STRATEGIC PLAN
2013/14 TO 2015/16
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### STRATEGIC PLAN SUMMARIES

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1. INTRODUCTION

1.1. CHAIRMAN’S STATEMENT

The purpose of this Strategic Plan is to outline AWI’s key investment priorities in research, development and marketing for the three years from 2013–14 to 2015–16.

As a company owned by Australian woolgrowers, AWI’s investments are directly driven by the wool industry. This is reflected by the comprehensive Annual Planning and Consultation Cycle undertaken by AWI with woolgrowers, industry and other key stakeholders along the global wool supply chain, including government.

While AWI consults a range of stakeholders, engagement with woolgrowers (AWI shareholders) is our key priority.

We will continue to ensure our research, development and marketing investments build and maintain the profitability, competitiveness and sustainability of the Australian wool industry. This includes undertaking R&D that will deliver real on-farm outcomes for all growers that will improve their on-farm profitability.

Wal Merriman

1.2. CEO’S STATEMENT

AWI has developed this three-year Strategic Plan through a robust consultation process to ensure industry views and priorities are incorporated. The outcome of WoolPoll 2012 formed the basis of this Strategic Plan.

AWI will be measured against the targets set in the plan, through the independent Review of Performance in the lead-up to the next WoolPoll.

AWI continues to consult widely with industry through the Woolgrower Industry Consultative Committee (ICC), State Farmer Organisation quarterly meetings, biannual Woolgrower Forums, regional field days and industry events.

With a forecast increase in investment planned during the next three years, AWI continues to take tight control on how woolgrower funds are invested, to make sure we can leverage their money where appropriate to deliver the greatest return on woolgrowers’ levies.

Stuart McCullough
Australian Wool Innovation (AWI) is the industry services body for the Australian wool industry, as declared by the Minister for Agriculture, Fisheries and Forestry under the Wool Services Privatisation Act 2000. AWI is responsible for managing and investing the levy funds received from levy payers, and matching eligible research and development (R&D) contributions from the Australian government, for the benefit of the Australian wool industry and the public good.

AWI invests in research, development and marketing (RD&M) across the supply chain to enhance the profitability, international competitiveness and sustainability of the Australian wool industry, and to increase demand and market access for Australian wool.

AWI is not an industry representative body, and it does not set policy on behalf of industry.

The AWI Board sets the strategic direction of the company, within the requirements of the AWI constitution, the Wool Services Privatisation Act 2000, the Corporations Act 2001 and the Statutory Funding Agreement.

The Board is committed to governance systems that enhance performance and ensure AWI operates according to accountability provisions required by various acts, regulations and guidelines such as the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations as required by the Australian government.

The Board has established three Board sub-committees and a Board Nomination Committee that monitor and guide specific activities in more detail. These committees assist the Board to implement, monitor and enforce appropriate corporate governance throughout the company.

The Board delegates responsibility for the management of the company to the Chief Executive Officer.

While a global organisation, AWI’s 120 staff in 14 countries are led by its head office in Sydney, with all staff accountable to Australian woolgrowers. Staff are reminded of the woolgrower test, which underpins the day-to-day operations of all AWI staff across the globe - ‘would this action be acceptable to woolgrowers’.
2.1. VISION, MISSION AND GOAL

**Vision**
AWI will be a significant contributor to a vibrant, stable and profitable wool industry providing the world with the best natural fibre.

**Functions**
AWI conducts four primary functions in order to achieve its vision:

- Research and Development — On-Farm
- Research and Development — Off-Farm
- Marketing
- Domestic and International Industry Services.

AWI is not a peak industry body, does not create or execute industry policy, and is not an advocate on issues outside its core functions.

**Mission**
AWI’s mission is to invest in RD&M and promotion in order to:

1. Enhance the profitability, international competitiveness and sustainability of the Australian wool industry.
2. Increase demand and market access for Australian wool.

**Goal**
To help increase stable and sustained demand for wool through investment in marketing, innovations and R&D - from farm to fashion and interiors.

In working towards this goal AWI always strives to deliver an appropriated return on woolgrowers’ and government’s investment of levies.
2.2. HOW AWI MAKES DECISIONS

AWI has an extensive process to review and approve RD&M projects. Part of the criteria considered in reviewing projects includes alignment with industry and government priorities; the level of risk and opportunity; the project’s ability to provide quantifiable returns on industry and government investment; and AWI’s ability to leverage its investment off other cash and in-kind contributions.

Key to the AWI decision-making process is consulting with growers and stakeholders to ensure AWI is meeting the needs of industry. This is done through AWI’s Annual Planning and Consultation Cycle (page 14).

AWI also balances its priorities with the guidelines as defined by the AWI’s Statutory Funding Agreement, as well as the National Rural Research and Development Priorities (page 17) and other directions communicated to AWI by the Minister for Agriculture, Fisheries and Forestry.

The AWI Monitoring and Evaluation Framework (page 16) informs the company in making decisions, and provides industry and government with a clear and transparent understanding of the return on investment across AWI’s RD&M portfolio.

AWI aims wherever possible to leverage its investments with partners in order to deliver a greater return on woolgrowers’ levy. AWI works collaboratively with a number of research and development corporations (RDCs), including participation in the National Wool RD&E Strategy, as well as other ongoing cross-sectoral strategies including animal welfare, animal biosecurity and climate change.

AWI also continues to support the Future Farms Industry CRC (FFICRC) until 2014/15 and the Invasive Animals CRC (IACRC) until 2016/17. AWI also collaborates with the other RDCs, including Meat & Livestock Australia, Grains Research & Development Corporation, Australian Meat Processor Corporation, Australian Pork Limited, Rural Industries Research and Development Corporation, Australian Egg Corporation, Cotton Research and Development Corporation, Fisheries Research Development Corporation, Forest and Wood Products Australia, Grape and Wine Research and Development Corporation, Horticulture Australia Limited, LiveCorp and Dairy Australia.
2.3. INVESTMENT POLICY

**Investment policy**
In WoolPoll 2012, woolgrowers voted to continue the current levy at 2%, with AWI income being invested at the following ratio:

<table>
<thead>
<tr>
<th></th>
<th>Research &amp; Development 40%</th>
<th>Marketing 60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-Farm</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Off-Farm</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

Mindful of the desire of growers to ensure the continuation of research, the Board aims to draw down on reserves proportional and in line with the above ratios with the aim of increasing R&D expenditure in dollar terms.
2.4. RISK APPETITE STATEMENT

AWI are custodians of woolgrowers’ investment in their future prosperity and the matching eligible R&D provided by government. Therefore we seek to balance our risk position between:

- Investing in higher risk activities that may drive substantial growth in the demand for wool; and
- The need to remain a stable organisation with the capacity to continue to work for woolgrowers long into the future.

Therefore our risk appetite is necessarily towards the middle of the risk-taking spectrum. Depending on our results from year to year, we may choose to increase or decrease our appetite for higher risk activities.

The table opposite provides further explanation of our risk appetite with respect to our strategic objectives and other fundamentals of our business.

<table>
<thead>
<tr>
<th>Key Performance Area</th>
<th>Risk Appetite Descriptor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ON-FARM R&amp;D</strong></td>
<td></td>
</tr>
<tr>
<td>Increase the profitability and sustainability of growing wool</td>
<td>We seek a balance between optimistic targeted research and development of matters with the potential for short- to long-term commercial gain and the need to continually pursue sustainability of the industry. We do not actively seek high-risk, high-return projects.</td>
</tr>
<tr>
<td><strong>OFF-FARM R&amp;D</strong></td>
<td></td>
</tr>
<tr>
<td>Increase the profitability and sustainability of wool processing</td>
<td>Where projects arise that will address current or future threats to the industry, we will pursue these proactively. Otherwise, we seek matters with the potential for short- to medium-term commercial gain. Where these projects require large investments, they will be considered on a case-by-case basis. We will always be circumspect in choosing our trade partners.</td>
</tr>
<tr>
<td><strong>MARKETING</strong></td>
<td></td>
</tr>
<tr>
<td>Increase consumer demand for Australian wool</td>
<td>We seek to position wool to be at the pinnacle of the fashion industry. We will pursue innovative, higher risk strategies on a case by case basis. However, our marketing should always be prudent and well within ethical boundaries established under accepted Australian industry standards and those of other regions in which we operate.</td>
</tr>
<tr>
<td><strong>Brand – Revitalisation and building of the Woolmark brand</strong></td>
<td>Our promotion and defence of the Woolmark brand will always be aggressive. We will defend the Woolmark certification mark in all territories and take on legal actions as necessary to send clear messages that we are serious about protecting our brand.</td>
</tr>
<tr>
<td><strong>Market Access – Extend access through proactive management of regulatory and trade environment</strong></td>
<td>In our key manufacturing and emerging markets we will seek market access. At all times, our initiatives must remain ethical and must be appropriately considered in terms of the feasibility of success and the investment required.</td>
</tr>
</tbody>
</table>
2.4. RISK APPETITE STATEMENT (Continuation)

<table>
<thead>
<tr>
<th>Key Performance Area</th>
<th>Risk Appetite Descriptor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation</td>
<td>Our reputation for integrity and competence should not be compromised with our key stakeholders, woolgrowers and government. There should be no incidences of major breaches of our integrity. Staff and our partners should be frequently reminded that we have a zero tolerance for fraud, corruption, facilitation payments or any other related activity.</td>
</tr>
<tr>
<td>Regulatory compliance</td>
<td>We have a nil tolerance for compliance breaches. While minor breaches will be managed on a case–by–case basis due to the complexity of business, there should be no excuse for substantive breaches at any time.</td>
</tr>
<tr>
<td>Performance measurement</td>
<td>As we have so many woolgrowers relying on us and we are entrusted with government funds, we must have a strong focus on performance measurement and management. We aim to score highly at our independent Reviews of Performance.</td>
</tr>
<tr>
<td>Operational efficiency</td>
<td>Efficiency is a very high priority to maximise our ability to pursue our corporate goals. Furthermore, efficiency is within our control and hence should be a strong focus for all staff.</td>
</tr>
</tbody>
</table>
AWI has a RD&M investment portfolio that appropriately considers a balance between short-term and long-term, low-risk and high-risk, strategic and adaptive research needs, and includes consideration of regional variations across the industry.

The following diagrams are indicative of the focus between risk and timing of benefits from AWI’s RD&M investments.

**Investment Risk**
- 10% High
- 48% Low
- 42% Medium

**Timing of Benefits**
- 35% Long
- 38% Short
- 27% Medium

- AWI investment portfolio weighted towards low- and medium-risk programs.
- On-Farm strategies include much higher risk programs. Some marketing investments that are moving into the retail engagement phase are also viewed as higher risk.
- Low-risk investments are focused around delivery of established marketing programs.

- AWI portfolio structured to deliver majority of benefits to Australian woolgrowers in the short to medium term.
- On-Farm and Off-Farm extension programs represent the majority of short-term benefits.
- Long-term benefits generated from investments in Strategy 3 (Production Systems and Eco-Credentials) and Strategy 7 (Categories).
2.6. OPERATIONAL PRINCIPLES

- Commercially focused enterprise that seeks, at all levels, to support Australian woolgrowers and ensure the sustainability of the industry as a major contributor to the Australian economy.

- AWI will be an organisation where every person in the team is either focused on research and development, to increase the profitability, productivity and sustainability of the Australian wool and wool processing industries, or marketing to increase consumer demand for wool.

- AWI will deliver value to its stakeholders through effective strategies, a balanced investment portfolio and extensive consultation at all levels.

- In line with the reduced size of the industry, AWI will continue to actively review its size and resource base and reduce it wherever possible without compromising our ability to achieve our vision and goal.

- We will continue to add value to AWI brands (e.g. the Woolmark) acknowledging that these brands are company and woolgrower assets and should be treated as such.

- We will continue to identify, review and manage current and potential issues impacting trade development, regulatory requirements and potential revenue streams.

**Corporate Culture**
AWI’s corporate culture is a reflection of our stakeholders: innovative, transparent, accountable, hard–working and collaborative. Woolgrowers hold all these values in high regard and we reflect their values in our corporate culture. We use ‘The Woolgrower Test’ at AWI – each employee checks their thinking and their decisions against the logic of ‘if you were standing in front of a woolgrower and were asked to explain your decision, would the woolgrower accept this as being a reasonable approach?’

**Innovative**
We will continuously pursue fresh approaches and ideas in RD&M throughout the supply chain.

**Transparent**
In all our operations, internally and externally, AWI, its Board, management and staff will seek to be transparent about what, why and how we operate.

**Accountable**
Adopting principles of measurement and accountability in all activities is vital to maintaining the credibility of AWI. Having developed a company-wide measurement and evaluation system, this will be rigorously applied at all levels.

**Collaborative**
AWI and its stakeholders have limited resources, and do not control the processing or end use of our product. As such we work with partners through the supply chain to ensure results achieved through collaboration and partnership.

Investment partnerships that involve cost sharing between AWI and third parties will be developed to maximise benefits to both Australian woolgrowers and AWI partners. Benefits from collaboration include more cost-effective outcomes, better risk management and increased likelihood of commercial success.

**Proactive**
Allowing market conditions and circumstances to dictate the future of Australia’s wool industry is not acceptable. We will seek to understand future trends, anticipate market needs and drive growth opportunities.

**Committed**
We are committed to providing our staff and management with a safe, rewarding, accountable and supportive work environment.
2.7. CONSULTATION

AWI continues to engage in extensive consultation with our stakeholders – from woolgrowers and government, through the supply chain to consumers. This has led us to the formation of a corporate culture based on values that are important to woolgrowers, and a strategic approach to the business that reflects the need to build a sustainable and profitable industry.

During the 2010 to 2013 strategic planning period, by formalising the Annual Planning and Consultation Cycle, AWI undertook a range of measures to improve the way it consults with its stakeholders to improve their awareness and engagement with AWI including:

- Development of R&D Expert Panels that are called on to provide advice and recommendations on potential R&D investment areas.
- Biannual Woolgrower Forums bring together up to 100 growers to brief them on AWI’s activities and seek their input on future investments.
- Attendance at around 50 industry events each year, such as Wagin Woolarama and the Bendigo Sheep and Wool Show, as well as launching the AWI Wool Clip events.
- Appointment of a designated resource, through the Industry Relations Manager, to ensure stakeholder views are heard within the business and provide a contact point to access the information they require to meet their member’s needs.
- Communications such as a monthly grower e-newsletter and expanded ‘Beyond The Bale’ – all underpinned by independent research to ensure communications meet grower needs.

The 2013/14 – 2015/16 Strategic Plan incorporates the priorities identified by industry during the past three years, garnered through AWI’s ongoing planning and consultation process. The Planning and Consultation Cycle sets out the key planning and consultation processes across the business from On-Farm R&D (Page 65), Off-Farm R&D (Page 77), Marketing (Page 100) and Global Business Services (Page 116). Ongoing consultation with industry through forums such as the ICC and biannual Woolgrower Forums ensures the Strategic Plan helps AWI achieve its objective of increasing the profitability, competitiveness and sustainability of the Australian wool industry.

Throughout this current strategic planning period, AWI will continue to implement and build on its current Planning and Consultation Cycle, underpinned by AWI’s Stakeholder Engagement Strategy, to ensure our strategic and operating plans continue to consider the needs of the Australian wool industry.
### ANNUAL PLANNING & CONSULTATION CYCLE

**MARCH**
- Australian Merino Consultative Group meeting
- National Animal Welfare RD&E Strategy Steering Committee
- On-Farm expert panels (when required)
- Meetings with manufacturers to discuss future needs, trends and opportunities
- Retail/brand consultation to present spring/summer Wool Lab collection
- Meetings and direct feedback from partners and supply chain at trade fairs
- Ex ante evaluation of R&D proposals concludes

**APRIL**
- National Wild Dog Management Advisory Group meeting
- Meetings with R&D organisations to discuss new On-Farm R&D Projects
- Regional Woolgrower Forum
- Australian Merino Consultative Group meeting
- On-Farm expert panels (when required)
- Meetings with R&D organisations to discuss new On-Farm R&D Projects
- Regional Woolgrower Forum
- Ex ante evaluation of R&D proposals concludes

**FEBRUARY**
- AVA Audit of AWI’s flystrike R&D program
- AWI R&D annual call for proposals concludes
- Trade and retailer partner consultation forums
- Meeting with supply chain to present input into autumn/winter Wool Lab collections for next season
- Retail/brand consultation to present spring/summer Wool Lab
- Industry Consultative Committee meeting
- State Farm Organisation Consultation
- Woolgrower Consultation
- Meetings and direct feedback with key brands/retailers at trade fair
- Ex ante evaluation of R&D proposals begins

**JANUARY**
- On-Farm expert panels (when required)
- Retail/brand consultation to present Spring/Summer Wool Lab collection
- Launch Wool Lab spring/summer at Pitti Uomo
- Commence drafting of Annual Operating Plan and Strategic Plan

**JUNE**
- IACRC planning workshop
- Technical innovations planning meeting
- Launch autumn/winter Wool Lab at Pitti Uomo
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- AWI Country Managers-Marketing and Technical Workshop-Asia
- Retail/brand consultation to present Wool Lab Collection (Northern Hemisphere)
- Industry Consultative Committee Meeting
- SFA meeting with DAFF; SFA Compliance Report

**JULY**
- AWI Extension Networks develop priorities
- Wool Carbon Alliance meeting
- Presentation of autumn/winter Wool Lab at Spin Expo Trade Show-New York
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- Meetings and direct feedback from partners and supply chain at trade fairs
- Marketing programs commence (Northern Hemisphere)
- Regional Woolgrower Forum

**AUGUST**
- Flystrike Prevention R&D Technical Update (biennial)
- National Animal Welfare RD&E Strategy Forum
- National Shearer and Wool Handler Consistency workshops
- Meetings and direct feedback from partners and supply chain at trade fairs
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- Commence drafting the Annual Report
- Quarterly State Farm Organisation Consultation

**SEPTEMBER**
- Australian Merino Consultative Group meeting
- On-Farm R&D regional consultation
- AVA biannual audit of flystrike R&D Program
- Launch of innovations at Spin Expo trade show - Shanghai
- Trade and retailer partner consultation forums
- Direct feedback from retail & trade partner consultation through trade shows
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- Flystrike Prevention R&D retailer update

**OCTOBER**
- National Wild Dog Management Advisory Group meeting
- On-Farm Expert panels (when required)
- Supply chain input into spring/summer Wool Lab collection for next season
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- Direct feedback from retail & trade partner consultation through trade shows
- Animal Welfare Forum
- Industry Consultative Committee meeting
- Woolgrower Forum
- Ex ante evaluation of R&D proposals concludes

**NOVEMBER**
- AWI R&D annual call for proposals commences
- Meetings and direct feedback from partners and supply chain at trade fairs
- AWI’s consumer tracking research in-field
- Quarterly State Farm Organisation Consultation
- Annual General Meeting

**DECEMBER**
- AWI Rabbit Advisory Group meeting
- AWI Country Managers Strategy Workshop
- AWI Marketing Managers Strategy Workshop
- SFA meeting with DAFF; SFA Compliance Report
- AWI Wool Brokers Forum
- AWI Wool Exporters Forum
2.8. AWI’S TRIENNIAL BUSINESS CYCLE
2013/14–2015/16

IMPLEMENT 2013/14 - 2015/16 STRATEGIC PLAN
AWI is committed to providing quantifiable returns on government and industry investment, and has instituted a detailed system for assessment of investment return. This reflects the unique technical and marketing contexts in which AWI operates, and which meets the needs of critical stakeholders, such as Australian woolgrowers and the Australian Government.

During the 2010–2013 Strategic Planning period, AWI substantially upgraded its internal and external processes for monitoring and evaluation, and the 2013–2016 period will see further improvement of efforts to this end.

### Monitoring and Evaluation Framework

The AWI Monitoring and Evaluation Framework, developed in 2011, defines the evaluation logic and operational processes, and is publicly available through the AWI website. Our process is based on the principle of continuous improvement and refinement, as the evaluation framework and the tools and processes within adapt to the evolving needs of AWI and the greater industry we serve.

The core components of the Framework are the conduct of:

- AWI performance against the Strategic Plan
- Evaluation of investment proposals (‘ex ante’ evaluation)
- Evaluation of completed programs of investment (‘ex post’ evaluation)
- Reviews of active projects and programs.

Specific tools have been developed to assist with the evaluation processes, and some of these are noted in the Framework document.

Completed external reviews of AWI investment programs are made available through the AWI website, and include evaluation of investments in On-Farm and Off-Farm research and development, and marketing programs.

Operational implementation of the evaluation process promotes a culture of robust, collaborative review and improvement within AWI, and provides findings which can be used to refine decision-making processes at all levels within AWI, and thereby empower AWI staff.

Value summaries are prepared for all programs included under the Strategic Plan. The summaries articulate the key performance indicators and enable investment performance against set targets to be determined.
## 2.10. ALIGNMENT WITH GOVERNMENT AND INDUSTRY PRIORITIES

<table>
<thead>
<tr>
<th>National Research Priorities</th>
<th>Rural Researcha and Development Priorities</th>
<th>Industry Priorities</th>
<th>AWI R&amp;D Priorities¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting and maintaining good health</td>
<td>Productivity and adding value: improve the productivity and profitability of existing industries and support the development of viable new industries.</td>
<td>Control of flies, lice and worms</td>
<td>Strategy 1: Sheep Health Welfare &amp; Productivity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improving labour efficiency of shearing</td>
<td>Strategy 2: Wool harvesting &amp; Quality Preparation</td>
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<td></td>
<td></td>
<td>Increased productivity through genetic gain</td>
<td>Strategy 4: Education and Extension</td>
</tr>
<tr>
<td></td>
<td>Supply chain and markets: better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain, including to consumers.</td>
<td>Effective, efficient and open communication along supply chains</td>
<td>Strategy 1: Sheep Health Welfare &amp; Productivity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promoting the benefits of wool</td>
<td>Strategy 2: Wool Harvesting &amp; Quality Preparation</td>
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<tr>
<td></td>
<td>Natural resource management</td>
<td>Improving the quality and quantity of Food On Offer (FOO)</td>
<td>Strategy 3: Production Systems &amp; Eco-Credentials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Developing grazing systems to maximise wool profitability</td>
<td>Strategy 3: Production Systems &amp; Eco-Credentials</td>
</tr>
<tr>
<td></td>
<td>Climate variability and climate change</td>
<td>Investigate and promote the carbon credentials of wool</td>
<td>Strategy 3: Production Systems &amp; Eco-Credentials</td>
</tr>
<tr>
<td>Frontier technologies for building and transforming Australian Industries</td>
<td>Supporting the rural R&amp;D priorities through innovation skills and technology</td>
<td>Management of footrot and ovine Johne’s disease</td>
<td>Strategy 1: Sheep Health Welfare &amp; Productivity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strategy 4: Education and Extension</td>
</tr>
<tr>
<td>Safeguarding Australia</td>
<td>Biosecurity</td>
<td>Effective control of rabbits, foxes and wild dogs</td>
<td>Strategy 1: Sheep Health Welfare &amp; Productivity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimise impact on the flow of wool from farms</td>
<td>Strategy 3: Production Systems &amp; Eco-Credentials</td>
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¹ This table only lists AWI R&D priorities to demonstrate their alignment against the R&D priorities at the national, rural and industry levels.
2.11. AWI IN THE RURAL R&D SYSTEM

National PISC RD&E Strategies
- Beef Production RD&E Strategy
- Dairy Moving Forward-The National Dairy Rd&E Strategy
- Fishing and Aquaculture RD&E Strategy
- Food & Nutrition RD&E Strategy
- Forest & Wood Products Sector RD&E Strategy
- Grains Industry National RD&E Strategy
- Horticulture National RD&E Framework
- New & Emerging Industries National RD&E Strategy
- Animal Biosecurity RD&E Strategy
- Animal Welfare RD&E Strategy
- Climate Change Research Strategy for Primary Industries
- Wool RD&E Strategy
- Sheep Meat Production National RD&E Strategy
- Opportunities for Primary Industries in the Bioenergy Sector
- Plant Biosecurity RD&E Framework
- Pork Industry RD&E Strategy
- Poultry Industries RD&E Strategy
- Soils RD&E Strategy
- Sugarcane Industry National RD&E Strategy
- Water use in Agriculture RD&E Strategy
- Wine Sector RD&E Strategy

Australian Government

Rural R&D Corporations
- Cotton Research and Development Corporation
- Grains Research and Development Corporation
- Fisheries Research and Development Corporation
- Rural Industries Research and Development Corporation
- Sugar Research and Development Corporation
- Grape and Wine Research and Development Corporation
- Forest & Wood Products Australia
- Australian Wool Innovation
- Australian Meat Processor Corporation
- Dairy Australia
- Meat & Livestock Australia
- Australian Egg Corporation Limited
- Horticulture Australia Limited
- Australian Pork Limited
- LiveCorp
3. OPERATING ENVIRONMENT

One of the major determinants of woolgrower profitability is the price of wool.

