

FIRST MEETING OF THE WOOL INDUSTRY CONSULTATIVE PANEL (WICP)

Date: Monday 2nd September 2019

Venue: AWI, Level 6, 68 Harrington Street, Sydney NSW 2000

The WICP has been established by AWI as an outcome of the recent Review of Performance undertaken by Ernst Young. Membership comprises representatives of Australian Association of Stud Merino Breeders, Australian Superfine Wool Growers Association, Australian Wool Growers Association, Broad wools, Commercial Merino Ewe Competition Association, Pastoralists and Graziers of WA and WoolProducers Australia. Two AWI Board members and a representative of the Commonwealth Department of Agriculture also attend. The Panel has an independent chairman (Ron Cullen).

The purpose of this forum is to ensure that a clear two-way consultation between AWI and organisational representatives through to growers occurs. The WICP replaces the previous Industry Consultation Committee (ICC).

The meeting provides an opportunity for the AWI Board to receive and provide feedback on current/important issues and relevant topics from Board meetings. The following discussion points were raised:

AWI's 2019 Annual General Meeting

- AWI's AGM will be held on the 22nd November 2019
- AWI's Annual Report and Notice of Meeting are being prepared, once these have been finalised, they will be available on the wool.com website.
- Members noted the importance of supporting the reforms that are to be presented to the AGM and requested that this information be provided as soon as practicable so that Panel member support can be maximised.

Market analysis factors

- The current Australian drought has reduced the sheep flock. AWI has a suite of drought publications and resources available on wool.com; all members can access [here](#).
- Current trade war between China and the US has sparked major concerns and affected confidence, with China activity in the wool market subdued. AWI is working closely with key players in the industry to obtain updated market analysis.
- Current political circumstances in Hong Kong and the uncertainty of Brexit are also having an adverse effect on wool prices which may be long term.
- Currency exchange rate fluctuations another factor creating uncertainty.

Levy

- External factors, plus the wool levy reduction from 2% to 1.5% has reduced revenue by around \$30 million.
- The board will continue to review and monitor the wool price; budgets will be further adjusted as required.
- Panel members stressed the need for any budget cutting to be undertaken in a strategic manner. AWI agreed and indicated that the strategic plan underpinned activities and that expenditure changes had to align with the intent of the strategy and the Board is ever mindful of the need for strategic decision making.

AWI priorities

- The key priority in this volatile market is to maintain the marketing drive and demand of wool globally and increase industry confidence wherever possible.
- The main focus of the new strategic period is sustainability, traceability, and stimulating demand.

Mulesing

- Panel members sought clarity on AWI's position re the potential for wool markets to become more aggressive in demanding non-mulesed wool and the recent media release from RSPCA on its apparently changed position re 'steining' as a solution to mulesing.
- These issues have arisen at both international and national level with a heightened demand for growers to move to non-mulesed production. This is evidenced with brands such as David Jones and Country Road supporting non-mulesed supply chains.
- AWI's On Farm R&D projects provide guidance to growers on reducing breech flystrike. AWI continue to provide transparency on mulesing and assist the flow of information throughout the supply chain, to ensure Australian wool is marketed as a high-quality, high performance, sustainable, biodegradable fibre.

Other

Panel members sought clarity on AWI involvement in the Community Trust cross-RDC project. AWI reiterated that this project has been considered but at this stage, AWI will not be involved. Instead, AWI is supporting the Sheep Sustainability Framework development and communication project, in partnership with WoolProducers Australia, Sheep Producers Australia and MLA.

R&D AND MARKETING PRIORITIES

Panel members were given an opportunity to identify key R&D and marketing priorities.

ORGANISATION	MEMBERS' R&D AND MARKETING PRIORITIES FOR AWI
Australian Association of Stud Merino Breeders	Priorities will be provided at the next meeting
Australian Superfine Wool Growers Association	<ul style="list-style-type: none">• Flystrike prevention• Boosting fleece weight• Scholarships available to young growers• Fly genome
Australian Wool Growers Association	<ul style="list-style-type: none">• AWI Strategic Plan 2019/2021 – 2021/2022 – how will AWI cater for a decrease in wool clip, levy income and reserves particularly in communicating with industry• Justification for WoolQ when there appears (1) no market failure and (2) competition with private sector• Why is ear tag technology being developed in apparent competition with private sector and with no evident market failure• 10-year directors' terms must be addressed• What is the status of MLP negotiations with AGBU/MLA
Broad wool representative	<ul style="list-style-type: none">• Increase marketing for mixed wool fibre and the

	benefits of this in workplace, including upholstery
Commercial Merino Ewe Competition Association	<ul style="list-style-type: none"> • Shearer and youth training • A significant reduction of wool production from mixed farming areas if mulesing is lost before a viable alternative is available. • Pain relief benefits
Pastoralists and Graziers of WA	<ul style="list-style-type: none"> • Shearing/shed program • Wild dog programs • Genetics • Lifetime ewe management projects • Cost benefit analysis on effective marketing projects • Questioning WoolQ
WoolProducers Australia	<ul style="list-style-type: none"> • Assist industry respond to mulesing/non mulesing debate • Textile Exchange • 10-year strategic plan • Wool harvesting shortages • Woolmark supply chain Integrity Scheme • Wool Classer training • Breed More Merino Ewes program • 10-year Industry Strategic plan; 5-year strategic period for AWI (from current 3-year)

