.
- 7) Established a new wool collection depot for central Alberta at Innisfail, in association with Sunterra Meats.
- 8) Wool Grower Magazine and CCWG Livestock Supplies Catalogue now in full colour and largely expanded to include our increasing product line, major distribution of CSIP ear tags.
- 9) Our website www.wool.ca is updated with a new look and increased wool services information as well as an extensive sheep breeders guide. Ecommerce

catalogues for CCWG Livestock Supplies and Real Wool Shop are now online.

10) Formed an alliance with Premier USA as their exclusive distributor for the Canadian market.

11) Upgraded to Business Vision for company accounting and point of sale software at all branch locations.

12) Purchased a prime 1.3 acre commercial building lot in Broxburn Business Park for potential relocation of our current branch at Lethbridge, Alberta.

13) Opened a satellite retail outlet at Perlich Auction Market Ltd, in Lethbridge, Alberta.

14) Currently preparing a new long term strategic plan.

WOOL MARKET & CCWG BUSINESS

UPDATE 2007 / 08

Submitted by Eric Bjergso, General Manager

The wool market in 2007 started positively with good demand and active inquiry for wool from all of the major markets and end users. China continues to be the major destination and processor for a significant percentage of global wool production due to its low cost production and state of the art processing equipment. As an example, upwards of 70% of the Australian wool clip and over 30% of the NZ wool clip is now processed in China and overall accounts for 39% of global wool imports. In 2007 China's raw wool imports increased by 9% from the previous year to it's highest volume on record. Additional wool industry relocation and sourcing to China is expected to continue in the future. Italy remains the second largest wool processor and manufacturer in the world but it faces intense competitive pressure from China and other low cost countries.

In mid July the wool industry was caught completely by surprise when the Chinese Ministry of Finance & Commerce suspended the applications by importers and mills for purchasing quota which is a requirement for importing wool. It is believed that Chinese speculators had purchased a significant percentage of the annual quota allotment with their intention being to sell quota on the black market as prices rose from a scarcity of allocated quota. As a result the black market price for the quota immediately increased from 50 RMB/tonne to a high of over 2,500 RMB/tonne. The Chinese government responded by announcing that any quota issued prior to April 1, 2007 that remained unused would expire in October and be re-allocated to the wool trade on a first come first serve basis. Needless to say this situation caused quite a disruption in the market place with China being a major importer with significant influence on world wool prices. Wool imports were suspended for approximately five weeks which created supply problems for many mills, fortunately normal trading conditions have resumed since this time. China has announced that 2008 quota limits will remain unchanged but that the rules will be revised to favour processors and genuine importers in the allocation of quota and also making it illegal to trade quota in China. The outlook for wool sales to China continues to be very positive despite a strengthening Chinese currency and the tightening of credit facilities by government to reduce inflation in the Chinese economy.

The Chinese government is also taking steps to control the serious environmental problems that exists in many of the highly industrialized area's which has resulted in the closure of some outdated scouring mills and much higher commission scouring tariffs throughout China. Despite this the outlook is that China is still expected to continue operating at near peak capacity. The lead up to the Beijing Olympics is also creating strong demand for woolen textiles produced for interior end uses. As incomes rise in China so to does consumer spending where domestic textile and apparel sales increased by more than 20% in the past year making China a major consumer as well as exporter of wool products.

Global wool production continues to decline, particularly in Australia where the ongoing drought is taking its toll on the nations sheep flock and where wool production has now fallen to a 62 year low. There is also very limited feed grain available for livestock and at increasing prices. With lower Australian wool production and the decline in carry over of unsold stocks it is estimated that the drop in supply will reach 250,000 bales compared with 12 months ago. New Zealand sheep numbers are also projected to decline in the coming year as more land is converted for dairy farming.

In terms of competing fibres, cotton prices have risen sharply and are at a 10 year high due to supply concerns going forward, directly related to the large rise in grain and oil seed prices and projected increased acreage that will be planted in 2008. USA cotton plantings are predicted to decrease by 18% in the current crop year. There has been some strengthening in demand and higher consumption of cotton due to substitution of synthetic fibres by cotton. Tough down stream demand conditions and global overcapacity has prevented synthetic fibre manufacturers from passing on higher raw material costs in full, despite dramatically rising oil prices. On a positive note, fashion trends for 2008/09 continue to favour natural fibres, light weight fabric and wool with wool blends becoming increasingly popular. Fine wools have made the greatest gains this year reflecting solid demand conditions and reflecting fears that demand may out-strip supply because of ongoing drought reductions in Australia. Coarser wools have only made minimal improvement to date and have not been able to capitalize on the fine wool gains. Lower available global wool supplies are expected to create somewhat of a buffer for raw wool prices in the upcoming season. However, some of the gains have been eroded by the currency exchange factor, which represents a financial risk in the wool trade when rates can be volatile between the time wool is purchased and sold. The US trade deficit and lower interest rates have contributed to the USD falling to new lows against most major currencies. The strong Canadian dollar is beneficial for travelers and importers but is having a negative impact on commodities and export markets because less revenue is received as the value of the Canadian dollar increases. Going forward into 2008, consumer confidence and spending patterns will be influenced by economic and climatic conditions in developed markets and this will continue to set the foundation for retail demand of various woollen products. The fallout from the USA sub prime debt crisis continues to have negative consequences in terms of the housing market down turn and discretionary spending limits.

In regard to Canadian wool collected in 2007, CCWG volume was up 4% compared to the previous year. However, some of this increase can be directly

attributed to stored wool coming into the market place. After grading and objective measurement, Canadian wool is sold by forward contract to China, USA and to a lesser extent India. Our wools are very well accepted in these markets but as always quality control is very important to maintain so that our buyers continue to purchase our product on an ongoing basis with confidence. Hair and medulated fibre contamination from hair sheep and crosses poses a serious problem because these fibres are dye resistant and if processed undetected they can lead to significant financial loss for the mill. For 2008 it will be a challenge to maintain current wool volume levels in view of recently released Canadian sheep statistics that indicate the national ewe flock is down 4.8% compared to a year ago. At the Carleton Place wool grading facility we have installed a new high density double chamber wool press which will greatly assist us in improving our wool baling efficiency. Other additions to our wool handling equipment include the replacement of an existing forklift truck and portable yard ramps at Carleton Place and St. Hyacinthe. Our field work continues for the proper harvesting of the Canadian wool clip and we were pleased this year to assist 4 Canadian shearers using company travel points for travel to New Zealand to continue their wool handling and shearing training. Shearing schools will again to be offered by CCWG and these shearers will be assisting us with the instruction.