The price of greasy wool is influenced by prevailing supply and demand conditions through time, and since the demise of the wool stockpile in 2001, has strengthened in USA dollar terms.

AWI investment can impact greasy wool prices through time. Investment is made by AWI across key supply- and demand-side drivers where significant and sustained changes can be achieved.

AWI expects that the price of wool will continue to strengthen across the Strategic Planning period, driven largely by demand side gains, but reflecting a number of key factors:

- Supply is expected to remain tight in Australia with modest growth in other producing countries.
- Australia will continue to dominate supply of fine apparel wool.
- Demand is likely to strengthen, largely as a result of rising incomes in key emerging economies in Asia and Eastern Europe with slow recovery in USA and Japan. The economic challenges in Western Europe will resolve slowly, and to some extent counterbalance growth prospects in other markets.
- After a 10-year period of dramatic appreciation of the Australian dollar against the USA dollar, our currency is expected to largely plateau around parity with the USA dollar for the forecast period, while the Chinese renminbi will gradually appreciate.
- Wool prices are forecast to trend steadily upwards in USA dollar terms, with normal levels of volatility (± 5% per month).

### SUPPLY SIDE DRIVERS

- Price of commodities for competing land uses.
- Price of farm inputs.
- Production of wool outside of Australia.
- Productivity of inputs used.
- Seasonal conditions.
- Quality of wool produced.
- Climate change.

### DEMAND SIDE DRIVERS

- World Population size.
- Income per person.
- Consumer attitudes towards wool.
- Awareness of available products.
- Price of competing fibres.
- Market access conditions.
- Wool processing technical capacity.
During the next three years, the wool industry will continue to face challenges which threaten the productivity, profitability and competitiveness of the Australian wool industry.

### Impact of pests and diseases
The parasitic diseases of flystrike, lice infestation and worm infection have the highest economic impact of all diseases on a national scale. The challenge remains one of reducing input costs and production losses, and increasing the uptake of existing and new management strategies. Reducing losses from parasites and diseases continues to be a high priority for AWI going into the 2013/14 – 2015/16 Strategic Period.

Dog predation remains a threat to the existence of sheep in the pastoral landscape and hill-grazing country, and creates inefficiencies for production. Cost-effective wild dog management across the landscape is important to improve sheep health and welfare, and reduce emotional stress on woolgrowers. AWI continues to recognise the impact of wild dogs on the wool industry and the importance of supporting regional groups to overcome the impact of wild dog predation.

### Improving genetic gain
Increasing profitability and productivity can be achieved through appropriate use of breeding tools by both breeders and commercial woolgrowers. The challenge for the industry is to optimise genetic gain through measurement and benchmarking tools with lower cost, improved accuracy and a customised use for different production scenarios. A focus of AWI’s genetics and genomics investments this strategic period is to gain a greater understanding of the barriers to adoption of existing genetic tools.

The industry also needs to continue to identify cost-effective interventions within the reproduction cycle that will increase weaning rates resulting in increased sheep producer profit. By 2017 AWI is aiming to achieve a 10% increase in Merino lambs weaned by focusing on ewe and lamb survival, early reproductive success and high-performance weaners, genetic and biological mechanisms and conceptions, and early embryo mortality.

### Availability of shearers and wool handlers
The wool-harvesting workforce is faced with competition from other professions and trades. The challenge is to foster and maintain professionalism in the shearing and wool handler industry and ensure a reliable, healthy and available workforce supported by woolgrowers, which will then support wool supply and quality. AWI will continue to support in-shed coaching of people holding basic skills and improve the image of the shearing and wool handler industry to encourage more people to consider it as a career.

### Improvements to the feed base
The feed base drives productivity and wool quality, and the challenge is to optimise the utilisation of the feed base while delivering neutral or improved environmental outcomes. AWI will continue to seek collaborative investments to find productivity improvements to the feed base.
3.1. PRODUCTION ISSUES

Extension and adoption of R&D outcomes
Industry is taking a greater role in extension with the restructure of government agricultural extension services. The challenge is the maintenance, growth or re-invigouration of woolgrower self-directed education groups in a cost-effective way. Such groups are flexible and adaptable to the production, profitability, environmental and human resource issues that confront their production systems or their community over time. An additional challenge is the identification and nurturing of leaders in the industry, including women.

AWI will continue to support state-based extension networks to assist in the extension and adoption of its R&D outcomes.

Eco-credentials of wool
There continues to be increased consumer awareness and pressure for woolgrowers to demonstrate improved environmental outcomes on-farm and throughout the supply chain. With consumers becoming more environmentally conscious in their food and fibre choices, having the evidence to support the environmental credentials of wool will be important.

Developing sustainable and ecological processing methods to reduce chemical, energy and water use during manufacturing and garment care will also continue to be a challenge for the industry.

During this strategic planning period, AWI continues to invest along the supply chain to deliver robust data to support the eco-credentials of wool as well as develop sustainable and ecological processing techniques to reduce chemical, energy and water use.

Supply Chain Diversification
Ongoing concentration of processing capacity in China, where rising labour costs, improved environmental control and labour laws have increased manufacturing costs, is resulting in more processors considering other markets to process wool. As this happens, the industry will need to continue to invest in trade and consumer education to build retail and supply-chain support for wool by improving awareness of the fibre and its natural benefits.

In the 2013/14 – 2015/16 strategic planning period AWI will continue to foster diversification of regional wool processing capacity and growth in human resource skills and know-how within the wool-processing sector, by providing technical support to wool processors in existing (China and India) and emerging wool processing hubs, such as Vietnam and the Commonwealth of Independent States.

Health and environmental attributes of wool
With an increased focus by consumers on wellness and renewability the industry needs to continue to consolidate and build knowledge about the health and ecological benefits of wool, by providing scientific evidence to support new categories such as Nurture by Nature.

There is also an opportunity for wool to grow its market share in the sports apparel category by investing to develop finishes which boost wool’s natural performance properties of odour resistance, thermal regulation, flame retardation and moisture management.
3.2. SUPPLY SITUATION AND ANALYSIS

Australian production has levelled – recovery will be slow

Wool production in Australia is largely a function of sheep numbers. After a 20-year period of decline from the Reserve Price Scheme-induced peak of 1991–92, sheep numbers in Australia have now levelled, and are expected to increase during the forecast period. However, the rate of recovery will be slow due to competing demands for sheep meat (lamb turn-off) and expected variation in seasonal conditions, such that greasy wool production is unlikely to exceed 350 million kilograms by the end of 2016/17.

The Australian flock will remain Merino-dominant – although increasingly multipurpose

Reflecting the combination of recurrent droughts, poor comparative profitability and dramatic reduction in numbers of adult wethers in wool enterprises, there was a dramatic reduction in production of 19 – 27 micron wool since the 2000-01 season. The Australian flock has since largely stabilised around a ewe:lamb dominated enterprise, with approximately 42 million ewes, of which 75% are pure Merino or Merino-derived. Market and productivity drivers will continue to be reflected in evolution of the ewe base toward higher weaning and lamb growth rates.
3.2. SUPPLY SITUATION AND ANALYSIS

Australia will continue to dominate global supply of fine apparel wool - and so global supply will remain tight.

Reflecting the rapidly rising human population, especially in under-developed economies, global textile fibre production will continue to increase over the coming decades at an average of around 6 million tonnes per annum (~6%), with around 75% of the annual increase due to increased man-made fibre (MMF) production, and much of the remainder due to cotton. These annual increments in alternative fibre production dwarf global wool production, which has plateaued in the 1.0 – 1.1 mt per annum range, and is forecast to remain so. Accordingly, wool’s share of the global market will inevitably decline to less than 1% by 2040, and Australia’s share thus to around 0.25%.

Australia supplies around one-quarter of the global wool supply, more than half of apparel wool and around 90% of fine apparel wool. This means that Australian growers preferentially benefit from demand growth for lightweight apparel, whereas growth in demand for interiors benefits Australian growers more indirectly.

Australia’s dominance of fine apparel wool supply will remain unchallenged over the forecast period, reflecting the largely universal challenges posed by competing land uses and rising demand for sheep meat, particularly in emerging affluent economies. For these reasons, the projected slow recovery in Australian wool production will act to effectively limit global supply of fine apparel wool for the foreseeable future.

Wool’s position in the global fibre marketplace is increasingly as a specialist, niche product.
Supply-side considerations dictate that wool will compete as an increasingly rare natural fibre, in a sea of cheaper, mostly man-made competition. In this context, the evolving demographics of clothing expenditure are critical to wool’s future. Long-term demographic research, conducted for AWI, indicate that the top two tiers for annual expenditure among global consumers account for 50% of all investment in clothing and footwear, despite only representing 8% of the global population (550 million individuals). These relatively affluent consumers are preferentially located in the OECD economies – especially in USA, Japan, Western Europe, and China.

The global clothing market is well into a profound rebalancing of regional consumer expenditure – with the emerging ‘new world’ of Brazil, Russia, India, and China (the so-called BRIC nations) rapidly increasing in individual and collective importance. During the coming decade, annual growth in consumer expenditure on clothing is expected to be around 5–6% per annum among the BRICs, compared to around 1% per annum among traditional wool markets of USA, Japan and Western Europe. In these ‘old world’ markets, growth in expenditure will largely reflect affluent consumers, whereas growth among the BRICs will be more widely based.
3.3. DEMAND SITUATION AND ANALYSIS

Grower income per kilogram reflects consumer investment per kilogram

Wool is a relatively expensive investment for consumers - wool captures around 8% of the annual investment by consumers in clothing purchases, despite representing less than 2% of volume share.

Consumers invest around US$80 billion each year in wool apparel purchases, at an average of around US$195/kg.

Dominating global apparel wool supply, Australian growers receive around 70% of the US$3.5 billion paid to growers globally.

For Australian growers to receive higher prices for their wool in the long term, we need success in driving upward the average price consumers invest to buy each kilogram of wool at retail.


b pa = billion per annum; kg = kilogram; vol. = volume
Dealing with a changing consumer

In a strategic sense, the global wool industry stands at the intersection of a number of key demographic pressures:

- **Lifestyle of health and sustainability** – environmental and health concerns are increasingly influencing consumer choices, extending beyond food to apparel fibre choices.

- **Affluent ageing** – the combination of ageing populations and the wealth of the baby-boomer generation in the Western world is changing the consumer landscape for wool – for example, by 2016, as over 50-year olds will dominate consumer spending in Japan, UK, Germany, France and Italy.

- **Casualisation** – casualisation in the workplace, more flexible working arrangements, has driven a shift away from traditional formal ‘white collar’ workwear, such as suitings.

- **Declining birthrates** – in the developed world, declining birthrates and rising affluence is driving the emergence of the ‘little emperor’ as a high-expenditure consumer product market.

These demographic pressures create market opportunities for wool outside traditional product categories.
3.3. DEMAND SITUATION AND ANALYSIS

Converting challenges to opportunities

The demand-side and supply-side strategic imperatives outlined in the preceding pages means that long-term growth in the prices paid for Australian wool requires focus on:

1. Driving upwards consumer investment to purchase each kilogram of retailed wool fibre, and;
2. Exploring new regional markets and new product categories for wool, as a complement to our traditional markets.

Reflecting these, AWI’s strategy seeks to DEFEND key traditional mass markets, GROW emerging markets for apparel wool, and CREATE new product market opportunities associated with high retail spend per kilogram of fibre, and everyday use. Specifically:

DEFEND
Mass–market suitings, mid–layer knits, and bedding

GROW
Luxury suitings, lightweight knits (especially baselayer) and socks

CREATE
Sleepwear, maternity wear, babywear, underwear, and medical/health–wear product opportunities
3.4. ASSESSING STRATEGIC PRIORITIES

The basis for assessing strategic priorities has been to analyse supply and demand drivers and place an investment emphasis on those aspects which will drive future wool demand growth and farm profitability.

Assessments are made on a country by country basis and involves consideration of production issues and the relevance of different wool pipeline segments. For each country an emphasis index has been developed, reflecting regional activity across the wool pipeline and relevance of the market in terms of its position as a retail flagship, retail consumption and manufacturing sector.

‘Flagship’ markets are those that have a global role in setting the consumer behavior in fashion, apparel and priority development categories. Consumption markets are those with strong levels of consumption of high-value apparel. Manufacturing markets are those that have significant wool processing activity or potential. The ‘heat map’ shows this segmentation and provides the basis on which AWI aligns its resources and invests funds.1

Retail Flagship Markets
United Kingdom, Italy, France, USA.

Retail Consumption Markets
China, USA, Japan, Germany, United Kingdom, France, South Korea, Netherlands, Spain, Northern Europe, Russia.

Manufacturing Markets
China, India, Bangladesh, Turkey, Vietnam, Russia.

WOOL PIPELINE

1. AWI head office is located in Sydney, Australia with offices in 14 countries and a network of agents in 11 more countries. AWI’s international network is resourced to support the strategic plan, with larger offices in those markets identified for more activities and greater investment.
3.5. STRATEGIC PRIORITIES BY COUNTRY

AWI’s Emphasis Index has the following components:

- **PRODUCTION**: Wool production capacity per country
- **MANUFACTURING**: Capabilities to manufacture wool
- **RETAIL FLAGSHIP**: Brands that have an international presence
- **RETAIL CONSUMPTION**: Brands that rely on domestic consumption

**Emphasis Index Components**

- **Population**
- **GDP growth**
- **Average winter temperature**
- **Imports 2011**: Greasy, scoured, carbonised wooltop and yarns
- **Consumption 2011**: Wool garments consumed

The ‘warmer’ the colour, the more important the market is for the growth in demand for Australian wool.
### China

China represents the most dynamic opportunity to increase wool consumption at the luxury/high end of the market. Consumer research shows definite potential among 20 million plus consumers of luxury goods in key cities, but with a need for a significant investment in education, and in partnering global brands.

#### Market size
- There are more than 800 cities in China, of which more than 200 cities have a population above 1 million (while in Europe there are only 35 cities with a population above 1 million). Moreover, there are hundreds of cities in China with a population of more than 100,000.
- **1st Tier Cities** are Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin. **2nd Tier Cities** are regional capital cities like Nanjing, Wuhan, Shenyang, Xi’An, Chengdu, Chongqing, Hangzhou, Qingdao, Dalian and Ninbo.
- The Chinese retail and clothing market is expanding rapidly although sales growth eased to 14% year to date by Q3 2012, down from 17% in 2011. A weak recovery is expected to emerge in Q4 2012, fuelled by government stimulus, allowing 7.7% GDP growth in 2012 and 7.8% growth in 2013. The International Monetary Fund predicts a slightly stronger recovery for China, with GDP growth of 7.8% in 2012 and 8.2% in 2013.

#### Industry
- Total Chinese clothing retail value was $US 196.3 billion in 2011 with 14.4 billion in children’s clothing, 63.9 billion in men’s clothing and 89.3 billion in women’s clothing. Total clothing retail value is forecast to grow at 12.4% year on year into 2016.
- The fundamental shift occurring in the global wool industry is the emergence of China as a domestic wool consumption market.

#### Industry scale
In 2011, there were 2468 above scale wool enterprises in China with Gross Industrial Production value of RMB346.7 billion. (*above scale: Enterprises with annual turnover above RMB20,000,000)

#### Origin of Wool (mKg)

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#### Wool product exports in 2011
- **Wool Top**: 54,628 tonnes
- **Yarn**: 60,048 tonnes
- **Fabric**: 122,590,000 metres
- **Knitwear**: 129,120,000 pieces
- **Scarf/accessories**: 22,920,000 pieces
- **Garments**: 74,720,000 pieces

### Insights
- **Purchase trends – in-store vs online.** In 2011 online retailing value increased by 177.8%, however in relation to distribution market share online retailing is still insignificant compared to store base retail at 97.5% market share in 2011.
- In luxury goods, online and overseas purchase of high-value goods are now more prevalent based on the luxury taxes imposed and the concern about authenticity of goods.

### Opportunity for wool
- Strategically, wool needs to be positioned in the premium space and urban segments. China offers significant potential at this time. Pure wool is very appealing and its image as a quality, valued and premium product has grown in recent years.
- Like other countries, fit and feel are important in clothes choice. Chinese consumers are label conscious and image is important. That said, fabric is relevant to apparel choice for Chinese urban consumers, especially for next-to-skin apparel.
- Wool has potential to leverage its arguably innate qualities. Chinese consumers will often have a preference for natural fibres and the environmental impact and sustainability of fabrics is relevant to them when considering clothes purchases. Without being core drivers of choice these will offer some scope for differentiation.
- With the latest five–year plan issued by central government, AWI will focus on value – adding wool products through innovation. Marketing support for China Key Account will help to build up the high–end stable supply chain partner pool.
- Research shows that leveraging the Australian origin of fine wools has a positive impact on consumer purchase intent.
USA/AMERICAS

The USA market is predominantly a consumer market, although it does host a number of leading global designers, and is home to many of the trends that impact categories such as Urban and Sports.

The roller-coaster economy that has evolved in the USA over the past few years served to reduce the growth in consumption of luxury goods, although anecdotal this was not the case for New York. The USA retains its leading consumption status but is likely to be outstripped by China in the period of this plan. While the economy is by no means fully recovered, there are signs of demand growth in key markets like New York (potential luxury market size is 148 million consumers).

Market size

- In 2011 United States population was estimated to be at 311.6 million with expected year-on-year growth of 0.8% until 2013, then year-on-year growth of 0.7% into 2016.
- In the USA there is an increasing population in every age group except the 40–59 age bracket (86 million) which will experience a decline of ~0.2% for the next five years. 20-29-year-olds bracket (43 million) is expected to grow at a compound annual growth rate of 0.9% for the next five years. The USA population bracket of ages 30–39 olds (40 million) and 60 years old and older (59 million) are projected to increase at a faster rate than the overall USA population over the next three years.
- There are a number of demographic and economic conditions that support the view that the female and high-end consumer will remain strong. Women aged 30–39 and aged 60+ have the highest growth rate (1.3% and 2.8% forecasted growth rate over the next five years, respectively.)
- Women already control a majority of the household’s spending on apparel and accessories, but it is expected that women’s spending dominance will grow as employment trends make them more economically powerful.
- In 2011 the United States annual disposable income was estimated to be US$10.76 trillion with expected average year-on-year growth of 4.3% into 2016. Male disposable income (US$6.48 trillion) accounts for 59.9% while female (US$4.28 trillion) accounts for 40.1%. Females are expected to have a slightly higher average year-on-year growth rate (4.6%) through to 2016 compared to males (4.2%).
- The United States consumer expenditure was US$10.48 trillion in 2011, among which the expenditure on clothing came to US$305.71 billion, which accounted for 2.8% of the annual disposable income. The expenditure on clothing is expected to increase through to 2016, with an average 3.5% year-on-year growth, to US$363 billion in 2016.

Insights

- USA consumers often buy their apparel at clothing and footwear specialists, followed by mixed retailers, in particular, department stores, although their distribution share is declining. The economic downturn changed the shopping habits of many USA consumers, forcing them to shop at different stores and to alter their overall approach to shopping. Alternative shopping strategies that consumers have adopted included cutting back altogether on purchasing clothing and footwear, shopping more often at mass merchandisers and discounters, waiting for sales before buying clothing and footwear, and using coupons from newspapers or downloaded from online sites more frequently.
- Further, many consumers are attempting to stretch their apparel dollar by putting more effort into comparison shopping, both at multiple brick and mortar stores and through internet retailers. In 2011, USA apparel sales through internet retailing had a 7% share of the total clothing market at US$22.5 billion. With 100 million internet subscribers and 122 million households in the USA, access to the internet is ubiquitous.
- While consumers have been able to purchase fashion online for years, they have only more recently become comfortable enough to significantly increase their smartphone shopping. In the USA, 47%, or 234 million shoppers, own a smartphone, and the number of tablet users will reach 117 million by 2013.
- Key consumer values driving apparel purchase in the USA are fit, price, fabric, fashion/style, country of manufacture, store brand and designer brand.

Opportunity for wool

- Disposable income and consumer expenditure on clothing in the USA market is set for growth in the coming years. Increased confidence about the economy — and their own financial circumstances — led affluent consumers to boost their purchases of apparel in the third quarter of 2012, reversing a sharp downward trend earlier in the year. A study by Accenture also showed a growing appetite for luxury goods among the general population. Exactly half of the respondents indicated they were likely to make a luxury purchase in the next six months, including 48% of the sample that intended to buy luxury apparel.
- The fashion retailers that will thrive in this environment will be those that can adopt a strategy to address the luxury segment or offer another range of products, priced to attract the aspirational masses. This represents a unique opportunity for the wool industry as consumers gravitate towards value-oriented luxury apparel and aspirational brands.
JAPAN

Japan is once again establishing itself as one of the attractive markets for Australian wool. After a series of economic setbacks, the consumption of fashion and luxury goods is steady, and Japan still represents one of the top three markets for our product. There is also strong support for the Woolmark brand and Australia as a source of wool both at the trade level and in the minds of Japanese consumers. Potential luxury market size is 80 million consumers.

Market size

- Japan’s 128 million people are acknowledged for their importance in luxury goods consumption, and their understanding of quality.
- Wool continues to be an attractive proposition based on population, climate and affluence. Increasingly, European brands are influencing domestic trends even in the more conservative markets (viz. the profile of Paul Smith in menswear).

Insights

- In-store purchase remains robust in comparison with online purchase, even though the sales through online is rapidly growing. The total market size for e-commerce in 2011 is reported JPY8.5 trillion (USD106.25 billion), which is an increase of 8.5%. In terms of clothing and accessories, the increment is reported to be even higher at 28.6%.
- Japanese consumers are affluence and quality consciousness. Japanese demography is rapidly shifting to seniors who are said to have a huge in-house deposit of JPY27.7 trillion (USD 346 billion). These affluent consumers are generally fond of the attributes like prestige, heritage and authenticity that wool intrinsically has.
- Key consumer values driving growth potential in this market are:
  1. Authenticity
  2. Provenance
  3. Eco – natural etc... Any variables e.g.: gender and age+

Opportunity for wool

- Continued and consistent collaboration with major retail outlets in Japan will yield results more readily than the smaller scale piecemeal approach of the past. Strong, themed activities such as Campaign for Wool generate retail promotional opportunities for wool and major stores adopt a more cooperative approach than is the case in markets such as the USA.
- Ready adoption of innovation continues to be an attractive area for AWI to participate, as does the likely positive response at consumer level of products such as Cool Wool.

Emphasis Index

0 PRODUCTION
15 MANUFACTURING
15 RETAIL FLAGSHIP
70 RETAIL CONSUMPTION

- 126.4 million
- US$6.0 trillion Growth 2.2%
- Average winter temperature -5°C to 13°C
- Imports 2011 (clean basis) 22.5 mkg
- Consumption 2011 (clean basis) 57.8 mkg
ITALY

Italy remains one of the key, flagship markets for wool. Italian brands continue to be a dominant influence in the fashion category, especially in menswear. It is also clear through the recent aggregation of some manufacturing enterprises that a resurgence in quality manufacturing within Italy is occurring, although this is unlikely to be at a rate to offset the shift of Italian manufacturing volume, primarily to China.