Additional member agenda items

- Panel members had raised agenda items requesting feedback from AWI. Written responses to these agenda items were provided prior to the WICP meeting.
- During this discussion further information was asked for from AWI in the following areas:
 - Reported comments on the need for mechanisms to manage wool supply
AWI response: *AWI has no intention of attempting to devise and/or implement strategies to control wool supply. Recent media articles misrepresented some comments made.*
 - AWI's priorities in animal welfare, support in mandating pain relief and collaboration with government representatives
AWI response: *AWI reiterated the risk assessments involved with welfare and that it is seen as a major priority, and hence needs to be well managed. AWI works for all wool growers including those that mules and strives to ensure that growers are provided with market information on mulesed and non-mulesed supply chains, and tools to implement pain relief.*
 - 10-year industry plan and determination of priorities in light of potential decrease in clip and levy income
 - **AWI response:** *AWI will not reduce funding of the current year program budget and will use reserves if required, with future reductions made through consultation. A Woolgrower Consultation Group (WCG) meeting will be held 15th November 2019 with the main focus of this meeting to hear current member priorities. Each representative organisation will be requested to provide a short presentation to the WCG regarding the priorities and the 10-year industry plan.*
 - Reducing R&D duplicated collaboration projects, and shearer availability

AWI response: It was raised during this meeting that a process is to be put in place to ensure that levy funds are used effectively, and to avoid any project duplication across other RDCs. AWI were asked about a potential program which involves contracting international shearers to assisting within the shearing period, however AWI are not focusing investment in this space.

○ Concerns re development of WoolQ

AWI response: AWI provided a brief background on the WoolQ system and advised all members support has been provided from Elders, AWH, and other brokers and exporters. Further information on WoolQ is available on the AWI website. An AWI update on WoolQ was requested for the WCG meeting in November.

○ Wool supply chain and data input to the National Wool Declaration

AWI response: A key focus for AWI in the new strategic period is Traceability across the supply chain. AWI is working with AWEX to ensure effective input in data occurs and growers are filling out the National Wool Declaration, data input from WoolQ module will assist in ensuring consistent data is provided. The push for data within the supply chain has come from the new markets and the demands of the GenZ, Gen Alphas. Consumers now more focused on where product comes from and its life cycle; AWI are looking to digitise swing tags in wool products.

○ Status of MLP negotiations with AGBU/MLA

AWI response: It is hoped that an initial agreement will be signed within a short time frame.

Discussion on funding industry organisations

- Clarification was sought on funding levels made available to industry organisations and the alignment of such funding with the SFA. Concerns were raised that such funding needed to be transparent to avoid misunderstanding and meet accountability standards.

AWI responded that details of project funding made available to industry bodies is outlined in the AWI Annual Report. WICP members agreed to examine the detail available in the Annual Report as a next step.

Discussion on Recommendation 1.14.1 (review of WoolPoll mechanism) from the AWI Review of Performance

- The Department of Agriculture advised it has commenced scoping work on ROP recommendation 1.14.1 to review the WoolPoll mechanism and sought any initial views from the WICP on the review.
- The review would involve industry consultation and collaboration; ideally to be commenced by end calendar year.
- Any recommendations arising from the review would be a matter for AWI, the department and wool levy payers to consider. Should changes to the WoolPoll regulations then be required these could take 12 – 18 months.
- A general update was provided to all members on other issues regarding drought funding, new trespassing laws and industry funding.

AWI M&E Framework

- AWI's Marketing & Evaluation team provided a presentation to WICP members; process can be found [here](#).
- This presentation was based on the development of the new M&E framework for AWI's new strategic period. The project's success will be measured including social and environmental factors.

- The M&E team is also developing different data solutions which will target various areas of the supply chain and will be integrated into models allowing AWI to create a streamlined decision making and investment process.
- Members requested feedback on outputs versus outcomes in terms of the four pillars outlined in the presentation. Also enquired as to how areas of marketing and R&D are measured differently, and the changing factors needed to be able to accurately measure these projects.
- Further explanation was requested from the M&E team regarding balancing project performance and ensuring that the budget is spent effectively.
- Members agreed that there needed to be an evaluation of the WICP's first 12 months and that as such a framework was required quickly.

AWI Review of Performance Progress

- 41 of 82 recommendations have been completed with an overall implementation rate of 79%.
- It is estimated that 94% of recommendations will be completed following AWI's 2019 AGM, which will be held 22 November.
- It was noted that four of the five contentious ROP recommendations regarding significant constitutional changes were identified, agreed and the support of alternative methods of addressing the intent of the recommendation was agreed by industry representatives.

Board Nomination process

- Each AGM, shareholder will be given an opportunity to vote. The process is as follows:
 - Potential candidates will need to provide a nominating shareholder form which is completed by 100 or more eligible shareholders of the Company. An 'eligible shareholder' is a shareholder of the Company with an entitlement to vote under the provisions of Rule 5.3 of the Constitution of the Company.
 - Directors who are up for re-election can choose to rerun; however, they do not require an additional 100 signatures
 - The Board Nomination Committee (BNC) review potential candidates across a range of criteria and presents a non-binding report to the AWI Board, which is then included in the AGM materials sent to shareholders.

Other Business

- AWI will work with other RDCs to update current information on India's Free Trade Agreement, current export market information and technology knowledge.
- AWI's wool.com website is in the process of being updated and members were invited to review and provide feedback on this new platform.