Our retail business continues to expand for livestock supplies and woollen products with our new e commerce web site up and running at www.wool.ca. We have also added new material to our wool services information on the web site and encourage producers to have a look at your convenience. This year's edition of the Wool Grower Magazine and Livestock Supplies Catalogue has been completely redesigned to reflect our expanded product line and is now produced in full colour. This publication is also an excellent forum for sheep producer advertising and is delivered to everyone in the sheep business in Canada. During the past year we were pleased to form an alliance with Premier Sheep Supplies in the United States and now represent them as their exclusive Canadian distributor. Business Vision, our accounting and point of sale software has been successfully installed at the branch locations and this program is much improved compared to our previous system.

For future planning, CCWG has purchased a 1.3 acre commercial building lot in a prime location at the Broxburn Business Park, located on the outskirts of Lethbridge. Our Board of Directors will be closely watching the development of this new business park to ensure that it will be a good fit for the potential future relocation of our current Lethbridge branch. At Carleton Place it is anticipated that a soft top storage building will soon be constructed to accommodate wool storage in addition to the extra space that is now required to store and display our rapidly expanding product line.

We would be remiss if we did not again thank all CCWG staff, directors and agents for their support and contribution towards the continued success of our organization. We hope that with improving wool prices and strong lamb market opportunities that the Canadian sheep industry will once again return to a positive growth mode. Our sincere thanks and best wishes to our customers, for a successful year in the business.

WOOL MARKET & CCWG BUSINESS

UPDATE 2006 / 07

Submitted by Eric Bjergso, General Manager

In 2006 the global wool market continued to struggle because of demand factors and the highly competitive pricing of competing fibres, cotton in particular did not increase in price as many analysts had previously predicted. Man made fibres have eventually increased in price due to higher energy costs that are associated with producing synthetics, but global stocks and excess processing capacity within this industry has suppressed further price rises. The tough retail environment and severe competition from other fibres combined to delay any significant improvement in the wool market during the year 2006.

According to the International Wool Textile Organization, global wool production increased modestly in 2005/06 and at the same time global wool usage at spinning and at retail fell slightly. The modest rise in wool production was mainly attributed to increased medium and coarser micron wool in China as well as higher production in New Zealand and Uruguay. Fine wool production in Australia and South Africa has fallen compared to the previous year. On going drought conditions across Australia has resulted in record numbers of sheep and cattle being auctioned each week and this reduction will eventually have an impact. The Australian wool clip is projected to fall by 9% in 2006/07 which is at it's lowest level in fifty years. There is some real concern in the marketplace going forward regarding global supply of wool and the quality of the drought effected wool. Lesser available supplies being offered in the market place has recently lifted wool prices, but ultimately the largest influence on wool prices will continue to be demand factors, which will be determined by fashion trends and global weather patterns as well as the price of competing fibres. Wools market share of world fibre production is estimated at 1.9% compared with 2.1% the previous year. Man-made fibre production increased 6% and cotton production increased by 26% during the past year. China continues to be the largest importer of greasy wool at 37% of global imports in 2006 followed by India and Italy. China is also the largest importer of wool top as well as the largest user of wool at the manufacturing stage. Wool stocks for processing in China and Europe are believed to be quite low at this time on a historical basis which will require processors to continue replenishing inventory to cover improving customer orders.

The global processing and manufacturing wool industry recorded an overall decline of output during the past season as further relocation and outsourcing to low cost production countries intensified. The major beneficiaries of these changes have been China, India and smaller Asian countries for wool textile and apparel production. China's importance as a low cost base in wool textile processing and apparel manufacturing is increasing and further expansion in the future is expected. Italy is the second largest wool processor and manufacturer in the world despite coming under intense competitive pressure during the past year and remains the major European processor and manufacturer of fine wool textiles and apparel. Central European countries such as Bulgaria, Poland and Romania have also

benefited as Western Europe companies continue to down size, relocate or outsource production facilities eastwards and to North Africa. The North American textile industry continues to decline at double-digit rates due to the continuous rise of imported wool textiles and apparel following the removal of import quota's on January 1, 2005 into North America and the European Union.

International currency factors continue to have a major influence on wool prices as the USD has significantly depreciated against other foreign and most commodity based currencies.

In terms of retail consumption of wool, the Far East was by far the largest consuming region in 2005/06. Of the Far East countries, China is again the largest retail market followed by Japan and then Western Europe (UK, Germany, Italy) and the USA. Although retail demand was down in key markets such as the United States and Japan, economic conditions in most wool consuming countries are forecast to improve and should result in higher consumer spending during the coming months. China continues to remain the best prospect for growth in retail sales followed by Japan and mainland Europe. Wool apparel is currently very popular in northern hemisphere stores and sales were very good for the fall and winter season. The large European fabric shows were very favourable towards wool and natural fibres and featured a return to wool tweed and Shetland fabric's in both ladies and men's wear.

Recently in 2007 global wool textile demand has been fundamentally sound with very good business conditions throughout the industry. Strong global economic growth, favourable fashion trends, and higher synthetic fiber prices combined with the fear of a looming global supply squeeze has resulted in excellent demand for wool. Finer micron wools have made the greatest price gains but coarser wool types are also improving. The high value of the Canadian dollar against the USD is the only negative that is holding back larger advances in wool prices. Leading wool economists are projecting that current wool market conditions should be maintained for the next few months and any price corrections in the market place will be moderated by lower available global wool supply.

We anticipate our Canadian wool production will experience a slight decrease in 2006/07, which can be directly attributed to a reduction in our current ewe flock. Hopefully this will only be a temporary set back as the industry rebounds in response to the very favourable lamb market that presently exists across Canada. Recently published statistics indicate that an increasing number of ewe lambs are being retained which is a good signal of future sheep industry growth. Our main wool markets continue to be China, United States and India. Our 2006 wool production and some of the 2007 clip has been sold by forward contract with China being our largest export destination to date.

The retail divisions of our organization continue to expand and are a significant component of our business. At the present time we are undertaking a major overhaul of our website www.wool.ca in order to achieve a more efficient and user-friendly site for E-commerce and producer information. The company has also recently purchased new point of sale and accounting software (Business Vision) that will be implemented at all branch locations to replace the Daceasy software that is currently used. Another initiative undertaken by CCWG in March 2006 was an

advanced sheep shearing school held in Saskatchewan which we were pleased to organize and support and which was well received by the shearers who participated. A second advanced sheep shearing school was also held in Ontario in March 2007 and was conducted by Tectra and CCWG along with the support and financial assistance of OSMA. At the Carleton Place wool grading facility, we have purchased another high density automated wool press which will enable us to continue our efforts to lower wool handling costs and improve handling efficiencies.

Our objective in Western Canada is to relocate our branch at Lethbridge to a larger and more efficient property as the sheep industry grows. In addition to better wool handling facilities we are looking for a location that will enhance our retail opportunities. In view of this strategy, we have researched some potential properties that we feel would meet our future requirements. The CCWG Board of Directors will be reviewing managements property report at their up coming meetings.

A sincere thank you and congratulations to all CCWG staff, directors and agents for your excellent efforts which has enabled us to continue achieving successful results. Our very best wishes to Canadian sheep producers for continued success in the sheep and wool industry.