It should be noted that, while it is a global resource, our primary trade tool, The Wool Lab, originated in Italy and to date has resonated strongly with other flagship and manufacturing markets. Potential luxury market size is 47 million consumers.

Market size

■ Italy, like much of Southern Europe, is set to continue in a consumer downturn in the short to medium term. This suggests that while AWI should have both a commercial presence and active campaigns in the market, it is the Italian influence on the global market that should be our strategic driver.

■ As a design and manufacturing hub, Italy will continue to rank as one of our major areas of activity. Strong partnerships have been forged over the past few years with brands such as Zegna, Loro Piana, Armani and Missoni. This prioritisation of key accounts and active development of collaborative programs will continue.

■ It is also apparent that the increased consumer focus on provenance is impacting Italian brand thinking. In marketing circles “provenance is the new luxury” is an accepted direction Italian brands are selectively pursuing.

Insights

■ Consumers still like shopping in-store, but more for fun than for buying. In Italy the biggest trend is absolutely the ‘outlet’ store concept. The percentage of consumers that buy in the ‘city centre’ fashion stores for full price is decreasing.

■ The trend to online purchasing is also increasing. Yoox, net-a-porter and Vente Privee are the main online stores demonstrating local growth, as is a new online site called Farfetch.com - an example of an ‘aggregation’ site that gathers together the best fashion boutique content worldwide. It is a ‘virtual department store’.

■ Key consumer attributes driving product selection in the fashion apparel market are: bio/ecological, iconic/authentic, fitted and quality.

Opportunity for wool

■ Fashion is important and it is critical to position the Woolmark brand and the Merino wool fibre perception high in consumers minds. Steps must be taken to ensure this is reflected also in urban and casual categories.

■ Sports-based apparel is a key opportunity to make the consumer aware of wool benefits; of course the price is a barrier to the volume brands.

■ The awareness and understanding of wool and the benefits it delivers in apparel to the final consumer is paramount.

■ Consumer Education is also required at brand and retailer levels.

Emphasis Index

0 PRODUCTION
30 MANUFACTURING
60 RETAIL FLAGSHIP
10 RETAIL CONSUMPTION

61 million
US$2.0 trillion
GDP
Growth -2.3%
Imports 2011 (clean basis) 90.1 mkg
Average winter temperature
6°C to 12°C
Consumption 2011 (clean basis) 56.0 mkg

STRATEGIC PLAN

OPERATING ENVIRONMENT 33
UNITED KINGDOM

The UK is one of the most important and arguably the most dynamic flagship market in fashion apparel. Whether directly through the growth of its luxury brands in export markets (e.g. Burberry) or indirectly through the presence of British-trained designers in the world’s leading fashion houses, the UK is a key market in both marketing and manufacturing terms.

AWI/DDMA Shanghai research suggests that in addition to consumption by the domestic market, and strong influence in global markets, in-bound tourism from China, Japan and Russia account for significant percentages of luxury apparel sales for these nations. Potential luxury market size is 52 million consumers.

Market size

- After sharing some of the economic setbacks of Western Europe, the British economy rebounded strongly in the third quarter of 2012. Although this was the strongest quarterly growth since 2007, the underlying pattern is one of subdued economic expansion. The United Kingdom is the world’s fifth-largest trading nation, highly dependent on foreign trade.

- The economy of the UK is the seventh-largest national economy in the world measured by nominal GDP and the third-largest in Europe (after Germany and France). London is the world’s largest financial centre alongside New York and has the largest city GDP in Europe.

- The UK exports manufactured items like telecommunications equipment, automobiles, automatic data processing equipment, medicinal and pharmaceutical products and aircraft. Its main trading partners are European Union countries, the USA, China and Japan with 2012 UK exports of £428.6 billion and imports of £477.9 billion.

- The UK is increasingly a niche textile manufacturer of luxury, high-end and knitted products.

- The amount of money per capita spent annually on clothing in the UK is USD1546.

- The UK is a centre of wealth. Recent (2012) figures show there are 619,000 millionaires in UK, up from 528,000 in 2008. There are 86,000 millionaires with a wealth of £5 million or more living in the UK, with the millionaire population set to grow by a third by 2020.

- The wealthy are concentrated in London and the South East, as well as the Midlands and South West and Wales. Looking forward to 2020 though, the fastest growing millionaire population will be in the North East followed by Scotland. During the past five years, the two fastest growing regions have been Scotland and the North East in terms of active businesses. Interestingly, these are key manufacturing regions, notably Scotland for textile manufacturing.

- London and South East are expected to carry on growing, led by London, as an international centre and a magnet for successful people from all over the world, and their children. In addition to this, foreign wealth is expected to keep coming to the UK, thanks in part to the high number of foreign students in private education. It is understood that people have a bond with England because very often they were educated there or their children are being educated in the UK.

Insights

In 2010, 82.5% of the United Kingdom population were internet users, the highest proportion amongst the 20 countries with the largest total number of users in that year. The internet contributes to 8.3% of the UK economy, a bigger share than for any of the other G20 major countries. The UK also carries out far more retail online than any other major economy. Some 13.5% of all purchases were done over the internet in 2010, and according to the Boston Consulting Group (BCG), this is projected to rise to 23% by 2016. They predict it will continue to expand at a rate of 11% per year for the next four years, reaching a total value of £221 billion by 2016. That compares with projected growth rates of 5.4% in the USA and 6.9% in China. ASOS.COM, Mr. Porter and net-a-porter are leading British online retailers.
Key consumer values

1. Fabric or garment care is important.
2. Textiles/fabric quality – possibly because the UK is known for its niche luxury textile manufacturing industry.
3. Less vain and more practical.
4. Men in the UK are known for their style.
5. Traditional concepts and values are held.
6. The British consumer can be cynical; they value authenticity.
7. Price driven – London is home to the ‘high street’. The rise of the supermarket brands and the successes of budget stores like Primark demonstrate this. The leading British designer labels are also supported by tourist spending in the UK.

When it comes to a baby or child, provenance and natural becomes more important.

The UK has a landfill crisis and the environment is a concern but if the greener option increases the price too dramatically, UK consumers may often make their product choice based on other preferences.

Opportunity for wool

- Consumers in the UK have very established perceptions of wool and have a high level of interest in fabrics and fibres. Showcasing product development and innovations would show consumers that wool is an extremely versatile fibre that’s modern and relevant today.

- London is at the cutting edge of fashion and design and is the perfect place to showcase these product developments and innovations in collaboration with key design partners.

- The UK’s fashion education system is widely recognised in the UK and internationally as the best in the world, while the creativity of British graduates is highly valued by international designers (Goodrum – 2005). There is potential to tap into these emerging designers and educate them about Merino wool.

- Power of ‘Brand British’ internationally is strong, especially in China and Japan. The UK has some of the leading textile manufacturers, designers and brands.
Despite the difficulties experienced by France during the past decade it remains perhaps the single most influential flagship market for womens apparel. It is home to the brands that set the luxury goods trends and drive fashion – Chanel (since 1912), Hermès (since 1837), Christian Dior (LVMH group), Louis Vuitton (LVMH group), Céline (Since 1945), Chloé (since 1952), Givenchy (since 1952), Lanvin, Yves Saint Laurent (luxury division of PPR), Balenciaga (luxury division of PPR), Kenzo, Jean Paul Gaultier, and many others. After a gap of two years, AWI has re-established a presence and is targeting the above brands as key accounts necessary to the stabilisation and possible growth of demand in womenswear. Potential luxury market size is 52 million consumers.

**Market size**
- In 2011 France’s population was estimated to be 63.1 million with expected year-on-year growth of 0.5% into 2016. Looking at France’s age demographics there is an increasing population in the 40 years and over age group, with the 60+ age group increasing the most at 2.1% for the next 3 years.
- France’s retail sales growth is predicted to ease to 2.5% in 2012, down from 2.7% in 2011. There is a further expected decrease in retail sales growth in 2013 to 2.0%.
- France’s total clothing retail value was US$45.8 billion in 2011 with US$4.7 billion in children’s clothing, US$15.0 billion in men’s clothing and US$23.5 billion in women’s clothing. The total clothing retail value is forecast to grow at an average 0.2% year on year into 2016. Slightly higher growth will be seen in men’s clothing at 0.7%, children’s clothing is expected to decrease by ~1%, and women’s clothing will maintain at a steady state. France’s total clothing retail volume was 15 billion units in 2011 with 165 million units in children’s clothing, 383 million units in men’s clothing and 713 million units in women’s clothing. Total clothing volume is forecast to slightly decrease at an average ~0.3% year on year into 2016; children’s and women’s clothing are also expected to slightly decrease by ~0.8% and ~0.1% respectively. Men’s clothing is expected to increase slightly by 0.2%.

**Insights**
- The sense of fashion, interest in style and fashion stores are centred on Paris, the south of the country near the Riviera – Cannes, Nice, Saint Tropez and near the Atlantic coast in cities like Deauville and Biarritz.
- Popular emerging trends are websites dedicated to the sale of designer brands at low prices or secondhand. Vintage clothing stores (experiencing major development in the past two years), and famous designers creating capsule collections for retailers like H&M at more affordable prices are gaining popularity. Consumers’ lack of purchasing power has led many to search for cheaper alternatives.

**Opportunity for wool**
- Despite being influenced by their socio-economic background, most French consumers spend higher amounts on good quality tailoring and material in order to achieve the classic French style, which is simple but elegant.
- Neutral colours are worn with minimal make-up, and accessories, such as high-class bags and sunglasses, are used to change this look. The Parisian style is cold and classic while in the south there is a more Italian influence of colourful and bright clothing to suit the warmer climate.
- There has also been an increase in the number of consumers keen to make clothes last, so a good quality-price mix is key to success.
GERMANY/AUSTRIA/SWITZERLAND

Germany is a significant consumer of premium apparel and of raw wool (around 60 mkg are consumed in Germany, Austria, Switzerland). A number of international and global retailers and brands operate out of Germany such as P&C, C&A, Kaufhof, Otto Versand as well as Adidas, Puma, Hugo Boss, Marc O’Polo and Marc Cain. International businesses based in Germany are growing and the German trade press are influential across Europe. Germany hosts some of the world’s leading apparel trade fairs (such as ISPO, Outdoor, Bread & Butter, Heimtextil, Munich Fabric Start) for sports and urban segments. Potential luxury market size is 79 million consumers.

Market Size

- The German economy is the 5th largest economy in the world – $USD 3.4 trillion. Taking into account all German-speaking countries (GER/AT/SUI) this adds up to $US4.4 trillion. It is also the second most populous nation (after Russia) - together with Austria and Switzerland with near to 100 million consumers, of which 80% are considered affluent.

- Germany/Austria/Switzerland is the biggest clothing consumption market in Europe with approximately $US125 billion turnover; it is forecast to grow at 0.3% per annum over the next three years.

Insights

- Germans continue to evidence strong concerns with ecology – natural, ecological and sustainable products dominate in many sectors – not only apparel but also automotive and sports.

- There is a trend to smart casual and revival of sartorial sensitivities. For men – contemporary classicism; revival of sartorial casual; and brit-chic. For women – a clean wool-look as a counter-trend against casual is evident.

- Germany is a sports-oriented society evidenced by the sports market growing strongly. Driven by functionality this sector is not so price sensitive; and sports brands are expanding into fashion given the long-term trend to more relaxed, causal lifestyles.

Opportunity for wool

Given the generational gap in knowledge of wool, there is likely to be a strong positive response to education of young designers at universities and schools as well as with consumers.

- Automotive brands want to go green – include wool / wool blends in their car seats. A recent example is the Woolmark cooperation with BMW.

- The Sports industry is highly attractive, with strong German brands investing into ecological, natural fibres and wool is growing in many collections.

- Research has shown strong potential to collaborate with international apparel care brands such as Henkel, Bosch-Siemens and other strong brands to support the Merino story.
RUSSIA, BELARUS & UKRAINE

Russia has a current GDP growth of around 6.5% per annum. This growth is driven by exports of oil, gas and minerals. The growth is expected at least to be maintained if not increased due to an estimated 8% increase in the world price of oil, and continued instability and uncertainty in the Middle East, North Africa and in other of the oil producing countries such as Iran and Libya.

Both Belarus and Ukraine during the Soviet times were a source for raw materials and market for the Russian textile industry and a considerable textile manufacturing infrastructure remains.

Insights

- The Russian clothing retail market is one of the six largest in Europe, having grown 12%-25% per annum 2000-08. The value growth for 2010-11 was more than 17%.
- The Russian apparel market is attractive to local and international companies as it has demonstrated higher volume and value growth compared to Western European markets. The stable economic development of Russia and the potential growth in the size of the middle-class consumer base has motivated local and international apparel companies to actively develop their business activities.
- Russians consumers are confident of the economy unlike Europeans and are ready to spend money on apparel. They do not tend to save money due to economic instability. This has enabled market players to continue to spar for Russian apparel consumers.
- The requirements for childrenswear among Russian consumers have become increasingly sophisticated. The baby and child-specific products category is expected to register double-digit growth in value terms during the next few years.
- Clothing accessories such as hats, caps, scarves and gloves are a necessity in Russia. Their sales increased by 13% in value and by 5% in volume in 2010/11. The average unit price of clothing accessories increased by 8% in 2011. Sales of accessories are expected to show a constant value with forecast compound annual growth rate of 4% during 2011-2016.
- Following the collapse of the Soviet Union, clothing production plunged and later a series of crises led to the destruction of existing supply chains and the closure of many factories. The collapse of the industry resulted in a surge of illegally imported Turkish and Chinese goods. In 2010 only 4% of clothing sold in Russia was produced domestically, 16% was made in Russian-owned factories in China and 80% was made outside Russia by foreign companies.
- Of the 20 worsted mills that produced fabric during the Soviet period, only two or three have continued operating. Imports account for 90% of the market, including fabric for the Russian army, police and security forces. The current annual demand of worsted fabrics for uniforms is estimated at 4 million metres, with domestic production meeting less than half that figure.
- The Russian government has planned to increase support for the domestic textile industry in 2013. The government plans to provide US$36.9 million for the development of the industry.
- Following an agreement between the Russian light industry company Roslegprom and Bellegprom, Belorussian companies are to make military uniforms and accessories for the Russian forces.
- The local manufacturers in Ukraine face problems of lack of qualified personnel to work in factories and access to quality raw materials.
- After the initial surge in imports in the Ukraine the local textile manufacturers have regained the share in the domestic market. From a 10% market share three years ago it is estimated that their share has now increased to 30-50%.

Opportunities for wool

- With a population of more than 142 million, a very cold winter season, a growing middle class with disposable income, Russia promises opportunities for woolen products at retail.
- The exceptionally cold weather in Russia offers immense opportunities for woolen products in outerwear such as overcoats, coats, jackets, cardigans for men and women.
- Another opportunity for wool is in childrenswear. The unit price of childrenswear is not much cheaper than the price of clothes for adults. Despite the production of childrenswear needing less material, it does tend to use higher quality fabrics and special dyes.
- The other two categories which have a great potential in the Russian market are accessories such as caps, scarves and gloves and also next to skin products as thermal wear.
- With prolonged and severe winters wool offers great solution for insulation at home with blankets, throws, furnishing and carpets for interiors.
- Opportunity for wool exists in the Russian manufacturing industry as the manufacturers who are still in business recognise the merits of Australian wool. They used Australian wool in the Soviet times as it was being procured and distributed by a central Soviet agency then and are familiar with the fibre.
- Belarus and Ukraine, with low wages and favourable exchange rates, offer opportunity for establishing manufacturing supply chains for wool.
- Additionally, with proximity to Russia and Europe the manufacturing companies in Ukraine and Belorussia have an opportunity to market their woolen products.
India is emerging rapidly as a competitor to China in terms of quality of manufactured goods. As a consumer market the climate and the economics of the country are short-term barriers to rapid escalation in demand. However the emergence of a stronger middle/upper class does suggest growth in consumer demand for the right product types is available over time. Potential luxury market size is 6.2 million consumers.

**Market Size**

- India is the second most populous country in the world, with more than 1.21 billion people (2011 census), more than a sixth of the world’s population. More than 50% of this population is below the age of 25.
- India is the second largest importer of Australian Merino wool after China, importing around 7–8% of production. The majority of wool products are exported with some consumption in the domestic market especially in suiting fabrics.
- The Indian wool industry occupies a small part in the Indian textile industry which is scattered widely. The wool industry in India is broadly represented by organised and decentralised sectors, with a complete supply chain catering to domestic and export markets. It comprises of spinners, worsted fabric manufacturers, knitters, shawl manufactures, dyers and processors, hosiery, garment makers and carpet manufactures. Although India has a large manufacturing industry it requires government support to modernise the industry to meet growing demand.
- The recent agreement between Australian and Indian governments to negotiate a Free Trade Agreement is a step towards cooperation to upgrade and modernise the industry to meet growing demand.
- The Indian retail sector accounts for 22 per cent of the country’s gross domestic product (GDP) and contributes 8% of total employment. India continues to be an attractive investment proposition for global retailers. Organised retail is a new phenomenon in India and despite the downturns, the market is growing exponentially as economic growth brings more of India’s people into the consuming classes and organised retail lures more and more existing shoppers into its open doors. By 2015, more than 300 million shoppers are likely to patronise organised retail chains. India’s modern consumption level is set to double within five years to US$1.5 trillion from the present level of US$750 billion. India is set for high growth in consumer expenditure.
- Luxury and super premium apparel is forecast to grow at a 30% CAGR according to industry experts and major retailers. This will be driven by demand amongst the growing number of aspirational consumers, but also as a result of further penetration by foreign luxury branded goods.

**Insights**

- Internet retailing is still in its nascent stage in India, with the majority of purchases made by consumers constituting travel tickets, movie tickets and matrimony ventures. During 2011 there was increased interest in e-retailing within certain categories. Internet retailing is expected to grow at CAGR 19.6% during 2011/16.
- Key consumer values among Indian consumers centre on ‘Value for Money’.
- Informed Indian consumers have started preferring the authentic product of known brands through known retail outlets.

**Opportunity for wool**

- India is importing 7–8% of Australian Merino wool yearly-second to China. Expanded opportunities for growing demand for Indian products is always attractive, and Indian manufacturers are being used by global brands as a cost-effective alternative to China.
- As the Indian retail industry transforms into an organised one, this offers potential to emerging premium brands to tap into aspiring, young and vibrant Indian consumers, satisfying their changing buying behaviour.
- Stronger consumer support can be gained through educational activities focusing on:
  1. Positioning Merino wool in the growing premium and luxury segment
  2. Targeted campaign to promote Merino wool as trans-seasonal product (e.g. Cool Wool)
  3. Campaigns in association with brands and retailers to promote wool and Woolmark and sustain existing business
  4. Wool promotion through digital platforms to educate exploding young generation and
  5. Developing a strong and robust supply chain for quality wool products, both for export and the increasing domestic market.
SOUTH KOREA

Korea represents a rapidly developing affluent market in Asia with an escalating appetite for luxury goods and slowly evolving trend to consumption of Western fashion. The entry of a breakthrough retailer such as 10 Corsa de Como shows Korean consumers are willing to seek out innovation, adopt new designers as well as continue to consume established luxury brands. Again the climate, affluence and population characteristics make Korea a high-value potential market for expansion of demand for wool. Potential luxury market size is 7 million consumers.

Market Size

- South Korea has a population in excess of 50 million, 83% of whom live in urban environments, and 70% of whom are aged 16-60.
- While the economy slowed in 2012, it is forecast to slightly recover to 2.5–3% growth in 2013. The GDP per capita was USA $23k in 2012 and predicted to reach USA $30k in 2016. Total consumer expenditure value on clothes is estimated at USA $25.2 billion in 2011.
- Overall the apparel market has been flat in volume for several years, characterised by fierce competition in price. Apparel brands are increasingly targeting markets of high-value-add and/or differentiated merchandise.
- There is limited supply chain knowledge of wool products. Local wool manufacturers keep downsizing or relocating their production lines. Raw wool imports including the China processed tops, were reported as 21.7kg in 2011.

Insights

- The traditional wool apparel market has matured recently, particularly the conventional segments of men’s suits, women’s formal wear, and coats have been flat or declining over the past few years, whereas the new segments such as urban separates, business casual and sports/outdoor have rapidly grown in the market.
- Fashion businesses active through the internet, mobiles and TV home shopping have expanded owing to established IT/logistics management infrastructure, but traditional retail outlets of department stores are flat, less than 2% a year growth while fashion malls, supermarkets, and discount stores have shown some growth (3-10% annual growth).
- Fast fashion retailers like Uniqlo, Zara, and several local brands have increased their number of stores, and launched mega stores in the key fashion streets.
- New fashions that are gradually gaining in popularity are bespoke shops and boutiques of young, emerging designers; coveted for styles that are more discrete, well made and exclusive.
- Environmental consciousness and ethical consumption are becoming more evident in the market, and wool has a positive profile in view of its value and natural benefits. Of concern is that more blends and coarser wools will gain popularity due to their lower price and fashion trends towards casual wear.

Opportunity for wool

- The primary target in Korea is the fashion conscious 25- to 50-year-olds, who will respond to attributes of style, quality, brand positioning, and fashion influencer. Priority should be given to classic suits, separates, contemporary urban and Cool Wool for men’s and women’s apparel.
- Consumer education and trade and consumer promotion will deliver high-value in this market, as will traditional media partnerships, social media and retailer training and education.
- Depending on resource availability there is also potential growth for wool in beddings, sportswear, young casual, segment underwear and machines and detergents for apparel care.

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48.6 million US$1.2 trillion Growth 2.7% Average winter temperature -8°C to -1°C Imports 2011 (clean basis) 21.7 mkg Consumption 2011 (clean basis) 30.7 mkg
Turkey enjoys a very special location at the crossroads between East and west, overlapping Europe and Asia, so it offers both domestic and export-oriented market opportunities. The growing domestic market is becoming increasingly sophisticated. A strong local manufacturing industry (including leading wool operations) is targeting both this and the high-income European markets with incremental demand available from emerging Russia, Caucasus and Central Asia markets (approx. 250 million people); and diverse and expanding Middle East and North Africa markets (approx. 160 million). Potential luxury market size is 19 million consumers.

Turkey has a customs union with the EU and is in the accession process to be a full member. It also has Free Trade Agreements with EFTA and 14 other countries, and 9 more are being negotiated. Turkey is also a member of Black Sea Economic Cooperation, Economic Cooperation Organization (ECO), Organisation for Islamic Conference and Islamic Development Bank. All of these aspects explain what we see as an emerging role for Turkey as a competitive source to China and India for manufactured products into Europe.

**Market Size**
- The luxury market in Turkey is estimated at around US$11.1 billion (all categories) with the organised luxury menswear market worth an estimated US$7.4 billion.
- General exports increased by 16.9% and reached US$13.2 billion while imports decreased by 5.4% down to US$20.4 billion from June 2010 to June 2011. Turkey’s biggest export partners in March 2012 were Germany (US$1.3 billion), Iraq (US$918 million), UK (US$672 million), Italy (US$630 million), and Russia (US$615 million).

**Insights**
- Purchase trends show:
  - Domestic market continues to be in-store vs online
  - Switching consumer preferences moving to branded apparel
  - Organised retailing slowly replacing traditional markets.

**Opportunity for Wool**
The major opportunity represented by Turkey is key account based and in the concept of increased manufacturing access into Europe (west and east) as an alternative to sourced volume from China and India.

