

# **WOOLGROWER CONSULTATION GROUP (WCG) MEETING**

## **Meeting Notes [DRAFT]**

**Date** 18 April 2024

**Time** 9.18

**Venue** MG Suite 1, Adelaide Oval, Adelaide

**Present** **WCG Representatives**

Nick Turner	WICP Chair
Michael Field	MerinoLink
Malcolm Starritt	SuperBorders
Cameron Gall	Australian Superfine Wool Growers Association
Michael Campbell	The Stud Merino Breeders Association of WA
David Young	NSW Farmers Association
James Carter	SuperBorders
Kate McBride	Australian Wool Growers Association
Chris Croker	Commercial Merino Ewe Competitions Association
Charles Downie	Tasmanian Farmers & Graziers Association
Peter Blackwood	Broad Wool
Brett Smith	AgForce Queensland
Justin Boughen	SA Stud Merino Sheepbreeders Association
Jo Hall	Wool Producers Australia
Joe Keynes	Livestock SA
Makaela Knapp	WAFarmers
Hamish McLaren	NSW Stud Merino Breeders' Association
Richard Keniry	MerinoLink
Steven Harrison	WoolProducers
Cathy Hayne	Australian Superfine Wool Growers Association
Max Wilson	Australian Association of Stud Merino Breeders
Geoff Power	Flinders Ranges Merino
Tom Moxham	Australian Wool Growers Association
Amanda Horton	Monaro Farming Systems

**Department of Agriculture, Fisheries and Forestry (DAFF)**

Jo Harris	Assistant Director, Food and Supply Chain Branch
Jo Stanion	First Assistant Secretary, DAFF
Paul Maisey	Director, Food and Supply Chain Branch

**AWI Board Members**

Jock Laurie	Chair
Michelle Humphries	Director

**AWI Management/Staff**

John Roberts	CEO
Tracy Marshall	AWI CFO
Scott Carmody	AWI Trade Consultant
Jeff Ma	Woolmark Country Lead- China
Steve Hill	Chair, Australian Wool Production Forecasting Committee
Kevin Wilde	AWI GM Consultation

<b>Guests</b>	Jeff Sorrell	Manager, Corporate Affairs
	Judith Maude	Meetings into Minutes for WICP Secretariat
	Klaus Steger	Südwolle Group; President IWTO
<b>Apologies</b>	Alan Harris	Victorian Stud Merino Sheep Breeders Association
	Alec Merriman N	SW Stud Merino Breeders' Association
	Jonno Hicks	Victorian Stud Merino Sheep Breeders Association
	Stacey Lugsdin	WoolProducers Australia
	Geoff Davidson	Australian Association of Stud Merino Breeders
	John Ferrier	Birchip Cropping Group
	Fraser House	Stud Merino Breeders' Association of WA
	Graeme Maher	Victorian Farmers Federation
	Noel Henderson	AWI Director
	Mark Waters	Australian Superfine Wool Growers' Association
	Chris Patmore	Pastoralists & Graziers Association of Western Australia
	John Murdoch	Monaro Farming Systems (MFS)
	Tim O'Halloran	Mallee Sustainable Farming Group
	Tom Kirk	Commercial Merino Ewe Competitions Association

## 1 Welcome/Introductions

The Chair opened the meeting at 9.18 am.

## 2 AWI Chairman's Update

The Board Chair provided an update from the AWI Board and provided information about the following:

- IWTO discussions have been very positive.
- The market is reasonably flat, especially at the finer 16-19 microns end. There is confidence, but no real signs of change in the market.
- Sustainability issues are important around the world. AWI is doing a lot of work in that space.
- AWI has held off on the second iteration of the 'Wear Wool Not Fossil Fuel' campaign due to conditions not being right. The first campaign will be rerun in some avenues including greater promotion in Australia.
- Growers are increasingly looking to downsize their flock or move to mixed enterprise. The difficulty for AWI is to talk the industry up, knowing that it is facing challenges. The Board wants to keep confidence up without ignoring the challenges. Work is being done around gross margins and profitability in the wool industry. Further information will be provided in due course.
- Demand from buyers needs to take into consideration the importance of wool growers making money. The CEO will raise the current state of wool growing in Australia on his upcoming trip to Europe. It is important that buyers know the impact the market is having on wool growing in Australia.