MARCH 2006

WOOL MARKET & CCWG BUSINESS UPDATE 2005/06

Submitted by Eric Bjergso, General Manager

International Wool Market Overview

During the past season, the global wool market struggled to maintain market share against other competing fibres and as a result wool prices are currently trading at around a five year low. In 2005, wool prices and other textiles experienced continuous depreciation while other resource based commodities such as metals, iron ore, and oil experienced a boom. This was due to strong global demand, mainly from China and India expanding their manufacturing base. There has been some recent improvement in 19 micron and finer wool types but coarser wools have been largely less affected. Increased energy costs continue to have a huge impact on the market. With oil prices significantly higher than a year ago, it will improve the price competitiveness of natural fibres against synthetics however a much larger downside is that higher oil prices will increase the cost of everything produced and transported. It is anticipated this may not be positive for consumer confidence and the higher expenditure on all consumer products could result in a squeeze on discretionary spending and potentially a smaller consumer budget for clothing purchases. Cotton is also a concern because of overproduction in the United States which means that cotton clothing will provide a lot of competition against wool in the coming months. Cotton prices have recorded a modest upturn recently, largely due to better demand in China and higher prices in India. Prices for synthetic fibres fell marginally in 2005 due to oversupply in the market place but by December 2005 they were over 20% higher when compared to December 2003 as the higher energy prices began to have an impact on their cost of production.

Another major factor that has had a significant influence on the wool market has been the uncertainty of new trade restrictions on Chinese exports of clothing and apparel to the United States and European Union. 2005 heralded a new era of quota free trading but after a surge in exports from China, certain wool products are now restricted into these regions, which is having an effect on orders throughout the wool textile industry in China. The restructuring of the wool processing industry continues into lower cost countries such as Eastern Europe, India and China with the latter now purchasing or processing in excess of 60% of the Australian wool clip. The Chinese economy continues to prosper and has recorded annual growth of 9.5% every year for the past 20 years, and this growth is expected to continue at perhaps a somewhat slower pace. China is increasingly outsourcing for suppliers of greasy wool rather than suppliers of processed wool to supply its growing early stage manufacturing base. The increase in Chinese wool imports of greasy wool can be mainly attributed to growth in China's textile and apparel exports as well as increasing domestic consumption and some restocking of the Chinese textile pipeline. Domestic raw wool production in China is also increasing but still accounts for less than 50% of their requirements up to the carding stage.

Mills that are confronted with soaring costs and volatile market conditions have been reluctant to forward contract in the usual 3 - 6 months ahead time frame and are instead buying hand to mouth and running down existing inventories. Currency exchange rates have also played a major role in the marketplace. The Chinese Yuan which was previously pegged to the United States dollar is now allowed to fluctuate and floats to a limited extent against a basket of currencies. Commodity based currencies such as the Australian, New Zealand and Canadian dollar have all appreciated significantly against the weakening United States dollar which has made wool more expensive in local country currency terms. In terms of global wool production there is not expected to be any overall significant change from a year ago, with latest reports indicating a slight decrease. With wool production remaining at historically low levels for at least the next two years, wool prices in theory should be supported or achieve modest improvement. It is significant to note that the micron profile of the Australian wool clip is getting coarser because low wool prices has been enticement for growers to shift emphasis from wool to meat production.

The year 2005 wool market was nothing short of a disaster but there are some positive signs emerging for improving conditions in 2006. The latest release of information from the OECD is indicating there will be improvement in economic growth and consumer spending over the next six to nine months in several key wool retail markets, including China, United States, Western Europe and Japan. This supports the theory that greasy wool price could improve, being driven by global market fundamentals.

CCWG Business Update

In Canada, our wool production is stable compared to a year ago. This year our main export destinations for Canadian wool will be China, United States and to a lesser extent India and Europe. Canadian wool is well known and accepted in

these key markets. We have established markets for all of our wool types and our wool quality will continue to compete with the quality of wool from other origins. We urge producers to continue your efforts of proper fleece production and preparation so that we in turn can market your product for maximum value. All of this information can be found on our company website at www.wool.ca. Our web site continues to expand and in addition to our product lines, it contains wool information such as shearers and wool depots, a sheep breeders registry and an extensive sheep industry links page.

We are pleased to report that our retail divisions have continued to excel in 2005. This speaks well of our retail staff's commitment of offering quality merchandise, competitive pricing and exceptional customer service. We are very fortunate as well to have an efficient and dedicated office and wool grading staff which are an integral part of our organization and includes many long term employee's. Our retail business continues to grow and in 2005/06 a few projects were undertaken and some will be completed this year. In the Maritimes we offer our sincere thanks and appreciation to Grace, Harry and Brian Redmond who have retired after two decades of outstanding service to Maritime sheep producers as our agents, Atlantic Wool Growers Supplies. Our new agent in the Maritimes is well known and we welcome Catherine Vallis to our team. At Premier Choix Agricole, our branch in St. Hyacinthe, Quebec we have completed renovations that doubled our retail store capacity to accommodate a larger product line of livestock supplies, tack and clothing. Also, a French web site for all of our products and wool information is nearing completion, www.pchoix.com is being well received. At Carleton Place our CCWG Livestock Supplies store as well as the Real Wool Shop have both undergone some interior renovations. Attractive new signage has been designed and will be installed in the near future at the entrances to the property. Some other cosmetic changes to the front of the building will be completed later this spring. Our property at Carleton Place is a former CPR Round House and we have recently restored the old engine room to its original heritage appearance. The engine room connects to our two retail stores and will now be our new Equestrian Centre for tack and western clothing. It will also feature a mini railway museum display. Congratulations to Premier Choix Agricole and Carleton Place retail staff for your continued fine efforts and excellent achievement.

We have made some improvements to our wool handling and grading facility in Carleton Place for labour and production efficiency and hope to purchase another automated wool press during the coming year for the warehouse. Farm wool presses that we have developed and fabricated for shearers and / or producers are being well accepted and will assist us to move wool more efficiently and cost effectively from the farm to our wool grading facility. Our Cookstown branch is located at the largest lamb marketing facility in Canada and plays a vital role in servicing south western Ontario producers for livestock supplies and wool collection services. John Cuthbert, our Cookstown Manager, is also responsible for the Wool Grower magazine and he does an excellent job of producing this publication. The Lethbridge, Alberta branch of CCWG serves the producers for the very large area comprised of four Western provinces and our staff does a very commendable job. During the coming year, plans are being discussed and analyzed to potentially

expand our services in western Canada, we will have more to report on our progress with this initiative at a later date. I would like to recognize the essential services provided by the shearers and our wool depots who are very important and play a vital role in our industry. We thank you for your assistance and ongoing co-operation throughout the year. Lastly, appreciation is extended by management and staff to the CCWG Board of Directors for your contribution to the success of the organization and your continued support.