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**Emphasis Index**
- **2** PRODUCTION
- **45** MANUFACTURING
- **5** RETAIL FLAGSHIP
- **50** RETAIL CONSUMPTION

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**GDP**
- US$783.1 billion Growth 3.0%

**Average winter temperature**
- -10°C to 12°C

**Imports 2011**
- (clean basis) 32.3 mkg

**Consumption 2011**
- (clean basis) 22.5 mkg

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**Average winter temperature**
- -10°C to 12°C

**Imports 2011**
- (clean basis) 32.3 mkg

**Consumption 2011**
- (clean basis) 22.5 mkg
While considered to be part of the explosion in importance of the Greater China market, Hong Kong has significant importance in its own right because it is both a hub for overseas brands’ sourcing and because Hong Kong-based trading companies (such as Li & Fung) are increasing their ownership of and influence through brand acquisitions. It is also the number one shopping destination for mainland Chinese purchasing luxury goods. Potential luxury market size is 2 million consumers.

**Market Size**
- The local population is just over 7 million, with a further 23 million in Taiwan.
- This region is not just an OEM apparel manufacturer’s hub in south China.
- Hong Kong will also be a main economic zone under China’s five-year plan, where the buying power of 60 million people across Guangzhou, Shenzhen, Hong Kong, Dongguang, Foshan, Jiangmen, Zhongshan, Huizhou, Zhuhai, Macau is aggregated into a China-Asian Free Trade Zone.
- Hong Kong has a robust stable of local apparel brands, which is expected to expand strongly on the mainland and in Southeast Asia.

**Insights**
- Traditional in-store purchase is still strong in Hong Kong and Taiwan. Brand, fashionability, colour, style and fit are the key drivers in buying luxury apparel.
- Online purchasing is growing among young people; however it is more successful at lower price points. We anticipate that online apparel retail will emerge as a major retail segment in the next few years.

**Opportunity for Wool**
- In consumer marketing, we must enhance the awareness and understanding of Wool and the benefits it delivers in apparel to the final consumer.
- Consumer Education is also required at brand and retailer levels.
- Woolmark’s past associations with lower priced apparel needs to continue being addressed, but an increasing use of the Woolmark logo will attract the awareness of quality perceptions, especially through association with programs such as the Campaign for Wool and International Woolmark Prize.
BRAZIL

Brazil has come a long way since its days as home to the Western Hemisphere’s lowest GDP per capita. Prudent leadership has resulted in quick growth, declining poverty and an increased say in international affairs. Potential luxury market size is 15.0 million consumers.

Brazil is capable of becoming an advanced economy. In 2011, it overtook the UK to become the world’s sixth-largest economy, building with infrastructure development and on the back of exports to China and the far east.

Brazilian consumers are moving to higher-priced products. Apparel continued to perform positively in 2011. The growth was driven by increasing disposable income, in particular in the lower income bracket, as well as more available consumer credit and payment facilities offered by trading establishments. Improved purchasing power also contributed to increasing sales of higher value products, in particular branded products that are symbols of status. It is common for people to associate brands such as Forum, Colcci and Arezzo with high income levels.

There would seem to be great potential for sportswear with the World Cup and Olympics being held in 2014 and 2016 respectively.

Football is the most popular sport in Brazil, which has won the World Cup five times. There are high hopes for a sixth victory when the country hosts the event in 2014. There are also great expectations for the Olympic Games in Rio de Janeiro in 2016, with investment in other sports such as volleyball, basketball, rugby, athletics and swimming.

Market Size

Apparel sales are fragmented in Brazil. The main reason is the large number of manufacturers supplying the market, estimated at 23,000, including small and regional players. These domestic manufacturers, however, have been struggling in the face of competition from cheaper Asian imports.

Insights

Internet retailing is an expanding channel. Apparel specialist retailers are expected to remain the leading distribution channel but internet retailing has shown potential. Internet retailers Netshoes and Dafiti, which sell clothing and footwear, both performed strongly over the past few years.

Opportunities for Wool

Positive performance is expected for apparel, with the category expected to continue to perform well over the forecast strategic planning period, but at slower pace compared to the 2006-2011 period. GDP is expected to grow around 4% annually over the next five years and unemployment rates are likely to remain steady. Manufacturers able to offer competitively priced products, payment facilities and novelties to consumers are expected to be the most successful.

198.4 million
US$2.4 trillion
Growth 1.5%
Average winter temperature 13°C to 23°C
Imports 2011 (clean basis) 0.5 mkg
Consumption 2011 (clean basis) 4.9 mkg
BENELUX  Belgium, The Netherlands & Luxemburg

This region is suffering the general economic malaise affecting Western Europe, however it is predicted to return to positive GDP growth in 2013. The interiors sector, and the emergence of several iconic urban brands from this market show long-term potential. Potential luxury market size is 23 million consumers.

Market Size
- Total population 28.0 million (Belgium 10.8 million, The Netherlands 16.7 million, Luxembourg 0.5 million).
- Total working population: Belgium 4.5 million/The Netherlands 8.6 million.
- Unemployed: Belgium 400,000/The Netherlands 500,000 (50% age between 25 and 45 years old).
- Number of pensioners: Belgium 1.8 million/The Netherlands 3 million.

Industry
- Number of fashion stores: 15,810 with a combined turnover of €8 billion (excl. VAT).
- Interiors, and in particular carpets, has a strong foothold in the manufacturing sector in this region.

Insights
- Purchase trends show a decrease in turnover of fashion retail by 1.4% in 2011 and a decrease of 2% is expected for 2012. 70% of garment purchases are via in-store and 30% online, with almost all retailers combining in-store with online.
- Consumers place a high-value on authenticity, individuality and sustainability.
- Price is still an important value, but a growing group of consumers is looking for more sustainable choices (30% of food bought in supermarkets is organic).

Opportunity for Wool
- Consumer-focused activity, supporting knitwear in particular will be a priority. Towards the consumer we have to work in two ways:
  1. Add value to the idea about wool and work with high fashion designers and brands.
  2. Work with brands/retailers that have significant market share to support them to sell more wool.
- The Netherlands also has an emerging global influence in the urban sector with it being home to G-Star.
Spain has borne the brunt of economic reversals in Western Europe and this in turn has had a dramatic influence both on consumers, manufacturers and brands. For this planning period indications are that the economy will continue to be pressured. There are several Key Accounts that may resist the downturn due to their success in export markets. Potential luxury market size is 38 million consumers.

**Market Size**
- The current population of Spain is 46.8 million and is highly urbanised and is expected to increase by 0.6% per year.
- In 2011/12 the clothing market was valued at US$25.5 billion, and in 2012/13 this figure is expected to grow by 0.6%. The volume of clothes sold in 2011 was 745.3 million pesos and growth is estimated at 0.3% a year.
- In 2010 Spain was ranked number eighth globally for clothing and footwear spend (Global Demographics Limited rank).
- Wool consumption has grown 16% from 2008 to 2010 against a decrease in total textile consumption, due to both an incremental growth in market share and strong exports.

**Insights**
- The recession has changed the behaviour of consumers. They are more value conscious and less likely to purchase large-ticket discretionary items.
- There is a growing interest in natural fibres due to a changing of consumer expectations and a quest for authenticity.
- The consciousness of eco-consumption is a growing trend but still of minor importance.
- Spanish women are known to follow fashion and they want to buy the latest trends. Women aged 35-55 are the main buyers of apparel in Spain, mainly due to their greater purchasing power. The high unemployment rate amongst the youth has caused a decline in volume sales among women 16-34 years.
- There is a marked trend both to dressing more casually and to an increased interest in fashion. These trends have continued in spite of the recession.
- Comfort is more important to the Spanish than in the other major economies.
- Baby and toddler apparel demonstrated the lowest decline versus other segments due to the fact that demand is more price inelastic. This is a result of the fact that parents prioritise the needs of their younger children. Spain is the leading exporter of childrenswear in the European Union. Brands made in Spain for childrenswear span all continents and many Spanish companies have businesses abroad. For the forecast period, it is expected that the international demand for Spanish childrenswear will continue to grow.
- Babywear: While total textile consumption was decreasing (~7.8% in 2009), the babywear and childrenswear segments have been the only ones growing (5.8% in 2009). There are many barriers for wool in this segment that have to be broken down with fibre education to the trade, retailers and consumers as wool has attributes that satisfy parents’ expectations (natural, healthy, comfortable and easy care).
- Retailers look for differentiation from competitors by having a good value and quality proposition for consumers, offering limited editions, highlighting natural fibres and providing a series of higher quality products.
- High to very high-end brands such as Carolina Herrera and Loewe, influence mid and low brands and use wool in their collections.

**Opportunity for Wool**
- Wool consumption in Spain has increased 16% while the total apparel spend has decreased by 7%. This wool increase happened mainly in womens knitwear and for the autumn/winter season. Consumers seek affordable luxury and are more conscious when buying a product. Also wool is very prominent on the catwalks and this has had a strong influence on wool consumption.
- Retailers look for differentiation through consumer preference for natural and quality products.
- There is space to grow both for men and women in spring/summer season products. The presence of wool products for spring/summer seasons is almost nil. Wool summer garments could be introduced as something new in the market within a marketing strategy of differentiation through the Cool Wool sub-brand and with the appropriate marketing activities.
- Babywear: While total textile consumption was decreasing (~7.8% in 2009), the babywear and childrenswear segments have been the only ones growing (5.8% in 2009). There are many barriers for wool in this segment that have to be broken down with fibre education to the trade, retailers and consumers as wool has attributes that satisfy parents’ expectations (natural, healthy, comfortable and easy care).
From humble beginnings since the reunification of its northern and southern regions, Vietnam has become a major player in the global textile market. The country ranks fifth worldwide in textile and apparel exports and has a labour force in that sector of more than 2 million people, of whom 1.3 million are working in manufacturing.

Insights
- Prior to 2002 very little of the country’s textile or garment production was manufactured for export. In 2002 the value of Vietnam’s exports was less than US$3 billion. In 2007, when Vietnam gained access to the World trade Organization (WTO), exports of textiles and garments were just over US$5 billion. But since 2008 there has been significant growth in the market with exports almost trebling to approximately US$15 billion in 2012.
- Vietnam’s export turnover is projected to reach US$25 billion by 2020. Actual figures for the first nine months of 2012 were US$12.4 billion. The value of Vietnam’s textile and garment exports rose 15.4% in the first quarter of 2012, cementing their position as the country’s largest foreign currency earning industry. Its main export markets were the USA, which accounted for US$6.9 billion of those exports; the European Union, US$2.5 billion; and Japan, US$1.7 billion.
- The Vietnamese textile and apparel industry’s customers include the top labels worldwide including, USA brands and retailers, JC Penney, Nike Inc., Gap Inc., PVH Corp., Liz Claiborne, Target Brands Inc. and Perry Ellis; European brands and retailers Marks & Spencer, C&A, The Otto Group, Pierre Cardin and Jacques Britt; and Japanese brands and retailers Itochu Corp., Marubeni Corp., Mitsui & Co. Ltd., Mitsukoshi Ltd. and Katakura Industries.
- Vietnam has Free Trade Agreements (FTAs) with Japan, Australia, New Zealand, ASEAN, China, Chile and India. It is currently negotiating a FTA with Korea and is part of the negotiations for Trans-Pacific Partnership Agreement. All these agreements offer trade access to major markets for Vietnam.
- Of more than 3800 textile companies, state-owned enterprises make up just 0.5% of Vietnam’s businesses, 75% are joint stock or limited companies and the balance are foreign joint ventures.
- Investment projects, along with government incentives for foreign investment, are deemed to be central to the improvement of the Vietnamese textile and apparel industry as Vietnam seeks to strengthen its competitive position in global apparel markets. Other contributing factors include low labour costs, skilled textile labour and a stable political environment. The future of the Vietnamese textile industry looks bright because of continuous efforts made by textile companies to upgrade their equipment to enhance their competitiveness.

Opportunity for Wool
- By virtue of its geographical position the climate in most of Vietnam is not conducive to the consumption of wool. However, Vietnam offers an opportunity for developing it as an exporter of wool products.
- China is no longer a low-cost mass manufacturer. Volume retailers are moving away from 100% wool products to alternative fibres because Chinese ex-factory prices exceed their price points.
- With 75% of Australian wool being exported to China and the recent changes there, there is a shift of processing to other regions.
- To mitigate the risk and offer alternatives to brands new manufacturing supply chains are being established in a low-wage countries like Vietnam.
After its liberation in 1971 Bangladesh inherited a shattered economy. Initially, foreign support and jute exports helped the economy, but it could not keep up after the mid-1980s. Since then the economy received much needed support from the readymade garment (RMG) sector.

Insights
- Exports of RMGs have grown from US$116 million in 1984/85 to more than US$19 billion in 2011/12. The RMG sector contributes nearly 10% to GDP and 78% to export earnings.
- The garment industry is the backbone of manufacturing. There are roughly 3.6 million workers in the garment industry (80% of them women) and another 15 million depend indirectly on the industry.
- Bangladesh became the second largest apparel-exporting country in the world in 2011. Exports of RMGs reached a new high of US$17.91 billion in 2010/11 registering a 43% increase over the previous year.
- According to the WTO, Bangladesh, a “reputed low-cost” garment producer, has enjoyed robust growth on the back of its inherent strengths – “especially a vibrant private sector and a large pool of inexpensive labour. Unit labour costs in the garment industry are well below those of the nearest competitors”.
- Low wages for labour (minimum monthly wage is US$36.50) resulting in competitive pricing has helped Bangladesh maintain a lead in the lower end niche of the apparel sourcing market.
- As Bangladesh is classified as a least developed country (LDC), it enjoys zero duty access in the European Union, Canada, Australia, Japan, Norway and Switzerland under the GSP (Generalized System of Preferences) scheme. In early 2012, India allowed duty-free access to an additional 48 items of apparel, which gave Bangladesh industry a path to a large and growing market.
- Many USA and European brands such as Walmart, PVH, VF Corp, Gap, Nike, Levis, Zara, C&A, H&M, M&S, Tesco and Esprit source from more than 5400 enterprises in the country. As China became less competitive for volume retailers and brands, Bangladesh presented a clear alternative. There is an increasing trend of direct sourcing through local offices in Dhaka.
- The areas of concern for brands and retailers are the frequent strikes and unrest in factories because of low wages and workers health and safety issues.
- Apart from ethical, sustainability and environmental issues, it is the emergence of other low-cost competitors such as Vietnam, Cambodia and Burma in Asia that offer alternatives to Bangladesh. It is important that manufacturers in Bangladesh move to value-added products.

Opportunity for Wool
- Climate in Bangladesh is tropical and does not offer opportunity for consumption of wool in the domestic market. As Bangladesh is the second largest sourcing hub next to China, it can be developed as a link in the wool manufacturing supply chain.
- Bangladesh’s export for 2012 was evenly split by value between woven and knitted goods. Of the knits nearly 25% were sweaters made on medium and fine-gauge machines. The flat-bed knitwear manufacturers can easily take up manufacturing of woolen products as switching from cheaper fibres to wool does not involve any capital expenditure. It needs only training on the production and finishing of woolen products.
- AWI has conducted two supply chain developing projects through which we have trained flat-bed knitting companies on the production of knitwear conforming to Woolmark standards. These companies export woolen products to brands and retailers.
- With the increased demands for wage revisions from both labour unions and brands (H&M) and for better working conditions from retailers such as Zara and Walmart, the factory owners expect their costs to increase. Exporting higher value-added products such as wool offers a better alternative to the cheap products being exported as long as costs can be contained.
- Wool offers an opportunity for the Bangladeshi industry to break the image of a ‘reputed low-cost’ garment producer and to re-invent itself.

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Wool offers an opportunity for the Bangladeshi industry to break the image of a ‘reputed low-cost’ garment producer and to re-invent itself.
Climate and affluence continue to drive interest in these markets, despite the smaller population bases. This market includes Denmark, Finland, Norway, Sweden, Iceland, Estonia, Latvia and Lithuania — a combined population of approximately 32 million. Potential luxury market size is 18 million consumers.

**Market Size**

- There is a considerable variation of GDP within the region, however the three Baltic countries are now rebounding after the financial difficulties already present before the 2008 financial crises period. GDP statistics for the planning period 2013-2016 shows a forecast of 3.0 to 3.5% growth per annum for the region, with individual country GDP growth ranging from 1.2 to 6.0%. The variation within the area shows that Norway and Sweden will continue to be the largest economies, but Latvia and Lithuania will experience the fastest growth.

- The trade in Nordic can be split into different geographical areas: the affluent markets of Norway, Sweden, Denmark, Finland and Iceland show similar market trends to the other global affluent markets. However local market opportunities focus on expanding the share of wool in the prominent outdoor and sports market.

- In the Baltic countries there are clusters of textile industries with potential to develop further into wool production. There are a large number of skillful retail groups (H&M) and brands (GANT) that show diligence and success in product development, production and fibre decisions.

**Industry**

- Efficient retailing business has been around for decades. The trend for online shopping is growing very fast in Norway, Sweden, Finland and Denmark. These countries are on top of the list of European countries for the percentage of households with broadband connection. The technical platform is there and consumers have taken online shopping up — with 2012 alone showing an increase of 30-40% in Sweden.

- Apparel segments where online shopping has developed the most are baby and children as well as women's fashion.

- This year has seen a strong increase in online shopping in the sports segment. Latest statistics show 27% growth in turnover compared to 1.7% for bricks and mortar stores. This trend is forecast to continue.

- Key consumer values in this market are:

  1. Close to nature are the key words when looking at consumer preferences. Outdoor activities all the year round are an essential part of the life from early Kindergarten days.

  2. Outdoor and sport activities are segments where Nordic consumers are pioneers. They know how to dress for different activities from childhood.

  3. When it comes to fashion it is design in combination with value for money that will be the guideline for the consumer, still with a focus on fashion.

  4. The cluster of designer brands in the Nordic countries are supported by the affluent, trendy consumer group that are more than willing to look for quality and fashion trend.

**Opportunity for Wool**

Consumer-driven activity will be the key to increasing the demand for Merino wool. Consumers are well educated and know how to select good quality and performance in sportswear as well as in fashion and babywear.
AUSTRALASIA

The Australia/New Zealand operation is unique as the business unit services and directly engages with partners and key stakeholders along the entire wool pipeline - from farm to fashion. Potential luxury market size is 13 million consumers.

Market Size
The combined population of Australia and New Zealand is 27.4 million (Aus 22.9m; NZ 4.5m). The size of Australian market is:

- Australian raw wool production (greasy wool value) (AWI SBTM) A$2.6 billion
- Trade & service industry (AWI SBTM) A$0.97 billion
- TCF manufacturing industries (TFIA March 2012) A$2.83 billion
- Clothing retail turnover (ABS 2006b & Global Demographics) A$19 billion

The national expenditure on clothes in New Zealand is A$1.6 billion.

Insights
Australia’s casual lifestyle and moderate climate leads Australians to spend less on clothing than people in otherwise comparable Western economies. To put this in an international perspective, Australia’s population is about one-third the population of the United Kingdom, but its clothing market is only one-seventh the size.

- Australia and New Zealand’s Southern Hemisphere location means that its seasonal cycles are the reverse of those in Europe and effectively puts Australia and New Zealand six months behind the leading edge of ‘global’ fashion trends.
- The increased workforce participation of women, the availability of credit, new mass communications technologies and the changing strategies of retail firms have altered local buying patterns. The media, now extended to include the internet, cable TV and email, has been influential in altering the character of consumer preferences.
- Department stores represent a significant proportion of total clothing sales. In Australia this is dominated by two national firms operating in mainstream markets (Myer and David Jones). Both have sought to attract local fashion designers to exclusive ‘store within a store’ concessions where there is a significant presence of wool and Woolmark-certified products for the winter/autumn season.
- Two national retailers – Target and K Mart – compete in the discount sector.

Opportunity for Wool
AWI investment will target wool production and input supply industries.

While retail consumption is relatively small compared to other countries leveraging market opportunities with wool production in Australia will support broader AWI marketing programs.

The national expenditure on clothes in New Zealand is A$1.6 billion.
4. STRATEGIES 2013/14 TO 2015/16

As the Research, Development and Marketing organisation for the Australian wool industry, AWI is charged with responsibility to contribute to the profitable growth in demand for wool. Our policies, strategies and activities reflect the strongest of commitments to consultation with all sectors of the industry and align where relevant with the Australian government policies on National Rural Research Priorities.

We will, for this strategic planning period, seek to achieve stronger alignment between marketing, off-farm and on-farm R&D by an increased focus on consumer demand characteristics and trends, and the implications these have for long-term demand generation. Communicating consumer attitudes and behaviour back through the supply chain and to growers helps build confidence and maximise the opportunities for our stakeholders to grow their business profitably.

Many of the challenges that face the industry are not new.

In growing wool, the problems of predation, diseases and parasites remain challenges, as does the need to demonstrate the world-leading animal welfare practices adopted by Australian woolgrowers; and their consciousness of protecting the environment and building a sustainable future.

In creating new opportunities for the sale of wool we must focus our product development on categories that can appreciate and value the unique properties and potential consumer benefits of the fibre. We will research and develop products into new end uses that can pass a healthy price back down the supply chain to growers.

In marketing Australian wool, consumer concerns about the environment continue to escalate, and this is transferring to government and even retailer policies. Consumer ignorance of the benefits of wool in apparel (and interiors) - while improving - remains high and the strongest barriers to consumption remain as perceptions that:

- Wool is old-fashioned, unsuitable to a more casual lifestyle
- Wool is hot, itchy and scratchy
- Wool is difficult to care for
- Retail staff are ignorant of the benefits of wool and how to increase average margins by 'upselling' to wool products.

On a more positive note, the provenance of Australian wool and the unique heritage we have with more than 200 years of growing the fibre is of increasing interest to industry partners and consumers. We have seen an escalation of interest on the part of leading brands in the farm to fashion story as a core ingredient in a high-value end product; and an increasing willingness of leading global brands and key global media in partnering with us to describe to their consumers the benefits wool brings to their apparel products. This, when combined with the rapidly developing importance of digital and social media and its consequent hunger for content and the increased power of storytelling plays to our advantage.

Research in China shows that the combination of European heritage and craftsmanship and Australia’s history and attractive environment can present powerful incentives in the selection of fibre, provided that consumers and brands are made aware of this nexus.

In particular, this strategic planning period will give emphasis in increasing investment in important emerging markets, evidencing growth in demand for luxury goods – such as China – while capturing opportunities presented by our more traditional markets of USA, Japan and Western Europe. While these markets continue to look to countries such as the UK, Italy and France for their design and consumer trend influences, influence in both apparel and interiors is democratising and strong influences on global trends now emerge from markets such as China.

In the global context of apparel and interiors, AWI and the Australian wool industry remain small players. For us to impact trade and consumer demand for wool, we must continue to embrace and build on the concept of partnerships with key players in the supply chain. AWI will more closely target its efforts to prioritise Tier 1 Key Accounts and their increasing presence and importance to global consumer markets. In many markets a few key players set the global agenda for the industry and working closely with these large global organisations enhances our ability and reach. And as a partner, we need to be agile, responsive and opportunistic – just like our end consumer.

As an overall approach, this strategic planning period will see AWI refine its strategic direction. It will be a matter of evolution rather than revolution, with continuous refinement and improvement of the strategies and programs proven to have worked during the past three years. Mindful of the need to demonstrate to growers a long-term return on their investments, measurability is being enhanced and we are closely monitoring, reporting on and where necessary improving or removing activities that are less productive.
4.1. STRATEGIC FRAMEWORK

The strategic framework under which AWI will operate in this three-year period is an evolution of our approach of the past three years. Reflecting the results from WoolPoll 2012, our investment emphasis will be placed on On-Farm R&D (25%), Off-Farm R&D (15%) and Marketing (60%). Our strategic framework is based on target outcomes across the supply chain to achieve business objectives. In this Strategic Plan investment will also be made across a number of consumer categories which will involve allocations from both Marketing and Off-Farm portfolios.