- The Board is working towards the 2024 WoolPoll. The Board wants advice from the industry about what the levy should be. The WICP and AWI will discuss the financial implications of different levy rates. The Board is trying to be transparent about the important areas for expenditure. Budgets have already been cut to ensure industry focus areas are being addressed, for instance shearing training and bio harvesting. Ultimately, choices must be made about where money is being invested.
- The marketing budget has nearly halved, with an ongoing focus on both “defensive” and “sell” campaigns.

The Group discussed the available reserves, noting that \$50 m is accounted for as winding-up costs and that an additional amount must be kept in reserve to respond quickly to potential issues that might arise.

The Board Chair noted that the role of Stuart McCullough, former AWI CEO, has been made redundant. The Group recognised his valuable work and the importance role he has played in the industry and to AWI.

The Group moved to consider agenda item 4.

#### **4 AWI CEO Update**

The CEO presented the Business Unit Update, highlighting the following:

- The company has made budget cuts. The General Managers have done well to conserve funds, and they are doing more with less. The team presented well at ITWO. Management will continue to look for opportunities to manage expenditure.
- The PEF legislation will be implemented by 2025. Compliance will not be mandatory. The French legislature is introducing its own version of PEF, which will be mandatory and will be rolled out on 1 January 2025. The labelling has raised some concerns and there is a lack of clarity around the methodology. The French government is banning the advertising of ‘fast fashion’ and putting a €10 impost on all fast fashion garments. Information has been included in the papers via a QR code with instructions on how to challenge the legislation.
- Wool Traceability Hub is an amalgamation of a number of digital assets, including some WoolQ software and AWEX’s eSpeci. Initially the main purpose of the Hub is improved traceability in the event of an EAD outbreak. The Wool Traceability Hub will ultimately capture more information about on-farm practices which are of interest to customers.
- The Australian Wool Sustainability Scheme (AWSS) has been announced by AWEX. Two categories have been identified: SustainaWOOL (non-mulesed) and ResponsiWOOL (mulesed with pain relief). This is expected to be launched in July.
- In relation to motivating the industry, data is being commissioned to demonstrate the viability of growing merino wool.
- Bio harvesting is on track. The team are continuing to work on the protein and delivery mechanism. An Expression of Interest has been put out for engineering and robotics groups regarding harvesting options. Proposals have been received and the Board has approved four each of whom are preparing a proof of concept. Rigorous deadlines have been set around this project.

- In relation to marketing, the 'Wear Wool Not Fossil Fuel' campaign is still delivering value and it will continue to be used. The second iteration ('Wear Wool Not Waste') was scheduled to commence in November 2023 however the timing was not right given world events. The campaign launch is now planned for September or October 2024. The campaign will be shared with the WCG, noting that it is not for broader distribution.
- Marketing is still focused on protecting the fibre but will start to transition to positive "sell" campaigns.
- Management is considering the future business structure in a challenging financial environment.
- There were some signs of optimism at the IWTO. AWI is not expecting to see significant improvements in prices. 90% of Australian wool is sold in USD, so the exchange rate impacts growers. A higher AUD/USD exchange rate does not assist wool growers who are paid in AUD from the auction system.
- The IWTO was attended by over 350 delegates from 22 countries. The Chinese are not members but may become so.
- In relation to the PEF ??

K Steger joined the meeting at 10.48 am.

### **3 Keynote Speaker – IWTO Update**

CEO introduced K Steger, president of the IWTO and provided some background about his role. He spoke on the following matters:

- The connecting topic between the IWTO members is the fibre, and the passion that goes into it. If growers choose to stay in the industry, they have to make it work. That is the purpose of the congress and the meetings, to assess the future and respond to it.
- The 'good old days' of wool growing are over. The wool industry must demonstrate its credentials. The intentions of the European regulators are good. The European Union is 26 nations trying to create unity – primary concern is peace; the secondary goal is to create a zone of wealth. Sustainability is a key issue in Europe. It puts wool in a less sustainable place, but this is based on a flawed process.
- Other markets - Korea, Japan, Canada, China – are all looking to Europe to see the policy outcome, and they are expected to follow.
- The congress has shown the multitude of ideas and research results – if they are brought together there is a louder voice. It is necessary to improve emissions at production and farm level, however a level playing field is required. Man made fibres are necessary, but they also need to account for their emissions and impacts on the environment.
- The production chain overall is suffering from low prices. Wool consumption is low in Europe at the moment, however there is optimism about recovery in China and USA, and for a rise in prices.