Our very best wishes to Canadian sheep producers for successful sheep, lamb and wool marketing in 2006.

FEBRUARY 2005

WOOL MARKET & CCWG BUSINESS UPDATE 2004 / 05

Submitted by Eric Bjergso, General Manager

At the present time the global wool market is relatively stable with some positive signs emerging, indicating improving demand for wool from major wool consuming countries. Current fashion trends are strongly favouring wool with an increase in popularity of traditional worsted suits, woolen jackets and coats. Recent fabric shows in Europe have shown significant interest in fine suiting, woolen jacketing and wool fabric for other end uses. Women's wear collections are also favouring wool, with especially increased popularity in tweeds. These trends indicate there will be increased demand and consumption of wool, which means the prospects for wool at the retail level is very positive.

The global economy is expected to continue to grow strongly which usually bodes well for wool. However, there is considerable caution in the market place regarding the potential repercussions of high oil prices and rising interest rates. These factors will reduce the amount of money consumers have available to spend and will likely have an impact on economic and income growth rates. Although higher oil prices will improve wools price competitiveness with man made synthetic fibers, it has not yet translated into higher wool prices. Cotton is also expected to be a strong competitor for wool in the coming months due to a record crop produced this year that is now experiencing a downward spiral in prices. Volatile currency exchange rates will continue to be an important factor for determining wool prices. All commodity based currencies including the Australian, New Zealand and Canadian dollar have appreciated significantly this year against the weakening United States dollar and is therefore having a major impact on wool prices.

In terms of global wool production, volumes are consistent compared to a year ago and it is projected that the Australian clip will increase approximately 4% after many years of drought induced decline.

The Chinese wool textile industry continues to be a very dominant player in the market place, their market share has soared and accounts for much of the increased global wool demand in 2004. Chinese textile exports continue to achieve extremely strong growth with a recent example being US imports of Chinese produced wool socks. In 2000, one million dozen pairs of Chinese socks were

exported to the United States and this figure has now mushroomed to forty two million dozen pairs in 2004. Based on current growth and expansion in the Chinese wool industry, some analysts believe that China may monopolize world trade in textiles and apparel in the not to distant future. China has imported record amounts of greasy and scoured wool in 2004 with a high percentage destined for export as wool top and fabric. They have fully recovered from set backs last year such as the SARS outbreak, but now they face some new challenges. Recent efforts by the Chinese government to slow the economy down which is growing at a pace of approximately 10% per annum, by restricting credit and raising interest rates may have a negative impact on some Chinese mills ability to buy wool inventory in the coming year. High energy demands in China has also limited some of the mills ability to operate full time and efficiently. In order to avoid potential trade retaliation, recently the Chinese government has imposed some tariffs on textile exports in a move to help cushion the effect of low cost Chinese garments that are currently flooding western markets due to the abolition of import quotas on January 1, 2005 under agreement with the World Trade Organization. The Chinese government is also under pressure to revalue it's tight hold on the Yuan which has been locked at a fixed rate to the USD for the past 14 years. Critics complain this is a manipulation of currency that makes it's exports cheaper. The steep rise in exports of Chinese textiles has also led to some protectionist measures being implemented whereby certain textile imports are now subject to safeguard restrictions.

At CCWG we have aligned our organization with a number of end users in China, Europe, India and the United States. By building a trusted partnership directly with end users we are developing new long term relationships that will enable us to market graded and objectively measured Canadian wool on a very competitive basis relative to wool produced from other origins. By developing various marketing options it also enables us to compare various markets and to capitalize on the best available wool market at any given time. Our commitment is to offer year round wool collection, transportation and marketing services as well as always having a competitive wool price to offer producers. We are endeavoring to establish an efficient wool collection system by working with producers, sheep shearers and our strategically located wool depots to minimize the transporting and handling of wool bags. Various payment options are available to producers to ensure timely payment and we welcome your input for improvements.

The retail divisions of our organization located at Carleton Place, Cookstown, Saint-Hyacinthe and Lethbridge are again this year recording favourable financial results. The companies website at www.wool.ca has been expanded to include additional Real Wool Shop items as well as more wool related information. It also encompasses our extensive line of quality and competitively priced livestock supplies, animal health products and equipment, in both English and French versions. We have also recently completed an update of the information on the Canadian Sheep Identification Program (CSIP) including the various options of ID ear tags available to producers. We sincerely thank our retail staff as well as our office and wool grading staff for their continued commitment of offering exceptional customer service in all facets of our business.

Thank you to Canadian Sheep producers for your continued support. The United States border closure has made the past couple of years very difficult but the sheep industry has adapted and seems poised to make a strong recovery, the future looks very promising. Thank you again for your patronage and we look forward to the opportunity and challenges of marketing Canadian wool to best advantage and value on your behalf in the coming year.

WOOL MARKET UPDATE OCTOBER 2005

Submitted by Eric Bjergso, General Manager

During the current season the global wool market has struggled to maintain market share against other competing fibres and as a result wool prices are now trading at a five year low. Increasing energy costs are having a huge impact on the market. With oil prices in excess of 50% higher than a year ago, it will improve the price competitiveness of natural fibres against synthetics however a much larger downside is that higher oil prices will increase the cost of almost everything produced and transported. This will not be positive for consumer confidence and the higher expenditure on all consumer products will likely result in a squeeze on discretionary spending and a smaller consumer budget for clothing purchases. These tough economic conditions will likely suppress demand for wool apparel for the remainder of 2005 but there have been positive signs reported from key European fabric fairs this month that wool will emerge as a key player in apparel retail 2006/07. Cotton is a concern because prices continue to deteriorate due mainly to overproduction in the United States which means that cotton clothing will provide a lot of competition against wool in the coming months.

Another major factor that has had a significant influence on the wool market has been the uncertainty of new trade restrictions on Chinese exports of clothing and apparel to the United States and European Union. Exports of certain wool products are now restricted into these regions, which is having an impact on orders throughout the wool textile industry in China. The restructuring of the wool processing industry continues into lower cost countries such as Eastern Europe and China with the latter now purchasing or processing in excess of 60% of the Australian wool clip. The Chinese economy continues to prosper and has recorded annual growth of 9.5% every year for the past 20 years, and this growth is expected to continue at perhaps a somewhat slower pace.

Mills that are confronted with soaring costs and volatile market conditions have been reluctant to forward contract in the usual 3 - 6 months ahead time frame and are instead buying hand to mouth and running down existing inventories. Currency exchange rates have also played a major role in the marketplace. The Chinese Yuan which was previously pegged to the United States dollar is now allowed to fluctuate and floats to a limited extent against a basket of currencies. Commodity based currencies such as the Australian, New Zealand and Canadian dollar have all appreciated significantly against the weakening United States dollar

which has made wool more expensive in local country currency terms. In terms of global wool production there is not expected to be any overall significant change from a year ago. With wool production remaining at historically low levels for at least the next two years, wool prices in theory should be supported or achieve modest improvement.