**CORE FUNCTIONS/PORTFOLIOS**

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Objectives</th>
<th>Core Functions/Portfolios</th>
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| **25%** On-Farm R&D | Increase the profitability and sustainability of growing wool | Strategy 1: Sheep Health, Welfare & Productivity  
Strategy 2: Wool Harvesting & Quality Preparation  
Strategy 3: Production Systems & Eco-Credentials  
Strategy 4: Education & Extension |
| **15%** Off-Farm R&D | Increase profitability and sustainability of wool processing | Strategy 5: Technical Services  
Strategy 6: Fibre Advocacy & Eco-Credentials |  
**Strategy 7:** Category Management |
| **60%** Marketing | Increase consumer demand for Australian wool products | Strategy 8: Fibre Marketing & Eco-Credentials  
Strategy 9: Product Promotion |

**ENABLING FUNCTIONS**

- **Global Business Services**
  Operate on a cost-effective basis
- **Strategy 10:** Business Intelligence & Measurement  
Strategy 11: Corporate Affairs & Market Access  
Strategy 12: Trade Education  
Strategy 13: Woolmark  
Strategy 14: Corporate Services
4.2. ON-FARM R&D

Strategic Framework

OBJECTIVES

Increase the profitability and sustainability of growing wool.

Outcomes

New knowledge will be delivered to woolgrowers on improving wool quality and productive woolgrowing to reduce costs of production and improve on-farm profitability.

Strategies

Sheep Health, Welfare & Productivity

Wool Harvesting & Quality Preparation

Production Systems & Eco-Credentials

Education & Extension
Health, welfare and productivity gains are all linked. Some important investments for efficient production and wool quality are: improvements to fly, lice and worm management, reduced impact of wild dog predation, reduced impact of husbandry practices and improved tools for labour efficiency, efficient reproduction rate and genetic gain.

Efficient delivery of high-quality wool clips depends on investment in: recruitment into shearing through career promotion; delivery of high-quality training; and retention of those trained within the sector.

Managing productive and profitable woolgrowing systems while enhancing the eco-credentials of wool requires investment in new and improved tools that help woolgrowers make better informed decisions. These include: nutrient-use efficiency, grazing and pasture management, carbon management, feed utilisation and chemical-use efficiency.

Grower confidence in the wool industry requires investment in: effective communications, new skills training, peer support and networking, leadership and mentoring, and availability of experts. The community’s confidence in the wool industry depends on investment in: effective communications, availability of experts, and collaboration and unity of purpose across organisations.
ON–FARM R&D

Strategy 1
Sheep Health, Welfare & Productivity

Strategy 2
Wool Harvesting & Quality Preparation

Strategy 3
Production Systems & Eco-Credentials

Strategy 4
Education & Extension

PROGRAM 1: Parasites & Diseases

The intent of investment in this area will be to address animal welfare concerns, and to reduce input costs, production losses, and biosecurity impacts arising from parasites and diseases. Woolgrowing continues to face considerable economic costs from flies, lice and worms as well as other diseases of important regional impact. Continued improvements in parasite and disease management will deliver increased profitability to Australian woolgrowers. Allocation of contingency funds will be made should opportunities arise for the profitable management of other pests and diseases of regional significance.

INVESTMENT FOCUS

Investment in this area will continue from the previous plan taking the lead on flies and lice but collaborating with MLA on worms and other diseases. Main activities will include:

- Consolidation of parasite extension tools (flies & worms) into one “Paraboss” tool for accessibility.
- Funding of regional lice groups to assist growers to share information relevant to lice management.
- Scoping investments for improved lice management.
- Development of technologies to minimise dags and flystrike in sheep.

- Reports on the monitoring of pesticide use and R&D on environmentally friendly pesticides.
- Support for NWD and engagement, education and support throughout the supply chain.
- Minimise impacts on the flow of wool from farms arising from biosecurity threats, through participation in the National Animal Biosecurity Research Development and Extension (RD&E) Strategy, and development and implementation of a wool sector-specific biosecurity RD&E strategy which addresses issues such as wool bale traceability, and decontamination.

TARGETS

1. Increase scientific knowledge on causes and potential minimisation of scouring.
2. Increased farm profit from wider adoption of best practice parasite control by 2017 (lower control costs and/or increased sheep productivity).

- A 5% reduction in economic losses from breech strike across 20% of woolgrowers.
- An increase of 20% of woolgrowers using best practice worm control.
PROGRAM 2: Wild Dogs

Australian woolgrowers continue to face high levels of wild dog pest pressure on their operations and in areas where profitable control cannot be achieved without wider community engagement. AWI will seek to reduce this impact through group capacity building and resource access. Previous investment by AWI, community groups and local and state Governments has enabled more effective dog control in areas where predation has historically been high and has effectively increased woolgrowing profitability in these areas and reduced the level of stress associated with high stock loss.

TARGETS

1. 12 new community groups established each year.
2. 22 active groups supported each year.
3. Average AWI cost per established group declining to zero by 2017.
4. Value of avoided stock loss (sheep) is greater than costs to woolgrowers and AWI combined.

INVESTMENT FOCUS

AWI has taken a lead amongst research and development corporations (RDCs) in its investment contribution to wild dog management focusing on the landscape level coordinated community control that is required for such an insidious threat.

- Support of community groups undertaking wild dog control with long-term aim for groups to be self-funding.
- Provision of training to growers
- Support of R&D to refine existing tools.
- Monitoring of wild dog populations and their impact on the environment.
Program 3: Husbandry Practices

AWI investment is aimed at finding options that minimise additional cost for treatments that reduce animal welfare impacts from the husbandry practices of tail docking, castration and mulesing. This will promote greater adoption of such treatments.

This investment will not deliver increased profits to Australian woolgrowers. Cost targets have been set for technologies that reduce animal welfare impacts from current husbandry practices. Although some alternative technologies exist, their cost can be prohibitive for Australian woolgrowers.

Collaboration and consultation occurs with other RDCs directly and through the National Animal Welfare RDE Strategy to ensure financial leverage and avoid duplication.

Targets

This program has short-term, medium-term and long-term targets. Short-term targets seek to reduce welfare impacts of current technologies while longer term outcomes seek the development of profitable alternatives. AWI investment seeks to:

1. Deliver a significant reduction in adverse welfare response from current technologies under best practice by 2017.
2. Develop pain relief alternatives with a maximum added cost of 50 cents per head per application by 2017.

Investment Focus

- New knowledge on analgesic options for sheep for development by the commercial pharmaceutical and veterinary sector.
- Delivery of new knowledge on the timing (relative to age/size) of existing husbandry procedures and extension to stakeholders to inform welfare best practice.
PROGRAM 4: Genetics & Genomics

Genetic progress is a long-term strategy for reducing input costs and increasing productivity in the face of sustained trends in markets, costs and the natural environment. Tracking genetic progress requires a range of measurement and benchmarking strategies which cover all breeding philosophies embraced by studs.

AWI investment seeks to increase profitability through optimised breeding tools. Such measurement and benchmarking occurs through wether trial results, central test sire evaluation sites and MERINOSELECT’s database of Australian Sheep Breeding Values (ASBVs). Adoption of ASBV’s is currently around 30% of Merino rams and 100% of Dohne rams sold across Australia each year, with increasing Merino use of within Flock Breeding Values for within flock benchmarking.

Significant past investment in genomics requires a careful approach to genomic tool research and development based on a definition of the value to breeders and the industry as influenced by market and profitability drivers.

Central to AWI’s investment is the enhancement and comparison of all the existing tools which measure and benchmark genetic progress and address the adoption barriers to using such tools.

INVESTMENT FOCUS

Development of improved data collecting and analysis that leads to improved profitability and rates of genetic gain.
- New tools to benchmark rates of genetic gain and highlight how higher rates of gain can be achieved.
- Increased collection of older age fleece traits and lifetime fertility data including both phenotypic and genomic information.
- Improve software for more automated methods of data collection and transfer.
- Development of a viable Service Provider network of Breeding Value technology advisers.
- Analysis of the value of genomic tools to the wool industry in relation to existing tools.
- Addressing barriers to realising the value of existing tools.

TARGETS

1. Increase use of genetic benchmarking by 5% a year to 2017 across stud animals.

2. Preliminary target of 6% increase in the current rate of genetic gain across the industry by 2017.

Possible rates of genetic improvement across the industry will, however, be assessed in the first year of this Strategic Plan and initial targets, and investments revised accordingly.
**ON-FARM R&D STRATEGIC PLAN**

**Strategy 1**
Sheep Health, Welfare & Productivity

**Strategy 2**
Wool Harvesting & Quality Preparation

**Strategy 3**
Production Systems & Eco-Credentials

**Strategy 4**
Education & Extension

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**PROGRAM 5: Reproduction**

A National Sheep Reproduction Plan has been developed with MLA and other R&D funders to coordinate R&D investment across all major funders of sheep reproduction R&D.

National lamb weaning rates are currently around 75% (Merino x Merino) with estimated potential to increase to 90% and higher. AWI investment with MLA seeks to achieve an increase in the number of lambs weaned across woolgrowing flocks. Increased weaning rates will increase sheep producer profit through increased trading revenue.

Under the National Wool RD&E Strategy, new knowledge will be generated on ewe mob size recommendations, grazing cereals for reproduction, refined genetic tools for lifetime reproduction traits, and biological mechanisms to improve ewe weight resilience. Information on ewe nutrition will be extended to industry through group learning extension techniques.

**INVESTMENT FOCUS**

- Investment is being made in partnership with MLA – five-year funding from July 2012.
- Investment started in 2012/13 and will finish in 2016/17 (covers three AWI Strategic Plans). Total funding of around $5 million a year with AWI contribution of 32%.
- Main area of investment aimed at ewe and lamb survival, early reproductive success and high-performance weaners, genetics and biological mechanisms and conception and early embryo mortality.

**TARGETS**

Increase in percentage of lambs weaned subject to a maximum cost per ewe carried, achieved by 2017.

For growers running Merinos:

1. Average increase of 10% in lambs weaned.
2. Subject to maximum additional annual cost of $2 per ewe carried.
3. Adoption across 9 million Merino x Merino joining.
ON-FARM R&D

Seasonality of work, fluctuating sheep numbers and the high physical demands of wool harvesting and clip preparation will continue to see a high turnover of personnel in the industry.

Shearing and in-shed activities need to be undertaken to the agreed industry standards (including lines of wool prepared for sale under AWEX “Code of Practice (COP)” and OH&S (various WorkSafe/WorkCover organisations in each state). Training is essential to maintain production and to foster professionalism in industry.

There is a lack of financial incentives for woolgrowers to individually invest in building skills of new entrants and government funding of shearing schools has no responsibility for nationally consistent standards or promoting the career and this might limit the pace of change.

Through AWI investment for on-the-job training and career promotion, wool harvesting and clip preparation will increase the productivity of shearing in terms of sheep shorn per shearer/day and fleeces handled (according to COP) per handler/day, delivering cost savings to woolgrowers. Improvements in ease of work and perceived professionalism of the industry will also promote greater retention rates.

INVESTMENT FOCUS

- Main investment is in supporting in-shed coaching of people holding basic skills (Regional Coaching in Shearing & Woolhandling).
- Support for in-shed coaching of experienced shearers and woolhandlers.
- Promotion and development of awards for excellence – shearing and wool-handling competitions.
- Provision of information on industry to potential students (high schools and TAFE) and the community more broadly to support recruitment.
- Support of regular workshops for trainers – professional development and promote national consistency.
- R&D for labour saving in sheep handling.

TARGETS

1. Meet or exceed COP requirements – based on improvements in Sports Shear Australia judging standards for shearing and wool clip quality.

2. Increase shed productivity by, on average, four sheep per run by 2017 across shearing contractors.

3. Cost per person trained remains constant in real terms.
ON-FARM R&D

PROGRAM 1: Managing the Resource Base

The investment intent is to increase the profitability of woolgrowing through utilisation of the feed base with concomitant environmentally neutral or positive outcomes. Pasture productivity drives stocking rate and supplementary feed decisions on-farm. Improving pasture productivity in the future will increase farm profits. Achieving increased pasture productivity without increasing applied nutrients will deliver wider environmental benefits.

Delivery of new pasture species and models of sustainable pasture growth to drive wool production and profitability grounded in participatory models of RD&E.

Increased resilience and adaptability to climate by shifting the feed base to new and more reliable legume species in light of increased climate variability (by optimising nitrogen supply) with information provided in agronomy packages with companion species.

Increased soil health and increases in pasture growth and persistence due to less pathogens such as phytophthora.

INVESTMENT FOCUS

Investment is made in partnership with MLA, Dairy Australia and DAFF and includes:

- Research into new pasture species and models of pasture growth.
- Shifting the feed base to new and more reliable legume species in light of increased climate variability (optimising nitrogen supply).

- Increased healthy pasture soils: 20% increase in pasture growth due to less pathogens such as phytophthora.
- Increased focus on action on the ground (through participatory R&D; that is, better engagement between grower and researchers); extension and engagement of woolgrowers on:
  - Sustainable grazing management—e.g. Enrich follow up; Dual purpose crops.
  - Technology transfer from research repositories such as livestock systems design (Evergraze)
  - Agronomy packages and companion species.
  - Rabbit control.

TARGETS

Key focus will be on mixed sheep/cropping enterprises, where there is potential for wool production growth in the future.

Increased pasture production and diversity on a per hectare basis and increased stocking rate:

1. 20% increase in pasture production or increase in stocking rate capacity (dry sheep equivalent [dse] per ha of 2-4).
2. Adoption across 50,000 ha of perennial pasture within five years.
PROGRAM 2: Carbon

Improved environmental outcomes with positive impacts on woolgrowing profitability. The emphasis of investment in this program will be on the net carbon balance on woolgrowing properties with the overarching objective of demonstrating technologies to ensure wool production is carbon neutral or better – and that delivers a net profit gain to woolgrowers.

The focus will be on increasing wool production by reducing methane production in the rumen. This will decrease feed costs per kg of wool produced.

INVESTMENT FOCUS

- Identification of different pasture species and consistent feed sources that will increase feed conversion efficiency (FCE).
- Examination of genetic factors that increase FCE without reducing value of other important traits.
- Investment in scientific to demonstrate impacts of new technologies on methane emissions.
- Develop tools and methods for accurately measuring greenhouse gas emissions from wool production.

TARGETS

1. By 2020 support development of technologies suitable across 20% of woolgrowers that enables a 5% increase in FCE without a loss in profit.

2. Provision of robust scientific data to support methane emission reductions that is consistent with the Australian Government’s greenhouse gas reduction policy.

3. Deliver robust data to support the green image of wool.
ON-FARM R&D

Strategy 1
Sheep Health
Welfare & Productivity

Strategy 2
Wool Harvesting &
Quality Preparation

Strategy 3
Production Systems
& Eco-Credentials

Strategy 4
Education & Extension

PROGRAM 1: Grower Skills Capacity (extension)

AWI recognises the importance of extension in ensuring R&D delivers practical outcomes which growers can use on their farms.

AWI investment in extension supports the formation and continuation of woolgrower networks e.g. the infrastructure to assist growers to cost-effectively identify opportunities to increase the profitability of their businesses, or address specific social or environmental issues confronting them as a group or network.

In 2012 there were an estimated 4375 woolgrowers participating in six state-based networks and Bestprac (pastoral zone). This covers around 16% of all woolgrowers distributed across all Australian production areas. The total cost per grower is, on average, $770 with growers contributing $200 and AWI $270 with other partners (such as state Governments) providing the balance.

AWI leverages this investment with grower membership, consulting firms and state extension services as well as MLA and other funding bodies that contribute to the learning events and materials extended. The values of the AWI investment are:

1. The cost saving achieved by woolgrowers through participation in network groups as opposed to the cost they would incur in pursuing opportunities through other means.
2. Potential cost savings to AWI from leveraging grower groups to extend specific AWI projects.

INVESTMENT FOCUS

The main AWI investment will be the continued support of extension networks.

The investment also seeks to develop skills across specific segments including young woolgrowers and women. AWI will stay in touch with growers through woolgrower forums and road shows, direct mail, and a range of e-learning and electronic media.

TARGETS

1. Increase in the number of participating woolgrowers across the extension networks.
2. Average annual cost saving to participating woolgrowers of $700.
3. Total cost saving to AWI from reduced extension cost for other technologies that AWI delivers to industry and where utilisation of the extension network is deemed suitable.
4. By June 2015 BredWell FedWell will deliver 90 workshops across Australia with a participation target of 1800 to educate growers in key production benefits of genetics, plus feed management for improved reproduction.
5. At least 70% of sheep producers (22,000) will be aware of Making More From Sheep (MMFS) by 2015. At least 50% of participating sheep producers applying at least one procedure, from at least one module to their sheep enterprise that delivers improved productivity and profitability.
PROGRAM 2: Stakeholder and Market Place Education and Awareness

The community’s confidence in the wool industry depends on investment in effective communications, availability of experts, and collaboration and unity of purpose across organisations.

Where possible, AWI co-invests with other RDCs or government. Investment in this program ensures quality woolgrower and technical input into development of future areas of RD&E funding across AWI and enhances the wool industry’s reputation as a productive and profitable provider of a quality natural fibre by sustainable and ethical land and animal custodians.

INVESTMENT FOCUS

- Teacher and Student Support – AWI will promote the wool industry and its features to primary and secondary teachers (and their students) and provide support through participation in learning programs, resources/tools and professional development activities.
- AWI will support wool industry advocates seeking to learn more about their own and other industries, and share their knowledge through advisory panels, committees and marketing activities.
- Professional development for researchers, advisors, extension specialists and AWI network coordinators will continue through AWI-supported R&D updates and conferences focused on the role of wool sheep in a profitable enterprise mix.
- The National Merino Challenge aims to increase the skills, knowledge and capacity of young people in agriculture, and entering the wool industry through training sessions and demonstrations coupled with theoretical and practical challenges. It will support the increased capacity of teachers and lecturers in teaching the principles of Merino breeding and selection.
- AWI will also prepare briefings to demonstrate welfare credentials to protect market access and enhance the demand for wool through support for the National Wool Declaration and integration with AWI’s Global Business Services.
- AWI will keep in touch with industry through forums and road shows, direct mail and a range of electronic media and e-learning.

TARGETS

1. Support and develop leadership skills through Australian Rural Leadership Program (one annually), Nuffield Farming Scholarships (one annually) and Young Farming Champion initiatives each year (up to 4 annually).
2. Distribute up to 300 Learn About Wool teachers kits each year.
3. The National Merino Challenge will attract at least 60 participants each year and up to 25 trainers for the train-the-trainer workshops.
4. Up to eight forums will be held each year to inform, update and keep in touch with industry.
ON-FARM R&D ANNUAL PLANNING & CONSULTATION

JANUARY
- On-Farm Expert Panels (when required)

FEBRUARY
- AVA Audit of AWI’s flystrike R&D program
- AWI R&D annual call for proposals concludes

MARCH
- Australian Merino Consultative Group meeting
- National Animal Welfare RD&E Strategy Steering Committee
- Wool Carbon Alliance meeting
- On-Farm Expert Panels (when required)

APRIL
- National Wild Dog Management Advisory Group meeting

MAY
- On-Farm Expert Panels (when required)
- Animal Welfare Forum

JUNE
- IACRC Planning workshop

JULY
- AWI Extension Networks develop priorities
- Wool Carbon Alliance meeting

AUGUST
- Flystrike Prevention R&D Technical Update (Biennial)
- National Animal Welfare RD&E Strategy Forum
- NationalShearer and Wool Handler Consistency Workshops

SEPTEMBER
- Australian Merino Consultative Group meeting
- On-Farm R&D regional consultation
- AVA biannual Audit of flystrike R&D Program

OCTOBER
- National Wild Dog Management Advisory Meeting
- On-Farm Expert Panels (when required)
- National Wool RD&E Strategy Forum
- Animal Welfare Forum

DECEMBER
- AWI Rabbit Advisory Group meeting
- AWI R&D annual call for proposals commences

NOTE: This calendar outlines key events in the annual planning and consultation process for on-farm research and development (R&D) within the strategic framework.
## ON-FARM STRATEGIC PLAN SUMMARY

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>Increase the profitability and sustainability of growing wool in Australia.</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTCOMES</td>
<td>Delivering new knowledge to woolgrowers on improving wool quality and productive woolgrowing.</td>
</tr>
<tr>
<td>INVESTMENT PHILOSOPHY</td>
<td>We seek a balance between optimistic research and development of matters with the potential for short to long-term commercial gain, extension of existing technologies and best practice and the need to continually pursue sustainability of the industry. Investment will be weighted more towards research and development activities with moderate risk exposure.</td>
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</tbody>
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<thead>
<tr>
<th>STRATEGIES</th>
<th>PROGRAMS</th>
<th>TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRATEGY 1: Sheep Health, Welfare &amp; Productivity</td>
<td>Program 1: Parasites &amp; Diseases</td>
<td>1. By 2017 achieve a 5% reduction in economic losses from breech strike across 20% of woolgrowers. 2. By 2017 achieve an increase of 20% in woolgrowers using best practice worm control.</td>
</tr>
<tr>
<td>Program 2: Wild Dogs</td>
<td>1. Each year support the establishment of 12 new community groups and 22 existing groups. 2. Ensure total avoided stock loss is greater than the combined cost to AWI and woolgrowers.</td>
<td></td>
</tr>
<tr>
<td>Program 3: Husbandry Practices</td>
<td>1. Deliver a significant reduction in adverse welfare response from existing technologies by 2017. 2. Develop pain relief alternatives by 2017 with maximum additional cost to growers of 50 cents/head.</td>
<td></td>
</tr>
<tr>
<td>Program 4: Genetics &amp; Genomics</td>
<td>1. Increase use of genetic benchmarking across studs by 5% by 2017. 2. 6% a year preliminary target for increase in rate of industry genetic gain by 2017.</td>
<td></td>
</tr>
<tr>
<td>Program 5: Reproduction</td>
<td>1. By 2017 increase average Merino lambs weaned by 10%, across 9 million Merino x Merino joinings each year at maximum additional cost of $2 per ewe carried without a loss in woolgrowing profitability.</td>
<td></td>
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<tr>
<td>STRATEGY 2: Wool Harvesting &amp; Quality Preparation</td>
<td>Program 1: Managing the Resource Base</td>
<td>1. Meet or exceed COP requirements based on improvements in Sports Shear Australia judging standards for shearing and wool-clip quality. 2. Increase average shearing shed productivity across the industry by four sheep a run (contract shearers). 3. Cost per person trained remains constant in real terms.</td>
</tr>
<tr>
<td>Program 2: Carbon</td>
<td>1. Adoption of improved perennial pastures across 50,000 ha within 5 years delivering a 20% increase in pasture production or increase in stocking rate capacity of 2-4 dse per hectare.</td>
<td></td>
</tr>
<tr>
<td>STRATEGY 3: Production Systems &amp; Eco-Credentials</td>
<td>Program 1: Growing Skills Capacity</td>
<td>1. Increased participation of wool growers in extension networks, achieving average cost saving of $700. 2. Deliver 90 Bred Well Fed Well workshops across Australia. 3. 22,000 of sheep producers aware of Making More from Sheep (MMFS) and 5500 participating in planned activities by 2015. Of participating producers, 50% applying at least one module to their sheep enterprise.</td>
</tr>
<tr>
<td>Program 2: Stakeholder and Market Place Education &amp; Awareness</td>
<td>1. Distribute up to 300 Learn about Wool teachers kits each year. 2. The National Merino Challenge to attract 60 participants a year and up to 25 trainers for the train-the-trainer workshops. 3. Run up to eight forums each year to inform, update and keep in touch with industry.</td>
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</tr>
</tbody>
</table>
4.3. OFF-FARM R&D

Strategic Framework

OBJECTIVES

Facilitate the creation of business opportunities within the wool-processing sector, which foster diversification of regional processing capacity, and support the creation of demand for Australian wool.

Outcomes

Generate and transfer knowledge which fosters the creation of business opportunities, enhances sustainability practice, and diversifies regional capacity within the wool-processing pipeline, thereby actively contributing to creation of sustainable demand for Australian wool.