The Group discussed a number of matters that arose from the presentation. The discussion included the following topics:

- Price stability. The use of four-year contracts to spread the risk and create more pricing stability was discussed. The auction system requires modernisation, and improving this could contribute to levelling out prices over time. In that context, longer contracts may not be the best approach.
- Discounts for farmers to attend IWTO. The Group discussed the benefits of having more farmers attend the congress by giving them access at a discounted rate. The next congress will be held in France. There are challenges with time difference, and the cost of fares to France would need to be covered. While farmers' participation is desirable, funds are limited. It was noted that congress has its own financial burdens.
- Protests. in France about environmental regulation were considered to be largely due to general discontent in society about the layers of subsidies.
- Animal welfare issues. This is a separate issue to the discussions of sustainability.
- Fast Fashion. The definition of 'fast fashion' has been put to the Commission of environment. Regulators rely on industry groups to provide information about the meaning of sustainability and fast fashion. There are discussions about durability, which is scored on tensile strength, which will rate polyester over natural fibres. This is a good example of the difficulty with the regulation.
- Mulesing. No premium is being paid for non-mulesed wool, as this is not a primary concern for many customers and manufacturers.

K Steger left the meeting at 11.39 am.

*The group adjourned for a break at 11.40 and reconvened at 11.54 am*

## **5 AWI Finance Update**

T Marshall provided a financial update, highlighting the following:

- Revenue is \$44.6 m, which is lower than the same time in the previous year and is budgeted to be \$60 m for the full year.
- Government contribution is based on a 3-year rolling average.
- General Managers have each held back 10% of their budget.

The Group discussed the overall funding position, including the \$50 m for winding up, and the funds set aside for threats or opportunities that the Board wants to pursue as they arise. Going forward, there will be no available funds over and above that. This will be important for the WoolPoll discussions.

The Group discussed projected expenditure based on different levy levels.

## 6 Market Updates

### 6.1 China Market Update

J Ma joined the meeting at approximately 12.00 pm. He took the group through his report, highlighting the following key market updates and project highlights:

- In relation to the retail market and consumption status in China, Uniqlo is continuing to invest in China. They are Woolmark's biggest global licensee. They are maintaining the strategy to open new stores. Their revenue in the Chinese market has increased over 20% year-on-year.
- Several large American companies have opened shops in Shanghai, demonstrating confidence in the recovery of China.
- In January and February, imports of wool raw material reached 510 000 tones, an increase of over 30% year-on-year, and a 52% year-on-year increase in the volume of wool imports from Australia.
- Export market performance varies across categories.
- There is good support from the textile and fashion industries. An event was held during the trade shows to showcase wool designs. 128 guests attended 12 forums and workshops. Many key meetings were held with brand and supply chain partners. There is interest in value chain opportunities.

The Group questioned the graph showing greasy wool numbers and requested the full year position, compared with prior years .

**Action:** J Ma to provide graph showing full-year greasy wool numbers compared with prior years.

J Ma left the meeting at 12.23 pm.

### 6.2 International Market Update

S Carmody provided a market update, noting the following:

- The wool price is the lowest it has been in a decade, and the underlying view is that the price is close to the bottom.
- At least 25% of the flock is now cross breed. Which demonstrates that growers are not leaving the industry.
- Growers are adjusting to the environmental conditions.
- The price for wool at 18.5 to 20.5 microns is down, as is broad wool.
- Consumption of Australian wool in India has declined 24%, and consumption in Italy has declined about 12%. These numbers could have been worse.
- Half of the wool imported by Italy is broad wool.
- Price is based on the Eastern Market Indicator and are compared in USD. Economic indicators are what impacts price. Use is also being made of the Purchasing Managers Index.

- The Chinese market is not included in the modelling. The data is based on the United Kingdom, South Korea, Japan, USA and Italy.
- The market relies on a 'fashion triangle': if the top-level suits don't sell, all other markets decline. Aspirational shoppers have lower spending and are prioritising essential items and boosting savings. Shoppers have had a difficult time economically, and the demographic in China is the same.
- The market uncertainty is also impacting purchasing choices. People are opting to buy jewellery and gold which hold value and can be sold if needed.
- There is a growing re-sale market for second hand clothes particularly in the luxury apparel area. This diverts funds from traditional spending.

The Group discussed the markets in Italy and China. There are increasing discussions in China about sustainability and methane emissions. The methodology for measuring methane is unclear. There is work to be done to get a clear understanding about what will be included.