In Canada, our wool production is stable compared to a year ago. This year our main export destinations for Canadian wool will be China, United States and to a lesser extent India. Canadian wool is well known and accepted in these key markets. We have established markets for all of our wool types and our wool quality will continue to compete with the quality of wool from other origins. We urge producers to continue your efforts of proper fleece preparation so that we in turn can market your product for maximum value. All of this information can be found on our website at www.wool.ca.

2004 WOOL MARKET UPDATE FEBRUARY YEAR-END REPORT

Submitted by Eric Bjergso, General Manager

The wool market was very much influenced by a number of global factors in 2003. Volatile currency movements, in particular of major commodity based countries, increased dramatically against the USD, making trading conditions very sporadic on a day-to-day basis. Relatively subdued consumer demand for wool products following poor economic growth from some major world economies also had a significant impact. The S.A.R.S. outbreak in Asia and the growing uncertainty and subsequent drop in consumer confidence following the war in Iraq and ongoing tensions in the Middle East all contributed towards a softer wool market, particularly during the last half of 2003. Major restructuring continues to take place within the wool processing industry as many mills have transferred standard high volume production to lower operating cost regions of the globe (Asia and Eastern Europe) and are attempting to operate on a just-in-time inventory basis where possible, rather than the standard industry practice of forward contracts.

There are signs indicating improved raw wool demand now that global wool production has stabilized after 13 years of continuous decline and the ratio of supply and demand for wool becomes more balanced. Global raw wool production is currently estimated at a 50 year low but it is projected that there will be a 2% increase during the 2004 / 05 season, due mainly to improved drought recovery conditions in Australia. In most other major sheep producing countries production is also expected to rise marginally over the next 12 months.

The 2004 forecast is more positive - it is widely anticipated that the economic recovery underway in United States, Japan and Europe along with China's booming economy will be a catalyst to improving wool demand and market prices. Nearly all the economic indicators point to continued improvements in the major world economies, which in the past has been good news for the wool industry. The wool trade will be looking for an increase in consumer spending on textiles this year

rather than electronics, cars and housing which all compete for the consumer dollar. This trend will need to become evident before we will see any significant recovery in wool prices. In wool's favour at the present time is rising cotton and synthetic prices, which is improving wool's competitiveness in the textile fibre market, which should result in mills increasing the percentage of wool they use in blends. Rising oil prices will increase the cost of production of synthetic fibres and should result in increased consumption of natural fibres such as wool. Low wool stocks in some regions of the globe and positive fashion trends utilizing wool are emerging in both weaving and knitwear sectors which are very encouraging signs for 2004's wool prospects. General consensus seems to be that the prospects for a recovery in wool are good barring any further global disasters or terrorist attacks, that would only serve to erode consumer confidence.

In regard to domestic wool production we anticipate a small increase in the wool volume handled by CCWG, probably in the vicinity of 2-5% compared to a year ago. We have expanded our efforts to establish a significant network of wool collection depots across the country of which you will find a complete listing located elsewhere in this magazine. At the Carleton Place wool grading facility renovations have been completed and more efficient handling and baling equipment has been installed that will ultimately improve our daily production and result in overall cost efficiencies. Also being developed for on farm use is new wool packaging and wool press equipment that will be available to producers this spring, if you are interested please contact us for further details. If you require assistance in transporting your wool to CCWG or wool market / clip preparation information at any time, please do not hesitate to contact any of our branch locations or wool depots. In terms of Canadian wool marketing, CCWG continues to establish a wide network of international buyers and end users in the UK, Europe, United States, India and China. I am very confident that CCWG can continue to offer our producers very competitive wool pricing by continuing our proven practice of developing trusted relationships with end users, by marketing graded and objectively measured Canadian wool and gaining their confidence in our ability to supply a consistent and quality product in a timely manner. Fortunately we have been able to develop markets for all qualities and styles of wool produced in Canada. Our challenge will be to continue our efforts to improve the quality and presentation of Canadian wool and to reward those producers accordingly for doing so, by offering financial incentives, as well as handling the product in the most cost efficient manner.

We hope that sheep producers will recognize our organization as being a long-term player involved in Canadian wool marketing and retail sales, owned and directed by Canadian sheep producers since 1918 and always having the best intentions and interests of producers at heart. We welcome sheep producers as financial partners by becoming shareholders of the grower's own organization. In addition to a voting voice in the business affairs of CCWG, shareholders can expect a good dividend return on their share investment, which has been at the rate of 7% annually since 1999. Other benefits include a shareholder retail discount plan and a loyalty rewards program is currently under development which will incorporate incentives for both wool marketed and retail purchases.

For field work and promotion I would be remiss not to mention the upcoming World Sheep and Wool Congress to be held in Quebec City July 17 - 24, 2004 inclusive. CCWG has committed to the organizing and sponsorship of the fleece competition and international sheep shearing competition at this venue. This congress will be an excellent opportunity to showcase the Canadian sheep and wool industry and our staff and directors look forward to contributing and participating. Hope to see you there!

At this time we would like to take the opportunity to introduce three sheep producers who have recently been elected to the CCWG Board of Directors. John Woodburn will represent the sub-district of Alberta North and Margarete Zillig will represent the Maritimes. In Saskatchewan, long time director Russell Simpson is retiring and Ward Harden will represent South Saskatchewan. We welcome these new members to our board, they are very knowledgeable and well known participants in the industry and all earn their full time livelihood from the sheep business. I would like to personally thank Russell Simpson for his support and loyalty over the many years he has served as a valued and dedicated director of CCWG. Russell Simpson has made an outstanding contribution to this organization and has always represented sheep producers from Canada with distinction. His calm, honest and open approach to dealing with business matters was always respected, appreciated and will be missed. Thank you Russell for your friendship and excellent service.

At our year-end we are pleased to report to sheep producers and our shareholders that record financial results have been achieved in our overall wool operation and retail divisions. As part of our mandate we strive to always offer a year round, competitive and efficient wool collection, handling and marketing service. Our retail divisions, which are comprised of livestock supplies, pharmaceuticals, equipment and woollen goods are growing and prospering and thus are a major contributor to the companies continued success. We could not achieve these positive results without the fine efforts of a loyal and dedicated CCWG staff and Board of Directors, which are truly our strongest assets. We are also indebted to our many sheep industry partners which include agents, wool depots and sheep shearers for the excellent co-operation and service that they provide to CCWG and the sheep industry. Most importantly, we are very grateful to sheep producers for your continued support, patronage and loyalty and for entrusting us with your valued business.

We are very optimistic about the future of the Canadian sheep and wool industry, the border will open soon and lamb / wool prices will be strong! Looking forward to the privilege of serving you and representing your interests in the coming year.