Strategies

- Technical Services
- Fibre Advocacy & Eco-Credentials
- Category Management Conjoined Strategy (please refer to page 80)
Foster diversification of regional wool-processing capacity, and growth in human resource skills and know-how within the wool-processing sector, by providing technical support to wool processors in existing and emerging wool processing hubs, such as China and Vietnam.

Acquisition of data which enables us to advocate the benefits of wool fibre in preference to other fibres in terms of health, safety, protection, comfort and softness.

Reduce or eliminate the risk to our business from environmentally related threats, by the development of more sustainable and ecological manufacturing processes and reducing our carbon footprint in manufacturing, garment care, recycling and decomposition.
Increasing the number of wool manufacturing chains by facilitating the setting up of new supply chains (raw wool scouring, top making, spinning, knitting, weaving, and dyeing and finishing) in emerging countries/Vietnam, Bangladesh, Russia, Belorussia and the Ukraine.

**PROGRAM 1: Supply Chain Diversification**

Over the past few years the face of manufacturing in China has and is continuing to change dramatically, particularly in the light industry sector, of which the textile industry is a part. China is no longer the cheap mass producer it once was, and continues to get more expensive, due to high wage inflation, new work-related staff benefits and new environmental legislation, which all add to a significant increase in overall manufacturing costs. In addition in some sectors of the Chinese textile manufacturing industry, severe labour shortages are being experienced, due to both an ageing workforce (more people now retiring than entering the workforce, and a preference for younger people to look for work in other industries). Whilst the unskilled look for jobs closer to their home towns, the skilled have a preference for jobs in newer high-tech industries.

This has culminated in a number of closures of wool manufacturing companies in China, and if this continues undoubtedly this will result in fewer companies involved in buying wool, and the fact that still most of Australian wool is sold via auction, this in the future could have a significant detrimental impact.

With the increased manufacturing cost in China, one trend that is emerging is that some of the volume apparel retailers have started to move away from 100% wool products, to more blends or even alternative fibres, because the ex-factory price exceeds their price points.

The fact that approximately 75% of Australian wool is exported to China is already a significant risk, and with the recent changes, which are continuing in China, is only likely to increase the risk.

In order to reduce this risk, AWI will facilitate the setting up of supply chains in low-cost countries such as Vietnam, Bangladesh, Belorussia and the Ukraine, which today are more cost competitive than China. Initially working with garment manufacturers (nitters & woven product makers), this in turn will create a demand for locally produced wool yarns, which in turn will create the demand for locally produced wool top, ultimately enabling Australian greasy wool to be sold and exported direct to these new manufacturing regions.

The facilitation of setting up of manufacturing supply chains in both Belorussia and the Ukraine will be linked to the Russian consumer market, which potentially provides new opportunities to increase the demand in Australian wool.
INVESTMENT FOCUS

Investments activities will largely involve:

- Identifying manufacturing companies interested and committed to learning how to make and commercialise premium quality products made from Australian wool.
- Provision of training (theoretical and practical) by transfer of knowledge and technology.
- Increasing their knowledge, expertise and confidence so that they can consistently produce products which meet the Woolmark standards of quality.
- Advising mills on the types and supplier of wool materials, (greasy or scoured wool, tops, yarns etc.), textile processing chemicals and dyestuffs, wool-processing machinery and components.
- Assisting them with trade marketing collateral and events to promote their wool product ranges.
- Introducing them to potential new customers.
- Provision of ongoing assistance and advice when technical issues arise.
- Offering companies a strong value proposition so that they become Woolmark licensees.

TARGETS

1. Number of new business working with AWI by 2016 = 75
   a. Vietnam 30
   b. Bangladesh 15
   c. Russia 15
   d. Belorussia 10
   e. Ukraine 5.

2. Number of new Woolmark licensee applicant in these regions by 2016 = 25.

3. Increase in annual demand/consumption per annum for Australian wool by 2016 = 750,000 kg (Based on an average 10,000 kilos per company).
Transfer of established wool technologies, such as Easy Care, Mercerised Merino, Merino visual/casual effects to new manufacturing partners in China, Turkey, Italy and the Indian subcontinent.

PROGRAM 2: Technology Transfer

The intent of the investment under this program is to transfer knowledge, technology, and expertise to wool manufacturers aimed at increasing their profitability. By assisting them to become more profitable, they are then more likely to stay in wool and become less reluctant to pay a higher price for it.

Initially the program will concentrate on working with manufacturers in China, India, Italy and Turkey, and eventually with companies in emerging countries once manufacturing bases have been established.

In assisting companies to become more profitable, by transferring technologies, this will either lower the cost of processing through increased productivity and reduced waste; and/or enable higher premiums to be achieved by adopting innovative technologies which add significant value, either functionally (e.g. Easy Care properties) or aesthetically (e.g. mercerised).

This program will also support the global “Easy Care Wool” re-launch (2014–16), and technology will be transferred to manufacturing companies who don’t yet have the expertise, to produce Easy Care wool apparel products, so they will then have the option to take part as a supply chain partner in the program.
INVESTMENT FOCUS

Investment activities will largely involve:

- Identifying manufacturing companies interested and committed to increasing profitability through increasing productivity or through cost reductions, or adopting technologies which enables them to produce more added value products.

- Development of technical marketing and information packages e.g. (a) Increased profitability by increased productivity and reducing costs, and (b) Increased profitability by the adoption of “added value” innovative technologies.

- Transferring technologies aimed at increasing profitability, to partners along the manufacturing supply chain e.g. top-makers, spinners, dyeing and finishers, knitters, weavers and making-up companies.

- As part of the Easy Care re-launch, transfer of technology, with particular focus on the knitted product sector, to increase the number of suppliers of good and reliable quality Easy Care wool products.

- Industry training sessions/workshops on “Increasing profitability”.

TARGETS

1. Production of two technical packages based on increasing profitability.

2. Transfer of technology aimed at increasing profitability through increased productivity and/or cost reduction to 10 companies per year (2013 – 2016).

3. Transfer of technology aimed at increasing profitability by adoption of added-value technologies to 15 companies per year between 2013 and 2016.

4. Updating training and education material relating to the production of Easy Care wool products by 2014.

5. Increase in annual demand/consumption of Australian wool by, on average, 10,000Kg per company with which AWI engages.
Through targeted research and product development, build and extend the scientific basis for wool’s wellness credentials, including support for the establishment of new consumer product categories.

PROGRAM 1: Fibre Advocacy

A critical consumer trend is toward a lifestyle of health and sustainability – the so-called LOHAS consumer – a development permeating consumer decision-making processes in all consumer markets, from food products, to building materials, motor vehicles and apparel choices.

This development represents both a challenge and a profound opportunity for wool – for example:

- Globally, more than 4 in 10 consumers still nominate perceived prickle and itch as a barrier to consideration of purchase of wool products, with around 1 in 10 claiming that they are allergic to wool.

Yet wool’s unique technical properties confers an almost unparalleled natural ability to manage the microclimate between fabric and the skin of the wearer, to resist odour development, and to provide inherent flame resistance without requiring chemical modification.

To address these challenges and opportunities, our approach is to invest in conduct of targeted research and product development which establishes or builds on pre-existing scientific evidence of wool’s inherent wellness credentials, and creates opportunities for establishment of new consumer product markets and categories.
INVESTMENT FOCUS

Investment activities will largely involve partnership with credible research institutions around the globe in conduct of consumer-based research evaluating the comparative benefits of wool in the areas of:

- Sleep quality and quantity – sleeping on or under wool bedding, or in wool (sleepwear).
- Dermatology – challenging the widespread misconception that wool is an allergen, and demonstrating that suitably selected fine Merino products are healthy for the skin, especially for those with the most sensitive skin.
- Flammability – demonstration of wool’s inherent flame retardance properties in support of product development and marketing opportunities.

As a complement to these efforts, investments will address the development of technical specifications for trading and assurance of product qualities where these address wellness attributes of wool products.

TARGETS

Complete and communicate to technical and trade audiences research that:

1. Unequivocally demonstrates that wool is not an allergen.
2. Demonstrates the role of fine Merino baselayers in ameliorating chronic skin conditions associated with microclimate management of the skin, such as atopic dermatitis.
3. Supports the recognition of wool bedding as part of a healthy night’s sleep, and development of Merino sleepwear and maternity-wear markets.
4. Supports development of product market opportunities in categories such as corporate wear, safety wear, medical products and infantswear.
PROGRAM 2: Eco-Credentials

With increasing pressure, and in some cases legislation, there is an essential need to generate data and make improvements by developing better practices and processes to support claims that wool is safe, soft, comfortable, healthy, natural, biodegradable, renewable and environmentally friendly etc.

The main area of concern relates to environmental threats, which need to be identified and actions taken to eliminate or minimise them. This will be a key focus under this program.

In addressing environmental issues two main approaches will be taken:

- Eco-processing – enhancement and transfer of knowledge of sustainable and ecological processing of wool by using more environmentally friendly chemicals during processing, and;

- Reducing wool’s off-farm carbon footprint by reducing energy and water usage during both manufacturing and garment care. In addition a strategy will be developed and implemented relating to re-cycling and decomposition.

INVESTMENT FOCUS

Investment activities will largely involve:

- Continuing to monitor environmental issues and changing legislation which may pose a potential threat to the wool business.

- Identification of areas of most concern in relation to chemicals commonly used in wool processing, and identify where possible suitable alternatives. Where no alternatives exist, develop alternative solutions.

- Identifying unwanted residuals on wool products and develop techniques to remove or eliminate them which the manufacturer can adopt before the products leave the factory.

- Enhancing and transferring knowledge relating to the reduction of water and energy during manufacturing. Developing guidelines outlining options for wool manufacturers in this area.

- Developing processes that can be carried out during manufacturing, which enable Easy Care wool products to be successfully domestically laundered (effective cleaning and stain removal etc.) at reduced temperatures during washing, and reduced drying times during tumble drying.

- Developing a strategy relating to recycling of wool.

- Conducting work to have a better understanding of the parameters which effect wool’s rate of decomposition, from which advisory notes and best practice guidelines can be developed.

- Conducting Workshops on “Increasing profitability”.

TARGETS

1. Prepare and publish annually Best Practice Guidelines highlighting improvements or new options for the wool-manufacturing sector.

2. Develop techniques to unwanted residues on wool during processing.

3. Identify areas of chemical use of concern to the industry and support development of alternative processing methods or inputs.
OFF-FARM R&D ANNUAL PLANNING & CONSULTATION

JUNE
- Technical innovations planning meeting
- Launch autumn/winter Wool Lab at Pitti Uomo
- Retail/brand consultation to present Wool Lab Collection (Northern Hemisphere)
- AWI Country Managers - Marketing & Technical Workshop - Asia

MAY
- AWI Country Managers - Marketing & Technical Workshop - Europe

APRIL
- Meetings with R&D organisations to discuss new Off-Farm R&D Projects

MARCH
- Meetings with supply chain to seek input into autumn/winter Wool Lab Collection
- Meetings with manufacturers to discuss future needs, trends and opportunities

FEBRUARY
- Trade and retailer partner consultation forums
- AWI R&D annual call for proposals concludes
- Meeting with supply chain to present input into autumn/winter Wool Lab collections for next season

JANUARY
- Launch Wool Lab spring/summer at Pitti Uomo
- Retail/brand consultation to present Spring/Summer Wool Lab collection
- Launch Sports/Outdoor innovations at ISPA trade fair - Germany

JULY
- Retail/brand consultation to present autumn/winter Wool Lab
- Presentation of autumn/winter Wool Lab at Spin Expo - Trade Show - New York
- Meetings and direct feedback from partners and supply chain at trade fairs

AUGUST
- Meetings and direct feedback from partners and supply chain at trade fairs

SEPTEMBER
- Launch of innovations at Spin Expo trade show - Shanghai
- Trade and retailer partner consultation forums
- Meetings and direct feedback from partners and trade chain at trade fairs

OCTOBER
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- Supply chain input into spring/summer Wool Lab collection for next season

NOVEMBER
- AWI R&D annual call for proposals commences
- Meetings and direct feedback from partners and supply chain at trade fairs

DECEMBER
- AWI Country Managers Strategy Workshop
## OFF-FARM STRATEGIC PLAN SUMMARY

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>Increase the profitability and sustainability of wool processing.</th>
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<tbody>
<tr>
<td>OUTCOMES</td>
<td>Generate and transfer knowledge which fosters the creation of business opportunities, enhances sustainability practices and diversifies regional capacity within the wool processing pipeline, thereby actively contributing to creation of sustainable demand for Australian wool as a result of a more competitive wool-processing sector.</td>
</tr>
<tr>
<td>INVESTMENT PHILOSOPHY</td>
<td>AWI investment will be weighted towards low to moderate risk activities that extend existing technologies to wool-processing regions as well as regions where new processing capacity is emerging. Investment in new technology development will be focused on processes where longer term environmental gains can be achieved, with emphasis on reducing the carbon footprint in manufacturing, garment care, recycling and decomposition. Investment will also be made in the acquisition of data that enables us to advocate the benefits of wool fibre in preference to other fibres in terms of health, safety, protection, comfort and softness.</td>
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### STRATEGIES

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<tr>
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<th>PROGRAMS</th>
<th>TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRATEGY 5: Technical Services</td>
<td>Program 1: Supply Chain Diversification</td>
<td>1. Increase the number of new manufacturing business working with AWI by 75 (68 knitters and 7 spinners) by 2016 – 30 in Vietnam, 15 in Bangladesh, 16 in Russia, 10 in Belorussia and 5 in the Ukraine. 2. Increase number of Woolmark licence applications in these regions by 25 by 2016. 3. Increase annual wool demand by 750,000 kg or on average 10,000 kg per million.</td>
</tr>
<tr>
<td></td>
<td>Program 2: Technology Transfer</td>
<td>1. Production of two technical packages based on increasing profitability. a. By increasing profitability via increased productivity, and reduced costs. b. By adoption of added-value innovative technologies. 2. Transfer of technology aimed at increasing profitability by increased productivity and cost reduction to 10 companies per year (2013 – 2016). 3. Transfer of technology aimed at increasing profitability by adoption of added value technologies to 15 companies per year between 2013–2016. 4. Updating of training and education material relating to the production of Easy Care wool products by 2013. 5. Increasing annual demand for Australian wool by, on average, 10,000Kg per company with which AWI engages.</td>
</tr>
<tr>
<td>STRATEGY 6: Fibre Advocacy &amp; Eco-Credentials</td>
<td>Program 1: Fibre Advocacy</td>
<td>1. Evidence that wool is not an allergen. 2. Demonstrate that Merino base-layer garments ameliorates chronic skin conditions associated with micro climate management of the skin. 3. Demonstrate that wool bedding and sleepwear improves sleeping conditions. 4. Support development of product market opportunities in categories such as corporate weare, safety wear, medical product and infants wear.</td>
</tr>
<tr>
<td></td>
<td>Program 2: Eco-Credentials</td>
<td>1. Prepare and publish annually “Best Practice Guidelines” highlighting improvements or new options for the wool manufacturing sector. 2. Develop techniques to remove unwanted residues on wool during processing. 3. Identify areas of chemical use of concern to the industry and support development of alternative processing methods or inputs.</td>
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</table>
INTRODUCTION

STRATEGIC PLAN

CATEGORY MANAGEMENT

OFF-FARM R&D/
MARKETING
4.4. OFF-FARM R&D/MARKETING CATEGORY MANAGEMENT

Strategic Framework

OBJECTIVES

By combining AWI investment capabilities across Marketing and Off-Farm resources, key consumer segments will be targeted to increase sale opportunities for Australian wool.

Outcomes

Through combined investments in marketing and product development AWI will seek to increase the demand for wool across a number of emerging consumer segments where wool currently has a modest market share.

AWI will also strive to deliver increased value to wool consumers by increasing their awareness of appropriate methods for easy care of apparel garments. AWI investment will also seek to increase the value delivered to Woolmark licensees in easy care and interior textiles.

Strategy

Category Management
Typically, our marketing activities target the dominant fashion apparel category. The identification and development of specific strategies, plans and Key Account relationships will enable us to explore and exploit high-margin growth opportunities for wool. We will create new demand in dynamic categories.

Focusing on specific product categories which provide the best opportunities for a sustainable increase in wool usage, by the development of new manufacturing processes and products which support each of the target categories.
Strategy 7

Category Management

PROGRAM 1: Sports & Outdoor

Working with leading sports designers, professional users and innovative brands in B2B and consumer-facing marketing activities with the aim to increase the awareness of, and add value to, the Merino fibre in sports and performance garments.

The aim is to position Merino wool as an established technical and high-performance fibre for Sports/Active apparel, and to achieve a perception of Merino as being a technical, modern, comfortable and “young” fibre.

MerinoPerform™ with associated Woolmark specifications acts as a reassurance that fabrics are fit-for-purpose. With emphasis on next-to-skin comfort MerinoPerform™ offers complete apparel technology by introducing Merino in base-, mid- and outer layers.

Apart from next-to-skin products which are very much in the early “grow” stage, the mid and outer products are all “create”. All new incremental wool consumption.

INVESTMENT FOCUS

- Marketing to support launched products and technologies in combination with supporting new products and innovations.
- Material to be available in electronic or printed format not requiring face-to-face presentations (partners’ intranet and online access).
- Introduction and development of new products to a widening group of manufacturers to achieve a broader supply base in the market.

TARGETS

1. Primary effect based on increased wool volumes of new products sold through manufacturing MerinoPerform™ partners.
   Target increase of 5 in partner wool volume sales across existing (currently 13) manufacturing partners on the MerinoPerform™ platform in first year and 10% in second year. Additional volume is estimated at, on average, 75,000 units per partner.

2. Secondary effect based on multiplier effect of wool penetration via other (non-mp partner) manufacturers. Measured through consumer surveys of increased purchases of wool products in this segment.
   Target is additional sales of 50,000 units across all non partners.
OFF–FARM R&D/MARKETING

PROGRAM 2: Nurture by Nature

Wool has a low share of the babywear market globally. This market segment is believed to be increasing along with greater spend per infant. Opportunity being pursued is to build wool’s share in this segment. The resultant increase in demand for Australian wool will place upward pressure on raw wool prices.

We will continue to build visibility and credibility for the category by working with ambassadors to advocate the benefits of Merino wool, as has been the case with iconic photographer Anne Geddes, and we will work with partners to develop targeted marketing programs and promote new Merino wool products.

Consumers in the Americas, Asia, Europe and Australia will be targeted through partnerships with several retail partners. Products will be marketed by partners under a Pink Woolmark symbol to ensure quality standards are met. Wool of 19 µm or less is expected to be used in products.

INVESTMENT FOCUS

Program investment commenced from 2011 and will be completed by June 2014. At this stage it is envisaged that any further AWI investment would aim to build demand further across program partners.

Investment in 2013-14 will involve a reduction in expenditure on technical aspects of product performance (new products) and greater investment in building awareness across consumers (Anne Geddes association) and support of partner marketing.

Investment beyond June 2014 is anticipated and will largely focus on building consumer interest to support greater sales through non-partner businesses.

TARGETS

1. 33 Program partners by 2016 from a base of 15 at the end of 2012/13.
2. Average annual number of wool pieces sold per existing partner increased to 30,000 units by 2016 from 18,000 in June 2013.
3. Average number of wool pieces sold by new partners (18) at 6500 by June 2016.
4. Increase in non-partner sales of 5% a year.
OFF–FARM R&D/MARKETING

Strategy 7
Category Management

PROGRAM 3: Urban

Increase the demand for wool across Urban consumers to place upward pressure on raw wool prices.

The Urban consumer segment is emerging with retail brands investing to increase their market share. It is a fast-growing market and AWI has an opportunity to engage with an emerging group of discerning consumers that are categorised as “Urban/Contemporary”.

AWI investment will leverage off this investment to increase the penetration of wool (from current cotton share). In this category The Woolmark Company is able to speak about Merino wool in an alternative way:

- Celebrate the longevity and quality of wool.
- Communicate heritage and authenticity in a contemporary and compelling way.
- Connect and cater for the active urbanite’s daily life.
- Create and curate a collaborative urban lifestyle initiative.
- Conceive and share new innovations, the process and function of wool.

Increased wool volumes will not be through substitution. This segment, while a high consumer of fashion apparel, uses minimal amounts of wool, yet has high margins and price points at retail.

INVESTMENT FOCUS

The investment commenced in 2012 with the programs expected to be operating in key markets for autumn/winter (Northern Hemisphere) 2014. After the initial program start up costs it is anticipated that AWI investment will support individual retail brand and manufacturing partners to ensure the target increase in wool units sold is achieved. Investment will vary across individual partners depending on their specific strategy – however it is anticipated that investment will be made in the following areas:

- Product development.
- In-store marketing support.
- Broader product support through Wool Innovations Collective presence at trade shows.
- PR – speaking to a new demographic through new channels with strong focus on social media.

TARGETS

1. 6 Tier 1 & 2 retail partners by 2016.
2. Increase of 75,000 units sold per Tier 1 & 2 partners by 2017 (with average 650 grams wool per unit).
3. 5% annual growth in sales from Tier 1 & 2 partners.
4. 9 Tier 3 partners by 2016.
OFF–FARM R&D/MARKETING

PROGRAM 4: Apparel Care

Consumer perceptions that wool is difficult to care for and launder are a barrier to consumption. This category aims to reduce this barrier to consumption of wool via the provision of quality “after sales support tools”, so that consumers of wool textiles have a positive, easy care experience.

That is: the aim is to improve the quality of the consumer experience with wool. This will increase the demand for wool.

Long-term: demand growth can be targeted by approaching customers who like wool but do not buy it as it is too difficult to care for.

In addition, there is a minor, indirect threat to existing wool consumption through threats to the traditional dry cleaning industry which this category will address.

INVESTMENT FOCUS

The current program seeks to coordinate AWI activities in apparel care to address negative consumer perceptions through investment in marketing, education and R&D investments and will include:

- R&D to support licensees to respond to changes in consumer demand. (Examples include the development of new Woolmark Specifications for the professional care area and for cold water washing in response to changing consumer behaviour and legislation).

- Work with licensees to expand marketing support and product development of areas where Woolmark apparel care technical specification are relevant.

- Retail partnerships to convey “easy care” messaging to consumers - leveraging opportunities for retailers and licensees to increase sales. This requires the involvement of Apparel care, licensees and retailers.

TARGETS

Maximising value to woolgrowers via relationship with licensees who use the Woolmark brand and tell the wool story through their channels. This will support retail partnerships and AWI’s own communications.

Maximising value to woolgrowers will depend on identifying regions where there are a large number of wool consumers that have a poor understanding of available easy care technologies.

1. A ten point improvement in the perception of wool being “easy care” in our key consumer markets (compared with 2011 Nielsen data) by 2016.

2. Increased perception of value across a minimum of 3 million consumers (based on consumer reach, once campaign budgets are agreed).

3. Maintain the quality perception of the Woolmark brand in apparel by maintaining licensing and royalty income over three years based on changes to premium branding (logos and royalties/licence fee).
Strategy 7

Category Management

PROGRAM 5: Interior Textiles (IT)

The intent of investments for the interior category:

1. To service our interior licensees.
2. To create awareness of wool with a design-focused audience.

Focusing on both the fine and mid-range wools produced by Australia, we will create materials, collateral and partnership promotional activities designed to increase consumer demand for Australian wool in the premium furnishing and floor coverings segments of the interiors market.

INVESTMENT FOCUS

The first step: aiming for (interior) architects
- Preparing general interior textiles collateral.
- An extended version of the general IT film.
- Creation of a special bedding film (as 90% of our interior textiles licensees are in bedding).

The second step:
- Wool Lab Interiors (will be valid for a period of two years). It was launched in April 2013 during Milan Design Week.