*The meeting adjourned for lunch at 1.00 pm and reconvened at 1.30 pm.*

M Humphries provided an update on the status of AWI flystrike projects:

- Flystrike Genomics Project has advanced with progress towards Genomic Research Breeding Values for flystrike. The aim is to identify sheep resistant vs susceptible to flystrike via DNA samples.
- The genomics of the sheep blowfly are being investigated to find the weak points and identify new genetic and chemical targets that might be effective.
- Nanotechnology is being explored for new chemical application of softer products.
- Sterile insect technology – the goal of this project is to eradicate the fly at a regional level by the release of sterile sheep blowfly males. This work is being conducted in Kangaroo Island
- A question was asked on Barber's Pole – there has been a significant loss of animals over recent years. There is nothing new to report on this issue but past webinars can be viewed online.
- A question was asked on Lice Control – tea tree oil had been suggested as a mechanism to control lice, however it is a soft chemical that easily washes off. It is possible that new technology can be explored to use that oil as a treatment.

## **7 Australian Wool Production Forecast**

S Hill took the group through a presentation from the Australia Wool Production Forecasting Committee. The presentation outlined:

- History and objective of the committee
- The committee structure.
- The data that is considered at the 3 annual meetings.
- The information that is used to inform the 6 forecasts per season.
- The Committee's output, being a media release and a detailed report.

- The April 2024 forecast, noting that the national committee does not vary significantly from the forecast that the states produce.
- The issues affecting wool production, including climate conditions, profitability, labour costs (primarily shearing), and pressure from competing farm enterprises.
- How the forecast is used, and who uses it.

A copy of the presentation will be circulated with the minutes, and the information is able to be circulated. Detailed information will be published on Wool.com on 24 April.

**Action:** Circulate a copy of S Hill's presentation with the minutes.

S Hill left the meeting at 2.05 pm.

## 8 DAFF Update

J Stanion presented an update on behalf of the Department. The Department's role is to manage the RDCs and deal with the domestic agricultural industries of each of the commodities.

J Stanion provided the following general update on the Department's areas of focus:

- Cost of living is a significant economic issue. It is important that farmers are paid fairly for their produce noting that input costs are also increasing. The Department expects to have some consultation with agricultural stakeholders in the coming weeks.
- The Agriculture and Land Sector Plan is being developed. More than 230 submissions have been received on a range of areas, such as the need for long term investment and system level investments. The Department is working through the submissions and will provide further information shortly.
- There has been recent media from animal welfare stakeholders encouraging the government to move faster on the live sheep phase out. The government is committed to phasing it out in an orderly way, and it is unlikely to occur during the current term of parliament. The Department is aware that farmers are concerned about the phase out.
- The shearer shortage has been an issue for several years. The Department is working with the Department of Home Affairs. There is a commitment to review the regional visa settings. Jobs and Skills Australia has started a consultation process about the core skills list.
- A program to introduce young people to a career in agriculture is underway. There are 13 participants on sheep farms having a gap year experience.
- The legislative framework is being modernised. It is before the Senate and is expected to pass in the middle of the year. Consultation closes next week.
- The Department understands the industry's concerns about the Biosecurity Protection Levy. The government is committed to implementing it.

The Group noted that there is a forecast decline of 5 million sheep in WA. Those sheep will need to go somewhere. They may end up being euthanised. The Minister is aware of this.

The Department representatives left the meeting at 2.23 pm.

## **9 Discussion – Woolgrower Communications**

K Wilde led a discussion on improving communications with growers, presenting the following questions for consideration:

1. What communications channels do you use or prefer using to hear about the work AWI does on behalf of woolgrowers?
2. Are there particular social media sites, events or activities you prefer over another?
3. Does your organisation use any particular mix of communication tools which you have found more impactful over others?

The following feedback was provided:

- Facebook is not used extensively by younger people.
- The appropriate communications channel depends on what is being communicated. To deliver research and development, existing networks should be accessed.
- 'Information overload' is a risk when communicating with growers.
- Country Hour and Landline are still popular.
- Growers tend not to buy the paper.
- Monthly newsletters are read if growers have time.
- The WICP Communique has a 60% hit rate. It is the topic that attracts interest not where it is from.

## **10 Other Business and Conclusion**

The date for the next WCG meeting will be advised and will be held after the WoolPoll outcome has been determined. Members will have time to go back to their members and obtain their input into what should inform the strategic plan.

The WCG commended the AWI representatives who presented to the IWTO.

There was no other business.

The Chair closed the meeting at 2.43.