WOOL MARKET UPDATE
OCTOBER 2004

Submitted by Eric Bjergso, General Manager

At the present time the global wool market is relatively stable with some positive signs emerging, indicating improving demand for wool from major wool consuming countries. Current fashion trends are strongly favouring wool with an increase in popularity of traditional worsted suits, woolen jackets and coats. Recent fabric shows in Europe have shown significant interest in fine suiting, woolen jacketing and wool fabric for other end uses. Women's wear collections are also favouring wool, with especially increased popularity in tweeds. These trends indicate there will be increased demand and consumption of wool, which means the prospects for wool at the retail level is very positive.

The global economy is expected to continue to grow strongly which usually bodes well for wool. However, there is considerable caution in the market place regarding the potential repercussions of high oil prices and rising interest rates. These factors will reduce the amount of money consumers have available to spend and will likely have an impact on economic and income growth rates. Although higher oil prices will improve wools price competitiveness with man made synthetic fibers, it has not yet translated into higher wool prices. Cotton is also expected to be a strong competitor for wool in the coming months due to a record crop produced this year that is now experiencing a downward spiral in prices. Volatile currency exchange rates will continue to be an important factor for determining wool prices. All commodity based currencies including the Australian, New Zealand and Canadian dollar have appreciated significantly this year against the weakening United States dollar and is therefore having a major impact on wool prices.

In terms of global wool production, volumes are consistent compared to a year ago and it is projected that the Australian clip will increase approximately 4% after many years of drought induced decline. The Chinese wool textile industry continues to be a very dominant player in the market place, their market share has soared and accounts for much of the increased global wool demand in 2004. Chinese textile exports continue to achieve extremely strong growth with a recent example being US imports of Chinese produced wool socks. In 2000, one million dozen pairs of Chinese socks were exported to the United States and this figure has now mushroomed to forty two million dozen pairs in 2004. Based on current growth and expansion in the Chinese wool industry, some analysts believe that China may monopolize world trade in textiles and apparel in the not to distant future. China has imported record amounts of greasy and scoured wool in 2004 with a high percentage destined for export as wool top and fabric. They have fully recovered from set backs last year such as the SARS outbreak, but now they face some new challenges. Recent efforts by the Chinese government to slow the economy down by restricting credit and raising interest rates may have a negative impact on some Chinese mills ability to buy wool inventory in the coming year. High energy demands in China has also limited some of the mills ability to operate full time and efficiently.

At CCWG we have aligned our organization with a number of end users in China, Europe, India and the United States. By building a trusted partnership directly with end users we are developing new long term relationships that will enable us to market graded and objectively measured Canadian wool on a very

competitive basis relative to wool produced from other origins. By developing various marketing options it also enables us to compare various markets and to capitalize on the best available wool market at any given time. Our commitment is to offer year round wool collection, transportation and marketing services as well as always having a competitive wool price to offer producers. We are endeavoring to establish an efficient wool collection system by working with producers, sheep shearers and our strategically located wool depots to minimize the transporting and handling of wool bags. Various payment options are available to producers to ensure timely payment and we welcome your input for improvements.

Thank you to Canadian sheep producers for your continued support. We look forward to the opportunity and challenges of marketing Canadian wool to best advantage and value on your behalf.

WOOL MARKET REPORT 2003

Submitted by Eric Bjergso, General Manager

The wool market in 2003 has improved compared to the previous year although there is currently a downward trend taking place in the market place. This development at the present time appears to be mostly due to a currency adjustment factor because of appreciating currencies in most commodity based countries, but it is also because textile fibers have not yet benefited significantly from the anticipated recovery in global economic growth. As a result the recent decline in raw wool prices can be attributed to the dual effects of rising currencies and subdued textile demand. In Europe the rise of the Euro against the USD has restricted their export activities but has assisted Asian competitors with low value currencies.

Conditions throughout the wool textile pipeline remain soft as retailers and mills wait for improved demand from consumers. In fact, many mills are operating on a hand to mouth basis as they await for improvements in new orders. Currency movements will continue to be a major influence on wool prices until the underlying demand conditions improve and mills become more confident about order levels. There is some speculation however that textile fiber prices could begin to improve over the next few months as the global economy improves and in view of an ever tightening wool supply. There are also some very positive fashion trends for wool fabric for autumn / winter 2004 which is encouraging and should provide further support for improved raw wool demand in the coming season.

On the wool production side, there continues to be concerns about availability of supply as global wool production continues to decrease, presently at a 50 year low. In particular, Australia is forecasting a 10% decline in wool production for the coming year as a result of lower sheep numbers and continuing drought conditions in major sheep raising areas. The drought has also produced an over supply of short and tender inferior quality wools that have been difficult to market.

New Zealand wool production is also forecast to decline by 2% in 2003/04. Again the reason is lower sheep numbers and also competition for land use from alternative agriculture and forestry enterprises.

China continues to be a dominant player in the international wool market with Chinese mills consuming 300,000 tonnes of raw wool annually of which they import approximately 80% of their requirements. Mills and processors in this market experienced a major set back earlier in the year with the SARS epidemic but have since fully recovered, although there are recent reports that stocks of finished product are at very high levels in China. Globally the wool processing industry continues to relocate to lower cost Asian destinations in particular. This is mainly due to lower labour costs, a low value currency, and less restrictive environmental regulations. China's recent accession to the World Trade Organization resulted in the immediate elimination of import quota's and tariffs which had previously restricted a wide range of Chinese export items and has made them a dominant force. This has been illustrated by their ability to dramatically increase their volume of exports. As an example, US imports from China in the first five months of this year more than doubled in volume terms compared to the same time frame of the previous year. India, whose labour costs are among the lowest in the world is also becoming a leading textile and apparel producing country in the global market place.

China will be our largest export destination for Canadian wool in 2003 along with other markets that we have established in the United States, Europe and India. Wool volume handled by CCWG to date in 2003 is stable compared to the previous year and overall we are projecting a small increase by year end. The retail divisions of CCWG continue to record positive results although the BSE situation will have some negative impact on sales. We are pleased that in association with CSF, CFIA and CLIA we have a tag distribution agreement for the Canadian Sheep Identification Program and we have stock of the approved tags available at all CCWG branches.

We extend our best wishes to Canadian sheep producers for successful lamb and wool marketing in these challenging times.

WOOL MARKET REPORT 2002

Submitted by Eric Bjergso, General Manager

There is renewed interest building in the wool market amid concerns of tighter global wool supplies. Sheep numbers worldwide are decreasing and in particular New Zealand and Australia with the latter forecasting wool production will decline another 11% in 2002/03 to its lowest level in over 50 years. Lower sheep numbers around the globe means that current wool production is substantially less than 10 years ago and wool stockpiles world wide have also been eliminated through a planned liquidation. This loss in sheep numbers in part has come about due to the low wool prices of the past decade, which caused some producers to switch to other agriculture enterprises such as cattle and cash crops. Drought conditions and lack

of feed in Australia combined with a strong sheep meat and live animal export market has also accounted for some of the de-stocking that has taken place as producers take advantage of current high prices. In any event there will be less wool coming into the market place next year which should keep prices firm, particularly as prices for competing fibres such as cotton and man made fibres have also been rising.