TARGETS

1. Maintain the current number of licensees in IT and increase when possible while operating under a fixed budget.
2. Support licensees and other IT partners in existing programs such as Campaign for Wool.
3. Increase the visibility of the Woolmark logo with a high-end design audience and also raise their interest in wool in fashion.
4. Investigate the possibilities to develop IT products with the available Australian Merino wool such as blankets and light curtains.
## CATEGORY MANAGEMENT STRATEGIC PLAN SUMMARY

### OBJECTIVE
By combining AWI investment capabilities across Marketing and Off-Farm resources, key consumer segments will be targeted to increase the sale opportunities for Australian wool.

### OUTCOMES
Through combined investments in marketing and product development AWI will seek to increase the demand for wool across a number of emerging consumer segments where wool currently has a modest market share. AWI will also strive to deliver increased value to wool consumers by increasing their awareness of appropriate methods for easy care of apparel garments and to increase the value delivered to Woolmark licensees in easy care and interior textiles.

### INVESTMENT PHILOSOPHY
The identification and development of specific strategies, plans and Key Account relationships will enable us to explore and exploit high margin growth opportunities for Australian wool. This will involve the development of new manufacturing processes and products supported by trade and retail marketing effort. Although investment is weighted towards higher risk activities given wool’s lack of presence in these emerging markets, investment over the plan will build and consolidate investment made in previous years.

<table>
<thead>
<tr>
<th>STRATEGIES</th>
<th>PROGRAMS</th>
<th>TARGETS</th>
</tr>
</thead>
</table>
| STRATEGY 7: Category Management | Program 1: Sports & Outdoor | 1. Increased sales of wool products across 13 partners of 5% in the first year products offered for retail and 10% in the following year (75,000 additional units per partner).  
2. Increase in wool product sales of 5% a year across non-partners (additional 32,000 units each year). |
2. Average annual number of wool pieces sold per existing partner increased from 18,000 units to 30,000 units by 2016.  
3. Average number of wool pieces sold by new partners to reach 6500 by 2016.  
4. Increase in wool units sold by non-partners to increase by 5% a year. |
| | Program 3: Urban | 1. Engagement of 6 Tier 1 & 2 partners by 2016 with increase of 75,000 units sold per partner by 2017.  
2. Annual growth beyond 2017 across partners of 5%.  
| | Program 4: Apparel Care | 1. A ten point improvement in association of wool with Easy Care in our key consumer markets (compared with 2011 Nielsen data) by 2016.  
2. Increased perception of greater value across a minimum of 3 million consumers by June 2017.  
3. Maintain licensing and royalty income. |
| | Program 5: Interior Textiles | 1. Maintain the current number of licensees while operating under a fixed budget.  
2. Increase the visibility of the Woolmark logo with high-end designers. |
4.5. MARKETING

Strategic Framework

OBJECTIVES

Help increase demand for Australian wool by recognising and addressing the information barriers to consumption at consumer and trade level.

Outcomes

Build demand for Australian wool through investment in marketing-related developments and promotions, filling required gaps in consumer and trade understanding of the fibre and its benefits.

Increase sales volume growth through specific apparel promotional activities undertaken in conjunction with supply chain & retail partners that deliver a positive return on investment.

Strategies

Fibre Marketing & Eco-Credentials

Product Promotion

Category Management Conjoined Strategy
(please refer to page 80)
Development of content to support fibre advocacy, and implement campaigns that explain to consumers and trade the relevant benefits of Australian wool. These benefits include its ecological credentials, suitability for fashion and specialist apparel. The approach used is to have thought leaders (designers, advocates and ambassadors) speak on behalf of the fibre in relevant traditional, digital and social media.

Provision of marketing services, development and implementation of campaigns that generate sales of specific wool products with key partners and in priority markets and segments. These programs will generate incremental new demand, or result in an improvement of the quality of products sold.
PROGRAM 1: The Story Of Wool – content origination and distribution

As the only entity that addresses the whole supply chain from on-farm to consumer, AWI will be responsible for developing the core presence of wool and growing profitable demand. Increasingly this will require us to have a strong digital content and presence through our targeted websites and social media activity. This content is shifting quickly to ‘rich’ media and is best served by strong and growing internal services.

The value to Australian woolgrowers will be determined by the cost–effectiveness of providing the required level of service. The service provided is delivered though the use of in-house staff and contracting third parties to develop and maintain various digital media.

**INVESTMENT FOCUS**

- Creation of content (still, editorial, video and animated) around the key benefits of wool and its provenance will fuel both direct consumer response and provide content for partner brands to help us tell the wool story.
- Effective content delivery through presence on the web (owned) and in editorial and social media (earned). This involves the development and maintenance of digital media including three core websites, social media channels, apps and links to campaign-specific digital media.

**TARGETS**

1. Continuous improvement of three core websites and social media activities.
2. Cost saving achieved from provision of materials based on 40% of commercial rate.
3. Increase cost–effectiveness of websites by reducing cost per hit to $1.40 by 2016.

**INVESTMENT WEIGHTING**

- Research: 50
- Development: 50
- Extension: 0

**DEVELOPMENT**

- Research: 0
- Development: 50
- Extension: 50
PROGRAM 2: Trade Engagement and Marketing Services

There is a generation gap in knowledge about the Merino wool fibre and its related benefits and products. This exists not just with consumers but from retail floor staff all the way back to spinning and weaving, and higher education.

AWI is in a unique position to define, create and distribute assets that help wool move along the supply chain; that provide both knowledge and skill to help push more wool through the supply chain to the retail front line, then pull that demand into the hands of willing consumers.

The recent activities resulting in production of the Wool Muse, floating fibre and related content have been well received by the trade. This process of creating assets for use by trade partners should continue, but there is a broader knowledge gap to fill. Filling this gap requires a structured approach to gathering, ordering, testing and delivering of educational content on wool processing to the trade at all levels – from shop floor staff, through design, sourcing, manufacturing, spinning and weaving.

Investment by AWI in this program provides a cost-effective support service for other AWI programs, global wool supply chains, brands and retailers.

INVESTMENT FOCUS

- Expansion and delivery of The Wool Lab as a key element in both educating the trade and stimulating demand for wool at the targeted premium end of apparel and interiors markets.
- An effective database and system of building and managing relationships with trade across the pipeline (Customer Relationship Management).
- Development of educational content for use at specific levels of knowledge (initial, detailed and technical) and delivery of this content to and through trade partners via electronic means.
- Work with regions on key B2B partner campaigns and collateral requirements that form part of their country strategies.
- Roll-out globally.

TARGETS

1. Expansion of The Wool Lab into an inspirational seasonal tool that is delivered in person (via workshops with Key Accounts), as a preview (to Spinners and Weavers) and to a broader audience in a differentiated ‘lighter’ digital format.

2. An effective database and system of building and managing relationships with tiered trade partners across the pipeline and on a global basis.

3. Development, delivery and adoption of educational content for use at specific levels of knowledge (initial, developed and technical), by various channel partners (processing, manufacturing, retail and consumer) and delivered by a flexible range of media at 40% of commercial cost.
MARKETING

**PROGRAM 3: The Campaign for Wool. Patron: HRH The Prince of Wales**

The Campaign for Wool (CFW) to date has been successful at opening new relationships, generating strong media coverage and engaging in education with brands, universities and retailers, which has lead to product and messaging for consumers. It has provided a solid platform for multiple retailers at different price levels to engage in promotion of wool globally.

The investment intent behind the campaign is to increase the demand for Australian wool through partnerships with key retailers. This will be achieved by:

- Ensuring the everyday consumer knows and understands the natural and ecological benefits of wool.
- Engaging directly and indirectly with the consumer - with experiences, events, digital and social media, PR and collateral that build equity for the “Natural, Biodegradable, Renewable” proposition.
- Stimulating new Key Account relationships for AWI internationally to support the ongoing promotion to the consumer looking for natural fibres in apparel (and interior products).

**INVESTMENT FOCUS**

The centrepiece of the CFW is promotion of wool products for a week-long period (in Wool Week) in different regions throughout the September, October and November months (except Australia) each year across AWI retail partners. A collaborative marketing program is developed with individual retailers and further support is provided through:

- Support of trade events and intensive PR.
- Point-of-sale materials (such as swing tickets, window displays, posters and information material on wool attributes).

- Consumer marketing though high-impact events (such as street events) featuring sheep and Merino wool.
- Online activities such as the CFW website and participation on Twitter and Facebook.

The contents of the campaign will increasingly consist of three key elements – rich media focused on the ‘Natural, Biodegradable, Renewable’ core platform; and consumer leverage through the effective promotion with the supply chain and retailers during peak consumption periods – hallmarked by Wool Week promotions; and sheep and wool made tangible in urban events.

- Roll-out in: United Kingdom, Italy, France, Germany, Spain, China, Japan, Hong Kong, Australia, USA and Korea.

**TARGETS**

1. We will continue to consolidate then expand this program from the original 6 markets in 2010/11 and 9 in 2012/13 to 11 in 2015/16. Likewise retailer engagement will continue to expand from the baseline of 117 in 2010/11 through the 445 achieved in 2012/13 to 800 in 2015/16.

2. An average increase in wool sales per store involved with the program of 1020 units a year or 675 kg of wool.

3. The earned value in media coverage through PR was GBP 5 million in 2010/11, growing to approximately GBP 15 million in 2012/13. This will continue to increase to GBP 18 million in 2015/16. Social media, while slow to start in 2010, targets a follower base of 100,000 by 2015/16, with websites hitting 500,000 that year.
PROGRAM 4: PR and International Woolmark Prize

This program consists of two elements – Public Relations activity around the fibre and its source through global and local PR support across retailers, designers and key partners; and the International Woolmark Prize (IWP).

The International Woolmark prize is the “jewel” in this activity. It is designed to generate long-term incremental demand by connecting emerging designers, emerging markets and consumers. New demand will come from creation of increased knowledge of and lifetime loyalty to wool among designers, along with the immediate presence of Woolmark-branded Merino wool collections in the top boutiques and retailers across the globe.

This program affords AWI the opportunity to work at three levels in the fashion apparel segment:

- At the jury level, engagement of an alumni of the world’s leading influencers of fashion, all of whom have a shared and stated interest in the development of new talent and new markets.
- At the participant (and winner) levels, imbuing them with knowledge of the fibre at an early stage in the commercial development and working with them to create a connection to wool which will stay with them throughout their careers (future No Finer Feeling partners).
- Through creation of “documentary” style content, a broader global fashion apparel audience through digital and broadcast media.

INVESTMENT FOCUS

Ten emerging designers are nominated each year to submit a collection of wool garments for judging by a panel of judges at a regional level. Regional winners then compete for the international prize and the winner’s collection is made available for sale through retail partners.

An active, high-value alumni consisting of the combination of the world’s leading designers and design influencers, with the contestants and winners of various levels of the competition, all centred around and brought together by wool.

AWI funds are used to promote the IWP through partners such as Vogue and for administration of regional and international events, including prize money for finalists.

- Roll-out in: United Kingdom, France, Germany, Spain, China, Japan, Hong Kong, Australia, USA, Korea and India.

TARGETS

1. Engagement of markets growing from the current 21 to 30 by 2015/16, with the number of retailers carrying IWP garments expanding to 15 across key markets.

2. Media reach in the first four months of this campaign was $15 million on a full year basis we expect this to exceed 600 million in 2013/14, 800 million in 2014/15 and 1 billion in 2015/16. The latter would have a media value in excess of $40 million.

3. An additional 700,000 wool garments sold each year.
PROGRAM 1: No Finer Feeling Promotional Campaign

The No Finer Feeling (NFF) program is intended to generate short and mid-term incremental demand through joint seasonal promotion with fashion apparel key accounts and their products. The primary focus is autumn/winter demand, with additional campaign activity bridging into shoulder seasons (spring/summer) for lighter weight products. The intent is to GROW profitable demand for existing product forms by taking share from competitive fibres, while we MAINTAIN demand for products under threat from competitive fibres, in particular through increased casualisation below the waist.

In the early stages of this campaign, our purpose was to re-enter the dialogue with brands and consumers of fashion apparel. We did this through presenting Merino as a fashion ingredient brand (2010/11), then focusing on the Merino fabric and its unique handle (2011/12). The most recent (2012/13) campaign took this further toward advocacy of the fibre through presentation of the fibre story and commercial product by leading fashion apparel brands. Executionally this moved from a more traditional display format to an advertorial format; and from use of traditional media to increased use of rich digital and social media. It is clear from the growth in partner participation rates that the advertorial approach is our future direction and likely to generate greater impact and stronger demand growth.

INVESTMENT FOCUS

A cohesive global campaign, partnering leading digital/traditional media owners and leading (Tier 1) Key Accounts to tell the wool story, endorse the use of the wool fibre, and generate sales leads and site traffic for both partners and AWI. The creative direction will follow an advertorial style and utilise digital as well as traditional media.

Origination of content from UK, Italy, France, USA, and expanding to China over time. Ensure market presence in global markets via global digital and social media and in China, USA, Japan, Italy, France, UK, Germany.

Key markets are: United Kingdom, France, Germany, China, Japan, Australia, USA and Korea.

TARGETS

1. Increase media reach from 250 million (estimated) in 2012/13 to 750 million in 2015/16.
2. Expand the number of partners from the 34 in 2012/13 to 42 in 2015/16 at Tier 1 level.
3. Increase wool sales across campaign partners of 1 mkg a year by 2016 with additional sales across non-partners of 15%.
MARKETING

Strategy 8
Fibre Marketing & Eco-Credentials

Strategy 9
Product Promotion

Investment Weighting
0 RESEARCH 10 DEVELOPMENT 90 EXTENSION MARKETING

PROGRAM 2: Woolmark Gold (China) Campaign

China represents the most significant potential in terms of incremental demand for high-quality products using Australian Merino wool.

Independent research shows ignorance of the origins and benefits of wool in apparel is pervasive with few potential consumers understanding the role and value of wool to luxury apparel.

The Woolmark brand continues to suffer from poor image attributes due to the surfeit of Woolmark–branded product available at the lower end of the market. This image has begun to improve but requires time to build equity.

Chinese consumers will spend an estimated A$27 billion on personal luxury products in 2012. However, only 40% of this spend will take place inside China.

Chinese outbound tourism has grown rapidly over the past five years. In 2012 an estimated 62 million Chinese consumers will travel overseas for leisure purposes. This will continue to drive the spend on luxury products.

AWI/DDMA research shows clearly that:

- Not all purchases are for personal consumption.
- Why overseas luxury purchase is appealing:
  a. Wide selection & latest styles may not be available in China.
  b. Better Prices (“30% lower than China”)
  c. Confident products are authentic/not counterfeit.
  d. Better shopping experience/more knowledgeable staff.
- Chinese consumer demand for luxury goods is increasing dramatically and shopping habits have evolved with the strongest potential present for consumption of goods considered to have authentic European heritage.
- Value added products from local manufacturers will become more attractive over time.

INVESTMENT FOCUS

Woolmark Gold will evolve as a campaign conducted in partnership with European spinners and weavers, sourcing product from luxury European brands selling to Chinese consumers. In 2012/13 Woolmark Gold launched a new campaign model based on specific channel strategies that identified online retail and custom tailoring as having the most immediate potential. The ongoing promotional model is to engage with commercial European brand partners, creating awareness, knowledge and demand through education web–based and social media activity that in turn generates sales leads.

Woolmark activity in China will consist of a suite of programs, with much of this activity centred on educating target consumers about the benefits of wool, and presenting them with products that can fulfill their desire to buy luxury, authentic European apparel and accessories made from Australian Merino wool. Key to the success will be collaboration leading global designers; promotional, data-driven marketing techniques, supported by media and partnerships in–store and online will be the main communications elements of this program.
**Targeted Campaigns**

**Strategy 8**  
Fibre Marketing & Eco-Credibility

**Strategy 9**  
Product Promotion

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### AWI China Trade Channels

<table>
<thead>
<tr>
<th>BRAND</th>
<th>CHANNEL</th>
<th>FOCUS</th>
<th>MAIN ACTIVITY</th>
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</thead>
<tbody>
<tr>
<td>Custom Tailoring</td>
<td>Woolmark Gold</td>
<td>Custom Tailoring</td>
<td>Key Accounts</td>
</tr>
<tr>
<td>Premium Apparel</td>
<td>Woolmark Gold</td>
<td>International Luxury Brands</td>
<td>Key Accounts</td>
</tr>
<tr>
<td>Chinese Local Luxury/High-End Brands</td>
<td>Woolmark</td>
<td>Domestic Luxury Brands</td>
<td>Key Accounts</td>
</tr>
<tr>
<td>Quality Apparel - Standard Woolmark</td>
<td>Woolmark</td>
<td>Manufacturers</td>
<td>Licensees</td>
</tr>
</tbody>
</table>

**Targets**

1. Increase the number of Woolmark Gold partners from 14 in 2012/13 to 45 in 2015/16 (trade and retail).

2. Expand media reach to 500 million in 2015/16 and build a database of 250,000 targeted consumers.

3. Increase the wool sales of Woolmark Gold partners by 760,000 kilograms per year by 2015/16 and 5% growth across non-partner stores.

Having established this campaign in China, consider rolling it out into India and identify other key markets where it can deliver impact and additional sales opportunities.
PROGRAM 3: Cool Wool

Merino wool is an ideal fibre for warmer climes and transitional seasons, this is an area where Merino consumption can grow. In 2012 Cool Wool was relaunched as a program initially designed to grow demand in markets with high temperature climates – such as the Gulf states, India and Turkey, but leading into programs in Europe, Japan, Korea, China and the USA. In recognition of the advancements in the production of lightweight fabric the original Cool Wool specification was modified to be more relevant for today’s market needs. Working closely with the manufacturing pipeline through targeted marketing campaigns, in-store activities, promotions and events, we seek to educate the consumer about wool’s natural ability to regulate temperature keeping the wearer looking elegant and cool.

**INVESTMENT FOCUS**

There are not enough Cool Wool garment makers, which is a barrier to brands and retailers carrying Woolmark Cool Wool messaging on their products. We will continue to actively build the fabric and garment sourcing list for Cool Wool to increase choice for brands and designers going forward. We will continue to promote and showcase Cool Wool at fashion and textile tradeshows globally including Première Vision, Japan Creation, JITAC, Pitti Uomo, Milano Unica, London Fashion Week and London Collections: Men. This activity will help us grow the Cool Wool fabric and garment sourcing list for retailers and brands. Work closely with Cool Wool licensed manufacturers to ensure that their retail customers can take advantage of Cool Wool point-of-sale material and leverage from promotional activities taking place in their market or in markets of interest to them.

We will continue to partner with key influential brands and designers in each region to drive product development and Cool Wool promotional opportunities in-store and online. Aim to get brands or their manufacturers licensed so there is no barrier to using the Woolmark brand on products.

- Roll-out in: Middle East, China, India and Australia.

**TARGETS**

1. We will increase the number of markets in which the program is active from 9 in 2012/13 to 15 in 2015/16, with a corresponding increase in the number of Cool Wool licensed manufacturing partners from the six in 2011/12 to 20 in 2015/16; and we will add six new Woolmark licensees over this period. We will target an increase in retail partners from 8 in 2011/12 to 16 in 2015/16.

2. We will increase visits to coolwool.com to 20,000 and media reach from 6 million in 2012/13 to 20 million in 2015/16.

3. Increase in annual Cool Wool ticket and label sales by 5% by 2016. This is expected to translate to an increase in wool sales of 730,000 kg a year.
PROGRAM 4: Other Promotions And Product Publicity

This program consists of Promotions and Public Relations activity around the fibre and its source through global and local PR support across retailers, designers and key partners; tactical opportunities will arise from time to time.

Possible projects under consideration are:

- Woolmark 50th Anniversary (1964 to 2014)
- 5 billion Woolmark garments sold (1964 to 2013)
- Woolmark e-commerce portal aggregation partnership.

There may also be localised promotional and PR opportunities of sufficient potential to impact global demand.

From the current 10 markets in which we have active programs we will expand this to 20 over the next three years, and expand our reach to consumer audiences targeting 500 million by 2015/16.

Opportunities for investment will be considered on a case-by-case basis with investment made to maximise cost-effectiveness of AWI investment in other programs.
MARKETING ANNUAL PLANNING & CONSULTATION

JANUARY
- Launch Wool Lab at Pitti Uomo
- Review of draft plans by Country and Category Managers
- AWI Marketing Managers Strategy Workshop
- AWI Country Managers Strategy Workshop

FEBRUARY
- Meeting with supply chain to present input into autumn/winter Wool Lab collection for next season
- Retail/brand consultation to present spring/summer Wool Lab
- Board strategic planning review and priority-setting

MARCH
- Liaising with key media partners across key markets for seasonal planning
- Marketing programs Southern Hemisphere
- Retail/brand consultation to present spring/summer Wool Lab continue
- Partner reviews of strategic priorities and operating plans

APRIL
- Review media/online priorities
- “sell in” to marketing partners

MAY
- AWI’s Consumer tracking research in-field
- AWI Country Managers - Marketing & Technical Workshop - Europe

JUNE
- Retail/brand consultation to present Wool Lab Collection (Northern Hemisphere)
- Launch autumn/winter Wool Lab at Pitti Uomo
- AWI Country Managers - Marketing & Technical Workshop - Asia

JULY
- Presentation of autumn/winter Wool Lab at Spin Expo Trade Show - New York
- Meeting with supply chain to seek input into autumn/winter Wool Lab collection for next season
- Retail/brand consultation to present autumn/winter Wool Lab
- Meetings and direct feedback from partners and supply chain at trade fairs

AUGUST
- Marketing programs in market (Northern Hemisphere)
- Retail/brand consultation to present autumn/winter Wool Lab
- Meetings and direct feedback from partners and supply chain at trade fairs

SEPTEMBER
- Direct feedback from retail & trade partner consultation through trade shows
- Retail/brand consultation to present autumn/winter Wool Lab continues

OCTOBER
- Direct feedback from retail & trade partner consultation through trade shows
- Retail/brand consultation to present autumn/winter Wool Lab Collection
- Direct feedback from retail & trade partner consultation through trade shows

NOVEMBER
- AWI’s Consumer tracking research infield
- Meetings and direct feedback from partners and supply chain at trade fairs

DECEMBER
- AWI Marketing Managers Strategy Workshop
- AWI Country Managers Strategy Workshop
## MARKETING STRATEGIC PLAN SUMMARY

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>Increase consumer demand for Australian wool products.</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTCOMES</td>
<td>Build demand for Australian wool through investment in marketing-related developments and promotion, filling required gaps in consumer and trade understanding of the fibre and its benefits. Increase sales volume growth through specific apparel promotional activities undertaken in conjunction with partners.</td>
</tr>
<tr>
<td>INVESTMENT PHILOSOPHY</td>
<td>We seek to position wool at the pinnacle of the fashion industry by working with supply chain partners to develop and deliver creative marketing campaigns. Marketing investments will be made in low to medium-risk activities, consolidating AWI expertise and experience across all forms of promotional media. Investment activities will be well within ethical boundaries established under existing Australian industry standards and those of other regions in which we operate.</td>
</tr>
</tbody>
</table>

### STRATEGIES

#### OF STRATEGY 8: Fibre Marketing & Eco-Credentials

<table>
<thead>
<tr>
<th>PROGRAMS</th>
<th>TARGETS</th>
</tr>
</thead>
</table>
| **Program 1: The Story of Wool – Content Origination and Distribution** | 1. Expressed as 40% of comparable contract rate for 13 in-house staff with output to acceptable in-house quality standard.  
2. Current annual website hits around 650,000 with cost per hit of $2.80. Target to reduce to $1.40 by 2016. |
| **Program 2: Trade Engagement and Marketing Services** | 1. Expansion of the Wool Lab into an inspirational seasonal tool.  
2. Develop an effective database and system of building and managing relationships with tiered trade partners across the pipeline and on a global basis.  
3. Internal agency work delivered at 40% of commercial rate. |
| **Program 3: The Campaign for Wool** | 1. Number of retail partners involved to increase from 445 to 800.  
2. An average increase in wool sales per store of 1020 units and 676 kg of wool a year with evidence that changed purchasing behaviour is not substitution.  
3. Media value to reach GBP 18 million in 2015/16, follower base of 100,000 and 500,000 website hits. |
| **Program 4: PR & International Woolmark Prize** | 1. Increase markets to 30 by 2015/16.  
2. Generate media value of $40 million by 2015/16.  
3. Increase in wool garment sold of 700,000 a year. |

#### STRATEGY 9: Product Promotion

<table>
<thead>
<tr>
<th>PROGRAMS</th>
<th>TARGETS</th>
</tr>
</thead>
</table>
| **Program 1: No Finer Feeling** | 1. Increase media reach to 750 million people by 2015/16.  
2. Expand the number of partners from 34 in 2012/13 to 42 in 2015/16.  
3. Increase wool sales across campaign partners by 1 mkg a year by 2016 with additional sales across non-partners of 15%. |
| **Program 2: Woolmark Gold (China)** | 1. Engagement targets of media reach of 500 million each year; 14 partners in 2012/13 increasing to 45 in 2015/2016.  
2. Increased preference for wool as a luxury product across consumers with increased wool sales through retail partner stores of 760,000 kg by 2016 with 5% growth in non-partner retail stores. |
| **Program 3: Cool Wool** | 1. Increase markets from 9 to 15 by 2015/16 and 20 additional manufacturing partners, 6 new Woolmark licensees and retail partners.  
2. Increase media reach to 20 million by 2015/16 and achieve 20,000 visits to Coolwool.com.  
3. Increase in annual Cool Wool ticket and label sales by 5% a year from 2016. This is equivalent to an increase of 730,000 kg of wool a year by 2016 (with no substitution). |
| **Program 4: Other Promotions & Product Publicity** | 1. Cost-effectiveness determined on case-by-case basis. |
OBJECTIVES

Enable AWI to operate cost-effectively through the efficient provision of a range of cross-company support services. In addition, provide commercially oriented services to the supply chain to support AWI’s strategic vision.