Purchasing activity by China and Europe continues to be strong, partly due to the need to keep textile machinery running, but spinners are still resisting buying higher priced wool and delaying the take up of contracts in some situations. It is expected China will continue as a dominant buyer on the international wool market with the recent announcement that Chinese wool import quota's will increase 4.5% in 2003 to a record level of 352,000 tonnes clean. Mills continue to report that business conditions remain difficult but that there are patchy signs of improvement in new orders. Although global mill demand for new business has not risen comparatively to raw wool demand, wool stocks in the processing pipeline are low which means that any anticipated orders will flow through relatively quickly leading to better activity levels. It is also expected that confirmation of improved mill orders in part awaits the outcomes from both the key fabric fairs this fall and from the crucial Autumn/Winter 2002/03 retail season.

Restoring retail consumer confidence which has been shaken since 9/11 and the subsequent decline of the stock markets, global climatic conditions, and economic improvements will continue to be important factors in determining any increase in consumer spending in textile sales at the retail level. There are some indications that retail spending patterns are changing with consumers moving towards spending more on fashion and less on hard goods such as technology products. This could be a very positive development and trend for wool as the consumer becomes more fashion conscious and allocates a greater percentage of disposable income towards clothing. Casual work place attire is no longer in vogue and the business suit is making a come back which will also be good for wool consumption. Although an improvement in wool prices is long overdue, a volatile market with sharp price spikes over a short time period is highly undesirable because inevitably significant price corrections will follow. The wool trade is hoping for a gradual rise in wool prices that will enable wool supply participants to develop and expand current wool textiles without sacrificing market share to less volatile competing fibres.

We would ask sheep producers to recognize that we are competing in a global market place and therefore wool quality continues to be a major factor in obtaining better prices. A little extra care taken during the year and specifically at the time of shearing can make a significant difference in how efficiently and competitively we are able to handle and market your wool clip for maximum market value. Skirting fleeces and the removing and packing separately of bellies, tags, short fibres, stained wool and other offsorts as well as separating black face from white face wool would be very beneficial. We respectfully request your assistance with this matter, which will enhance our efforts to improve your economic returns for wool.

In 2003 we are pleased to report that in addition to our established wool markets in Canada, United States, United Kingdom, and Western Europe including Germany and France, the CCWG has successfully negotiated significant sales to new markets for Canadian wool in India and China.

We look forward to achieving improved wool sales in the upcoming year by offering well grown and prepared Canadian wool to a larger network of global buyers on behalf of Canada's wool producers.

WOOL MARKET UPDATE

DECEMBER 2001

Submitted by Eric Bjergso, General Manager

There is renewed interest building in the wool market amid concerns of tighter global wool supplies. Sheep numbers worldwide are decreasing and in particular New Zealand and Australia with the latter forecasting wool production will decline another 11% in 2002/03 to its lowest level in over 50 years. Lower sheep numbers around the globe means that current wool production is substantially less than 10 years ago and wool stockpiles world wide have also been eliminated through a planned liquidation. This loss in sheep numbers in part has come about due to the low wool prices of the past decade, which caused some producers to switch to other agriculture enterprises such as cattle and cash crops. Drought conditions and lack of feed in Australia combined with a strong sheep meat and live animal export market has also accounted for some of the de-stocking that has taken place as producers take advantage of current high prices. In any event there will be less wool coming into the market place next year which should keep prices firm, particularly as prices for competing fibres such as cotton and man made fibres have also been rising.

World wide wool production continues to fall with an Australian production forecast for the upcoming season of 596 million kilo greasy, the lowest level in 40 years. In normal circumstances, the combination of a weak dollar and lower available supply of wool might have triggered sharp price increases but this has not been the case to date. It is difficult to predict the repercussions of recent tragic acts of terrorism in the United States and how further developments in the coming weeks and months will affect global economic and social conditions, but most assuredly there will be additional trading risks and volatility in the market place. On the demand side there are favourable fashion trends for wool but the retail outlook for autumn / winter apparel sales remains cautious, due to underlying risk of growing consumer fear of war, job uncertainty and economic slow down. There are other elements to consider such as the current price of wool relative to other competing commodity fibres (cotton prices down 57%, acrylic and polyester down in price 8% and 16% respectively) with excessive available supply and production forecast to increase in the coming year.

Economists are now expecting a sharp decline in global economic growth which will have an impact on consumer demand for textile products in both the

woollen and worsted sectors. Therefore concerns about the supply of raw wool versus demand equation are being offset to a degree by growing concerns about economic prospects and deteriorating consumer confidence in major markets such as the U.S.A., Europe and Japan and weakening orders throughout the wool textile pipeline. Fluctuating exchange rates and mills requiring wool to keep machinery in operation are additional variables to be continually evaluated.

The affects of foot and mouth are still being felt in the UK and Europe as well as Uruguay. In the UK alone 3.7 million sheep and lambs have been slaughtered to date which has resulted in reduced wool offerings with wool sales to date holding firm.

In terms of Canadian wool our volume is stable compared to a year ago and we have forward sold most of this years production to our main markets which are the U.K., Western Europe, U.S.A. and China.

WOOL MARKET UPDATE OCTOBER 2001

Submitted by Eric Bjergso, General Manager

Unfortunately there has been no new developments to report in the global wool trade to indicate that a turn around in the wool market will take place in the foreseeable future. The market continues to struggle due to an overall lack of demand and absence of new business which in turn has resulted in wool prices not seen since the collapse of the wool market when reserve prices were removed from Australian wool in the early 90's. There is no question that the Asian financial collapse and resulting currency devaluation in the Far East has created enormous problems around the world with cheap wool products dumped on the market to obtain hard currency. This situation severely disrupted previously stable markets for wool and as a result there have been numerous mill closures and downsizing within the wool processing industry. Another factor is that due to global warming we are also experiencing warmer than usual winters which is not helpful for wool consumption and other textile fibers such as cotton are also struggling.

In Australia the Woolmark Company is predicting another difficult year for wool in 2000 and any improvement in price is likely to be very modest. It is expected that resistance to raw wool price increases in China is likely to continue given the on going uncertainty about government policy on raw wool import rules, weak domestic apparel retail demand, slow economic growth and textile industry restructuring. Overall, it is expected that major wool consuming markets in Western Europe, Asia and North America will continue to struggle well into 2000 with delays in re stocking the wool textile pipeline.

In terms of marketing Canadian wool, we continue to forward contract on an ongoing basis with a wide network of wool buyers that we have developed both domestically and globally. For more information on the wool market, the wool depot

in your area, or assistance in transporting and marketing your wool please contact any CCWG branch location.

We would also like to take this opportunity to advise producers that our Stockman Supply catalogue is now on line at www.wool.ca. Also included on our web site is other useful information on wool marketing, wool collection/depots, lists of shearers, etc. We are also developing a Sheep and Wool Forum bulletin board and sheep breeders guide. Please contact us to receive advertising rates or to offer any suggestions, we would welcome your input.

WOOL MARKET REPORT 2001

Submitted by Eric Bjergso, General Manager

At the time of this writing the wool market continues to depreciate due to lack of new business on a global basis. A combination of a number of factors are contributing to an overall lack of confidence in the market place which has necessitated most wool buying firms to operate on a strict hand to mouth basis for new wool purchases. The steady decline in wool prices during 1998 has experienced a further 7% to 10% decline since Christmas in primary wool producing countries. After effects of the Asian economy collapse and a very subdued Chinese market continue to put downward pressure on an already very fragile wool market. Some markets, including North America, have been flooded with cheap imports of woollen goods which in turn has had a very negative impact on the competitiveness of American mills. Currency turmoil worldwide has not been helpful because countries with devalued currencies have dumped wool products onto the market to obtain hard currency, which in turn has disrupted previously stable markets for wool. The Asian situation has also led to severely reduced demand for wool in key markets of Europe, Japan, China and Korea. These deteriorating market conditions caused the Australian government to take the decision to freeze sale of wool from the stockpile for the remainder of the 2001 season.

Wool prices are now lower than the wool market crash of 1989/90 when reserve prices were removed on Australian wool and their stockpile was in excess of 5 million bales. Although there is less wool available today for market, stocks continue to build worldwide due to lack of demand. Historically, low wool prices have meant there is potential for new market opportunities for wool to replace some competing fibers, however low oil prices make man made fibers very attractively priced and cotton prices are down 50% from a year ago and are now at 5 year lows. Deteriorating prices are not the only challenge facing the wool industry in 2001. Other factors include the increased competition from alternative fibers, changing consumer attitudes and the overall trend towards light weight, easy care and casual clothing for both recreation and workplace.

As global economic activity continues to weaken, the supply of many commodities and consumer products is out stripping demand which is putting enormous pressure on prices of which textile fibers are no exception. With tough

trading conditions from retail and throughout the whole textile pipeline, there are a number of textile businesses in financial difficulty which has resulted in numerous closures, lay offs, and mergers.

In this environment any recovery in raw wool demand in 2001 is likely to be very subdued and there is no short term recovery in sight. Worldwide it is expected that all of 2001 will be very difficult marketing conditions for the wool trade.

In 1998 wool volume handled by the co-operative increased a modest 2% from the previous year and in addition to collecting, grading and marketing wool from all across Canada, a few select wool pools from the United States were also purchased and successfully marketed. We continue to make forward sales to our long established customers when there are opportunities to do so. Our objective is to keep a fairly long order book and we have been relatively successful to date in achieving this.

It is also important to note that we must continue our efforts to improve wool quality and keep it free of contamination in order to obtain maximum market value. We wish to assure producers that we are actively purchasing and marketing Canadian wool at all times of the year and we encourage producers to contact us for current prices and to market wool annually in order to avoid deterioration in wool quality.

We will keep everyone advised of wool marketing developments as they occur.

WOOL MARKET REPORT UPDATE MAY 2000

Submitted by Eric Bjergso, General Manager

The wool market has continued to struggle on a global basis and there appears to be a combination of factors responsible for the current trend that has driven down demand and prices, particularly for wools coarser than 23 micron. There has been fundamental shifts in demand for finer wool away from mid micron wools as mills look to produce light weight, easy care and next to skin comfort fabrics to meet consumer demand in major developed markets. Synthetic fibers are also growing as a percentage of the textile market, even as the share of the consumer budget for clothing is shrinking which is presently estimated at around 2%. Another significant factor is the reality that sales levels for formal wear are sliding as fewer suits are sold due to present day trends of relaxed dress codes in the work place. In addition to changing consumer trends the wool industry must also recognize the repercussions of changing global weather patterns and the resulting impact of reduced outerwear sales. The challenge for the wool industry will be to determine how wool can maximize market potential for a broad range of wools in these changing times. It will mean partnerships with other fibers in order to take advantage of the highly desirable characteristics of wool, for new product development in such areas as sports and leisure wear. In order for wool to increase

market share it will be necessary to become part of the blend with top performing synthetic fibers that have been developed in recent years. Sports wool which is a fabric consisting of fine merino wool on the inside and a polyester outface as well as wool plus lycra are recent success stories that will enable wool to enter new markets.

On the positive side, better economic growth and recovery in major markets such as Asia, Western Europe and North America should result in higher consumer spending and apparel retail demand. Competitive fibre prices have also begun to rise due to higher raw material prices and escalating energy and transportation costs. In terms of global wool production, the ten-year decline in worldwide production is expected to continue for at least two more years. This reduction could be helpful because it may bring supply and demand into better balance which in theory could set the scene for modest price improvement, provided demand continues to recover in major markets of Asia, Europe and North America. Recently published statistics indicate global wool production has fallen to 1,349 million kg clean, which is the lowest level in the past 40 years.

Wool promotion was recently dealt a blow when Australian growers voted for a 2% wool tax, which represents 50% of the previous levy for promotion, research and development. The Woolmark Company will be replaced by a corporate body that will commission research and development with an emphasis on innovative products. Apparel promotion will now be left to garment makers and retailers.

In summary, the general forecast is that if demand remains stable for wool we may see modest improvement in fine wools but coarse wool and poorly prepared wool will continue to face difficult market conditions in 2000. Another ongoing challenge facing the wool industry is quality control and elimination of contamination. Even when the value of the wool is low, it is important for wool to be handled and skirted properly in order that it can be presented to the market place to best advantage for maximum market value. Please give us your co-operation in this regard so that we can do our best possible marketing job on your behalf.

In terms of marketing Canadian wool, we continue to forward contract our graded and objectively measured wools on an ongoing basis to a wide network of wool buyers that we have developed both domestically and internationally. For more information on the wool market, the wool depot in your area, or assistance in transporting and marketing your wool please contact any CCWG branch location.

We would also like to take this opportunity to advise producers that our Stockman Supply catalogue is on line at www.wool.ca. Also included on our web site is other useful information on wool marketing, wool collection/depots, lists of shearers etc. We have also developed a sheep and wool forum bulletin board and sheep breeders advertising guide. Please contact us to receive advertising rates or to offer any suggestions, we would welcome your input. This is a very affordable way to advertise your services or quality breeding stock to a global audience.

The retail divisions of our organization continue to play a large role in the overall success of the company. In 2001 financial results were very satisfactory from these operations and we express our sincere thanks to all retail staff for their efforts as well as office and wool grading personnel for their contribution to the company's success in 2001.

We look forward to improving wool markets in 2000 and to the privilege of serving Canada's sheep producers, our best wishes to all producers for a successful and prosperous year.