Outcomes

In keeping with AWI’s mission, objectives, and statutory obligations, internal and external stakeholders will be provided with a range of efficiently delivered support services, relevant to business needs. These services will be delivered across AWI and along the wool pipeline in commercially oriented forms, including in the areas of business intelligence, performance monitoring and evaluation, market access, trade education, intellectual property management, and support for the global Woolmark network.

Strategies
Strategy 10
Business Intelligence & Measurement

Program 1: Business Intelligence & Measurement
Program 2: Monitoring & Evaluation

Strategy 11
Corporate Affairs & Market Access

Program 1: Corporate Affairs
Program 2: Industry Engagement
Program 3: Market Access & International Trade Policy

Strategy 12
Trade Education

Program 1: Supply Chain Education
Program 2: Retail & Consumer Education
Program 3: Trade Shows

Strategy 13
Woolmark

Program 1: Woolmark Licensing Program and Endorsement
Program 2: Quality Control

Strategy 14
Corporate Services

Program 1: Finance & IT
Program 2: Human Resources
Program 3: Legal Services
PROGRAM 1: Business Intelligence

Provision of timely and incisive business intelligence is critical for guiding the formation of AWI investment strategies and operational plans, in informing market access negotiations, and the evaluation of investments made. Business intelligence is also a key element of AWI’s value proposition for Woolmark licensees, and to woolgrowers.

The 2010/13 Strategic Plan placed significant emphasis on Business Intelligence. Reflecting the rapidly changing consumer market environment, and rapid evolution of regional wool textile activity, the 2014/17 Strategic Plan will increase emphasis in this area.

INVESTMENT FOCUS

- Maintenance and improvement of Australia’s capacity to predict wool production volumes and value.
- Maintaining a retail and trade intelligence database, and disseminating this in a timely fashion to AWI partners and other stakeholders.
- Tracking consumer attitudes, awareness, and barriers to consumption in key wool retail markets.

TARGETS

1. **Accurate forecasting of Australian wool production**
   Accurate forecasting of Australian wool production volumes is critical to the global trade, and to AWI, for financial planning purposes. Over the past 3 years, AWI has worked to improve the accuracy of Australian production forecasts while reducing costs – both of these outcomes have been achieved. Over the life of this plan, AWI will seek to maintain average forecast errors within ±2%, and maintain a high level of co-investment with Meat and Livestock Australia in conduct of forecasting processes.

2. **Generate and disseminate analysis of global retail and trade market data**
   Over the life of this plan, AWI will continue to generate and disseminate retail and trade data to global textile audiences, and will monitor the timeliness and appraised value of information outputs.

3. **Monitor consumer attitudes and awareness**
   A critical assay of AWI’s success in building demand for Australian wool through investment in marketing activities is to monitor consumer attitudes and awareness in key markets. Over the life of this plan, AWI will track consumer attitudes and awareness on a 6-monthly basis, across key consumer and product markets.
AWI is committed to providing quantifiable returns on government and industry investment, and has instituted a detailed system for assessment of investment return. This system reflects the unique technical and marketing contexts within which AWI operates, and our obligations to critical stakeholders such as the Australian government.

Over the 2010–2013 Strategic Planning period, AWI substantially upgraded its internal and external processes for monitoring and evaluation, including development of a company-wide Monitoring and Evaluation Framework in 2011. Over the 2014–17 Strategic Planning period, AWI will continue to refine tools and processes within this crucial area, and continue the upward trajectory of investment levels.

**INVESTMENT FOCUS**

The 2010–13 Strategic Plan placed significant emphasis on Business Intelligence. Reflecting the rapidly changing consumer market environment, and rapid evolution of regional wool textile activity, the 2014/17 Strategic Plan will increase emphasis in this area.

Overall, our intent is to comfortably exceed AWI’s statutory obligations for measurement and evaluation, ensuring that measurement and evaluation processes are effectively integrated in all areas of AWI’s planning and operations.

**TARGETS**

1. **Implement evaluation plans for all AWI program investment areas**
   AWI has around 35 investment programs, across the three major investment portfolios (on-farm, post-farm and marketing). Detailed program investment plans have been established across these three portfolios. These plans articulate key investment performance indicators and effectively links company performance measurement from the Strategic Plan through annual operating plans to the performance of the individual staff members.

2. **Comprehensive reporting of investment performance**
   Over the planning period, at least eight program evaluations will be completed and released publicly each year. On an annual basis AWI will conduct a review of progress against the strategic plan.

3. **Routine evaluation of all investment proposals**
   Over the planning period, AWI will continue to seek external R&D investment proposals on a time-bound annual basis, and will continue to assess these through an internal peer review system, complemented by external economic expertise and dedicated evaluation process.
PROGRAM 1: Corporate Affairs

To proactively foster the international competitiveness of the Australian wool industry by identifying threats and opportunities, enabling access to world markets, ensuring regulatory compliance and developing strong relationships with key stakeholders (“Protect, Engage, Comply, Create”).

The Corporate Affairs & Industry Engagement programs support the whole of the AWI business achieving AWI’s goals and objectives. A key aspect is the implementation of AWI’s Planning and Consultation cycle, to build and maintain productive relationships with key stakeholders, ensuring stakeholder expectations are met and that their views are considered in AWI’s strategic framework.

INVESTMENT FOCUS

- To ensure statutory compliance by nurturing productive relationships with government stakeholders.
- To manage sensitive issues in order to protect the industry from external threats.

TARGETS

1. Ensure compliance with regulatory requirements.
2. Voter participation rate increased, and budget at least maintained for next WoolPoll.
3. Independent Review of Performance (ROP) appropriately reflects AWI business environment and improvement since previous ROP.
PROGRAM 2: Industry Engagement

INVESTMENT FOCUS

- To enhance productive relationships with grower representative groups, promote two-way exchange of information and facilitate the consideration of industry views in AWI’s strategic framework.
- To build awareness of AWI’s business and activities, providing an understanding of what, how, and why AWI does what it does.

TARGETS

1. Facilitate improved two-way dialogue and understanding with State Farming Organisations (SFOs) and grower representative groups.
2. Measured positive change in industry and stakeholder awareness of AWI’s activities and outcomes (evidenced through bi-annual stakeholder survey).
PROGRAM 3: Market Access and International Trade Policy

INVESTMENT FOCUS

- To create, enhance and protect industry’s trade and market access opportunities.
- To reduce obstacles to market access and commercial trade by working with government and key domestic and international stakeholders.

TARGETS

1. Develop and implement an integrated market access and trade strategy that underpins, complements and builds on investments in marketing and product development.
Education of supply chain participants and consumers remains a key element of our business. Although previously undertaken by the various portfolio business units of the company, moving forward we consolidate this endeavour into one strategy with dedicated human resources. This new business unit will have stewardship of all educational materials developed by AWI to support the wool industry. This will ensure that materials can be developed and delivered in the most cost-effective means possible.

This strategy will have a strong focus on producing and delivering these materials in a digital format with mobility devices as a key conduit allowing improved distribution to a scale unachievable with print.

INVESTMENT FOCUS

AWI will invest funds across five key areas.

- Educational Resource Development. This will involve the updating and consolidating AWI trade manuals, including development of an online format for the manual and technical notes. Secondary school and tertiary education materials will also be updated and transferred to a digital format. AWI will continue to support retail and brand partners with relevant training materials and point of sale fact sheets and videos.

- Material Delivery. AWI will continue to provide training to trade participants, through individual mill visits and regular presentations, workshops and seminars.

- Trade Shows. AWI will continue to exhibit at the most influential trade shows that will support investment across our Off-Farm and Marketing areas. AWI’s presence at trade shows provides an important source of leads for continual business development as well as the opportunity to support our trade partners.

  - We will use these fairs to affirm the Woolmark company’s role as a leading authority in the fashion and textile industry, through media coverage B2B partner feedback (including post-trade fair follow up).

  - Delivery of The Wool Lab, by face-to-face and digital media.

TARGETS

Investment will be undertaken on a cost-effective basis, and specific targets developed over the strategic planning period. At this stage, the AWI investment will seek to:

1. Operate under a fixed annual budget, maximise access to educational material across three levels of relevance (consumer, trade and manufacturing).

2. Operating under a fixed annual budget maximise trade participants attaining certification.

3. Operating under a fixed annual budget, maximise trade visitors and leads from trade show exhibitions.

4. Complete 350 presentations of The Wool Lab to pipeline businesses each year, achieving a minimum annual editorial value of €200,000 and a base revenue increase from €300,000 to €450,000 by 2016.
The Woolmark brand is owned by AWI. It is one of the world’s most recognised brands and provides consumers with a guaranteed fibre content and an assurance of quality.

Companies that become Woolmark licensees can use the Woolmark logo on their products as an independent quality endorsement thereby providing licensees differentiation in the market place. The Woolmark licensing program operates globally with AWI offices in 14 countries and affiliated agents in another 11 countries.

The main value of AWI’s Woolmark program is that it underpins many of AWI’s other programs by providing a global central point of focus to link initiatives across the entire wool supply chain. Companies that become licensees pay an annual licensee fee that gives them access to Woolmark Specifications and testing, advice and assistance with market promotions, access to product development initiatives for knitwear and wovenwear, networks across the supply chain, product sourcing, technical and retail training packages, seasonal guides and access to AWI’s global network.

INVESTMENT FOCUS

- Demonstrate through market research an increase in consumer understanding of the Woolmark brand as a wool content and quality symbol for textile products over the 3 year period.
- Improved Key Account Management processes, with partners having a clear service offer and improved satisfaction in their relationship with TWC.
- A robust, skilled international network that successfully executes global and local marketing campaigns and product development initiatives.
- Authorisation of a network of independent, high-quality and reliable laboratories used for Woolmark testing globally.
- Respond appropriately to changing commercial drivers to ensure the ongoing relevance and applicability of Woolmark Specifications and Test Methods. This includes the development of new Specifications and Test Methods to support opportunities for new Woolmark product certification.

TARGETS

1. During 2013 stabilise our licence numbers globally relative to 2012 levels. The international network will then grow licence numbers by 2% year on year.
2. Increase the use of Woolmark, Woolmark Blend and Wool Blend tickets on end products by 5% year on year.
3. The Woolmark Company is positioned as the authority on wool and the leader in Merino wool innovation.
4. Maintain licensee revenue in real terms.
5. Consistent application of the three-stage quality control program (Acceptance testing, Quality Assurance testing and Retail sampling), demonstrated by the objective data obtained from AWI’s authorised laboratories.
6. Measurable improvement in the perception of the Woolmark as a quality symbol.
PROGRAM 1: Finance & IT

Finance
This strategic period will focus on consolidation and continual enhancements to the progress we made in providing a reliable and flexible business system that meets the requirements of the company in Australia and internationally.

INVESTMENT FOCUS
- A continuous improvement program to evolve and enhance financial systems and resources to meet the dynamic organisational requirements of the company.
- Continually ensuring best practice in corporate compliance and reporting requirements globally, acknowledging the complexity and continual statutory changes that occur across the company’s global footprint.
- Providing the business with timely and accurate reporting and enabling more effective decision making and more efficient delivery of operational and project requirements.

TARGETS
1. Ensure forward Contracts Reserve is sufficient to cover global contractual commitments on an annual basis.
2. Operating Reserves should be set each year end as the equivalent of 75% of operating cost for the next financial year.
3. Maintain emergency Reserve of $5M to cover our obligations under the EADRA.

Information Technology
In this dynamic time, the role of IT is shifting and the desired outcomes are to balance the absolute need for stability and security with a more flexible ‘ecosystem’ that accounts for increased workforce mobility.

INVESTMENT FOCUS
- AWI investment in IT will focus on the continued consolidation of IT infrastructure, completion of systems integration/rationalisation – including the SAP solution, harvest, Client Relationship Management system, intranet, digital and mobile Platforms and dashboards.

TARGETS
1. High availability of systems with no planned outages—at 99% stability.
2. Internal support task respond within defined internal service levels.
Our goal is to have inclusive leaders who foster a culture of employee engagement and commitment by developing our current employees, recruiting strategically and providing a safe workplace. We achieve this by fostering a performance-based culture and delivering consistent HR advice, support and coaching to both managers and team members.

PROGRAM 2: Human Resources

INVESTMENT FOCUS

- Through inclusive leadership, foster employee engagement by providing employees with meaningful feedback processes, clearly defined job descriptions and KPIs, recognition, development and growth opportunities.

- Build our leadership pipeline, and grow our future leaders, through the development of a global Talent Management Strategy, building of robust succession plans and accelerated leadership development programs such as Inclusive Leadership and Action Learning initiatives.

- Alignment of HR services around a global operating model. This means ensuring consistency through a centralised HR function, global HR policies and the implementation of a HR Information System to allow us to better understand and analyse our workforce. Using this technology will allow us to streamline HR transactional activities.

- Manage, and comply with, complex employment laws and issues across more than 15 employment jurisdictions, each with their own employment laws and statutory requirements that are continually changing.

TARGETS

1. Employee engagement survey undertaken, actions developed to target opportunities for improvement.

2. Action learning leadership program successfully completed by potential future leaders.


4. Compliance with employment laws and statutory requirements in each jurisdiction.
PROGRAM 3: Legal Services

AWI employs four lawyers across different parts of the organisation. Legal services are an integral support service for the businesses. The aim for this support service is to deliver high-quality and timely legal advice to business units at all times.

INVESTMENT FOCUS

Investment is made across two areas:

- **Company Secretary** - the company Secretary has a primary responsibility to ensure application of relevant standards of best practice in corporate governance for AWI and the AWI group (“AWI”), support the effectiveness of the Board, and provide assistance and support to the chair.
  
  This is achieved by monitoring and regularly reviewing policies and procedures of the Board to ensure they continue to be appropriate and deliver the desired outcomes; ensuring compliance systems are maintained and the company and Board adhere to these systems; and ensuring a good flow of information between the Board, Board committees and Senior management.

- **Contracts & IP** - the contracts and IP team supports the business of AWI by developing AWI’s contract policy and procedures, monitoring compliance to these, as well as the development and implementation of the IP management plan.
  
  The contracts and IP team is resourced to provide commercial and legal advice in relation to IP and commercial contracting globally as well as lead negotiations with third parties that AWI is doing business with.

TARGETS

1. Manage the Board’s adherence to the Board and committee charters, the constitution, the Statutory funding agreement and other guiding documents.

2. Continue to ensure AWI’s commercial needs are reflected in its contracts, using wherever possible, a range of standard contract templates.

3. Manage AWI’s IP portfolio to ensure that AWI’s IP assets are protected and commercialised in accordance with the IP policy.
## OBJECTIVE
Operate AWI Global Business Services on a cost–effective basis.

## OUTCOMES
Enable AWI to operate effectively through the efficient provision of a range of cross–company support services. In addition, provide commercially oriented services to the supply chain to support AWI’s strategic vision.

## INVESTMENT PHILOSOPHY
AWI will pursue cost-effective provision of internal services benchmarking investment against commercial providers. We have a nil tolerance for compliance breaches across all jurisdictions in which we operate. Investment will also be made to continually improve our engagement with stakeholders and industry.

## STRATEGIES

<table>
<thead>
<tr>
<th>STRATEGY 10: Business Intelligence &amp; Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program 1: Business Intelligence</strong></td>
</tr>
<tr>
<td>1. Provide production forecasts at constant costs, in real terms, and to an accuracy of ±2%.</td>
</tr>
<tr>
<td><strong>Program 2: Monitoring &amp; Evaluation</strong></td>
</tr>
<tr>
<td>1. Complete eight program evaluations each year and make these available via the AWI website.</td>
</tr>
<tr>
<td>2. On an annual basis, review progress against the Strategic Plan and internal peer review of projects.</td>
</tr>
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<table>
<thead>
<tr>
<th>STRATEGY 11: Corporate Affairs &amp; Market Access</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program 1: Corporate Affairs</strong></td>
</tr>
<tr>
<td>1. Ensure compliance with regulatory requirements;</td>
</tr>
<tr>
<td>2. Voter participation rate increased, and budget at least maintained for next WoolPoll; and</td>
</tr>
<tr>
<td>3. Independent Review of Performance (ROP) reflects AWI business environment and improvement since previous ROP</td>
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<td><strong>Program 2: Industry Engagement</strong></td>
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<tr>
<td>1. Facilitate improved two-way dialogue and understanding with State Farming Organisations (SFOs) and grower representative groups.</td>
</tr>
<tr>
<td>2. Measured positive change in industry and stakeholder awareness of AWI’s activities and outcomes.</td>
</tr>
<tr>
<td><strong>Program 3: Market Access &amp; International trade Policy</strong></td>
</tr>
<tr>
<td>1. Develop and implement an integrated market access and trade strategy.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>STRATEGY 12: Trade Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Operating under a fixed annual budget, maximise access to education material across consumers, trade and manufacturing; maximise trade participants attaining certification; and maximise trade visitors and leads from trade show exhibitions.</td>
</tr>
<tr>
<td>2. Complete 350 presentations of The Wool Lab to pipeline businesses each year, achieving a minimum annual editorial value of €200,000 and a base revenue increase from €300,000 to €450,000 by 2016.</td>
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<tr>
<th>STRATEGY 13: Woolmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. During 2013 stabilise our licence numbers globally to those in 2012. The International Network will then grow licence numbers by 2% year on year and maintain licensee revenue in real terms.</td>
</tr>
<tr>
<td>2. Increase the use of Woolmark, Woolmark Blend and Wool Blend tickets on end products by 5% year on year.</td>
</tr>
<tr>
<td>3. Consistent application of the three stage quality control program (Acceptance testing, Quality Assurance testing and Retail sampling), demonstrated by the quantitative data obtained from AWI’s Authorised Laboratory’s.</td>
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<thead>
<tr>
<th>STRATEGY 14: Corporate Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program 1: Finance &amp; IT</strong></td>
</tr>
<tr>
<td>1. Ensure forward Contracts Reserve is sufficient to cover global contractual commitments on an annual basis.</td>
</tr>
<tr>
<td>2. Operating Reserves should be set each year end as the equivalent of 75% of operating cost for the next financial year.</td>
</tr>
<tr>
<td>3. Maintain emergency Reserve of $5M to cover our obligations under the EADRA.</td>
</tr>
<tr>
<td>4. High availability of systems with no planned outages–at 99% stability.</td>
</tr>
<tr>
<td><strong>Program 2: Human Resources</strong></td>
</tr>
<tr>
<td>1. Employee engagement survey undertaken, actions developed to target opportunities for improvement.</td>
</tr>
<tr>
<td>2. Action learning leadership program successfully completed by potential future leaders.</td>
</tr>
<tr>
<td>4. Compliance with employment laws and statutory requirements in each jurisdiction.</td>
</tr>
<tr>
<td><strong>Program 3: Legal Services</strong></td>
</tr>
<tr>
<td>1. Manage the Board’s adherence to key policy documents.</td>
</tr>
<tr>
<td>2. Continue to ensure AWI’s commercial needs are reflected in its contracts.</td>
</tr>
<tr>
<td>3. Manage AWI’s IP portfolio to ensure that AWI’s IP assets are protected and commercialised in accordance with IP Policy.</td>
</tr>
</tbody>
</table>
5. APPENDICES

5.1. STRATEGIC PLAN BUDGET

<table>
<thead>
<tr>
<th></th>
<th>BUDGET 2013/14 (AUD '000)</th>
<th>BUDGET 2014/15 (AUD '000)</th>
<th>BUDGET 2015/16 (AUD '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levy Funds</td>
<td>48,492</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>Government</td>
<td>12,000</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>Woolmark</td>
<td>8,294</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>Investment &amp; Other</td>
<td>3,305</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>72,091</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td><strong>PROGRAM SUPPORT COSTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Farm</td>
<td>18,885</td>
<td>11,331*</td>
<td>TBC</td>
</tr>
<tr>
<td>Off-Farm</td>
<td>11,331*</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>Marketing</td>
<td>45,324*</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM COSTS</strong></td>
<td>75,540</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td><strong>SUPPORT &amp; ADMINISTRATION COSTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,552</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td></td>
<td>87,092</td>
<td></td>
</tr>
<tr>
<td><strong>NET RESULT</strong></td>
<td></td>
<td>(15,001)</td>
<td></td>
</tr>
</tbody>
</table>

*Includes allocation of Category Management activities.
## 5.2. RESERVES POLICY

<table>
<thead>
<tr>
<th>RESERVE</th>
<th>$M</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward contracts reserve</td>
<td>Variable</td>
<td>To cover forward commitments – reviewed at the end of each financial year</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>Variable</td>
<td>9 months of AWI Operating costs to cover unexpected cessation of levy and grant revenue</td>
</tr>
<tr>
<td>Emergency reserve</td>
<td>5.0 fixed</td>
<td>To cover any contingent expenditure arising from obligations under the Emergency Animal Disease Response Agreement</td>
</tr>
</tbody>
</table>
5.3. ACRONYMS

ABARES
Australian Bureau of Agricultural, Resource Economics and Sciences

ABS
Australian Bureau of Statistics

AETS
Australian Emissions Trading Scheme

AWI
Australian Wool Innovation Limited

AWPFC
Australian Wool Production Forecasting Committee

CAGR
Compounded Annual Growth Rate

CRRDC
Council of Rural Research Development Corporations

CSIRO
Commonwealth Scientific and Industrial Research Organisation

DA
Dairy Australia

DAFF
Department of Agriculture, Fisheries and Forestry

DCCEE
Department of Climate Change and Energy Efficiency

EFTA
European Free Trade Association

EMI
Eastern Market Indicator

EUETS
EU Emissions Trading Scheme

FFICRC
Future Farms Industries Cooperative Research Centre

GDP
Gross Domestic Product

GVP
Gross Value of Production

IACRC
Invasive Animals Cooperative Research Centre

INDUSTRY REPRESENTATIVE BODIES
Organisations that represent Australian woolgrowers

IWTO
International Wool Textile Organisation

MLA
Meat and Livestock Australia

NWD
National Wool Declaration

PIMC
Primary Industries Ministerial Council

R&D
Research and Development

RD&E
Research Development and Extension

RD&M
Research Development and Marketing

RDC
Rural Development Corporation

PPR
Pinault-Printemps-Redoute