

## **AUGUST 2021 MEETING OF THE WOOL INDUSTRY CONSULTATIVE Panel (WICP)**

**Date:** 4 August 2021  
**Venue:** Microsoft Teams

The purpose of this forum is to ensure a clear two-way consultation between AWI and organisational representatives through to growers. The meeting provides an opportunity for the AWI Board to receive and provide feedback on current/important issues and relevant topics from Board meetings.

### **INTERNATIONAL BUSINESS INTELLIGENCE BRIEFING - ITALY**

AWI's Fabrizio Servente, an expert in fashion and retail in Europe, reported that the textile and premium fashion segment of the industry - the major proponents of Merino wool - has decreased dramatically. In particular formal wear; partially as a result of COVID19 but also due a shift in trends. As consumer trends have shifted, weavers and spinners have had to blend natural fibre with synthetic to reduce costs. European Weavers have recently experienced drops in orders and productions from ~70% to 40% in 2020. This occurred due to the stockpile that was sitting within the supply chain which didn't allow European processors to purchase wool. AWI's current marketing campaigns have allowed the company to move into growing markets in sports and upper casual segments of the industry, with a strong presence in technical fabrics. Fabrizio advised the most effective focus for marketing is new formal wear (not traditional suiting), sports, and casual wear. Sustainability characteristics also need to be a key marketing focus as it is a clear area of interest throughout the whole supply chain.

### **INTERNATIONAL BUSINESS INTELLIGENCE BRIEFING - UNITED KINGDOM**

AWI's Peter Ackroyd is UK-based and is the Chair of the International Wool Textile Organisation. He reported that, although the UK is not the prime global destination for greasy wool, it has the highest consumption per capita in the world along with Japan, Germany, and Italy. The UK is known for its important manufacturing niche in the textile industry of superfine worsted fabrics that have been woven by a number of high luxury weavers across the industry. The woollen mills in the UK have increased activity during the COVID19 pandemic. High end luxury brands are now using the marketing strategy of "soft sustainability labelling" to demonstrate to consumers the European provenance of the goods. The industry has lost 400 million kilos of business to synthetic fibres such as polyester, purely due to price. For example Alfred Brown, who would normally weave 1.2 million kilos of our Merino wool, has had to reduce capacity by up to 60%.

### **INTERNATIONAL BUSINESS INTELLIGENCE BRIEFING - CHINA**

AWI's Jeff Ma is the Regional Country Manager for greater China and has been in that role for 5 years. He reported that Chinese markets and the factories are functioning as normal this year, with a 8% - 9% GDP growth projected for 2021. From January 2021 – June 2021 online sales for wool products increased by 24%. 108,000 tons of greasy wool were imported from January – May 2021 to China, which is an increase of 29% year on year. A key challenge in the industry is production lead time which has been extended. Previously spinners could provide lead times of 4 to 6 weeks, this has now increased to 7 to 10 weeks. This has been due to increase of production orders, labour shortages of skilled workers available in the area and the short supply of Merino wool. Jeff Ma advised that, although 85% of Australia's raw wool is going into the China market at the moment, China's government is aiming for carbon neutrality in the next 30 years. As a result, consumers are becoming increasingly interested in where the product is sourced, how it is made, and what impact it has on the environment.

### **INTERNATIONAL BUSINESS INTELLIGENCE - SUSTAINABILITY AND MULESING**

AWI's Italian representative Fabrizio Servente advised that mulesing forms part of brand (more so than consumer) interest in sustainability and animal welfare. The luxury segment of the market in Europe requests non mulesed wool to reduce the risk of activists attacking their brands. Peter Ackroyd advised members that there is a growing vegan movement in Europe that encourages brands to avoid use of any animal fibres; this movement is also focused on the practice of shearing. Jeff Ma advised that China's awareness of mulesing is not as high as western markets, with 25 to 30 processors reporting that they used non-mulesed wool due to their western market exporter orders rather than domestic requests.

On a global consumer level sustainability is a key area of concern, and the demand for non-mulesed RWS certified wool starts with luxury brands e.g Kering Group, as they provide non-mulesed certificated wool. Panel members and attendees concurred that a unified quality assurance system, supported by government, is required in Australia to demonstrate that the production system is sustainable across the board. This would reduce spinners and weaver's certification fatigue and benefit producers.

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**BRIEFING FROM AWI CHAIRMAN**

The new AWI chairman initiated a standing agenda item at each WICP meeting whereby the chairman provides a board update and WICP members can ask direct questions. Due to recommendations provided in the recent Review of Performance report, AWI will aim to expand the WICP to incorporate different industry groups. For this meeting, two groups were invited to observe and provide updates: ASHEEP and MerinoLink.

The Chairman advised that over the 18-month period since COVID19, the board has reviewed and reduced areas of the company. Drought has further reduced EMI, and reduction in the levy has been another contributing factor. AWI has reviewed marketing strategies to ensure that campaigns in China and Europe are yielding, and AWI will continue to do so

**WOOL Q PRESENTATION, SUPPLY INTEGRITY, AND ESPECI**

Segments of WoolQ will be divested although the broader strategy of WoolQ, capturing data via the eSpeci and enabling greater transparency and traceability platform for the entire industry, will remain. AWI are in the process of undertaking proof of concept trials with a number of brands to capture traceability data through the WoolQ system. AWI have had recent discussions with AWEX and SustainaWool to incorporate traceability data into the WoolQ system. To date there are 3,500 users on the WoolQ platform, and 1,050 business entity (these business entities have multiple end users) creations. There is an opportunity for growers to capture the raw on-farm data that can be included on the WoolQ platform and shared with brokers and those purchasing the wool; in response to demand for improved traceability. This data can be connected to existing software systems and would be able to be traced back.

**ELASTRATOR RINGS ON BREECH WRINKLE RESEARCH**

AWI GM Research, Jane Littlejohnm consulted WICP members on the topic of the proposal for researching elastrator rings on breech wrinkle. Members broadly did not agree with the proposal put forward or the investment. Panel members suggested the proposal was substituting one technique with another.

**WOOL 2030 STEERING GROUP PROCESS**

Progress was not made on the appointment of the Wool 2030 steering group as the panel sought further clarification from the Department of Agriculture on the capabilities and scope of the group to implement the plan in a self-regulated industry. After robust discussion it was agreed that the Department would provide clarity on the formation of the steering committee, who it would be reporting to, the metrics it is working towards, and the capacity for consultants to be involved.

**PRODUCT ENVIRONMENTAL FOOTPRINT (PEF) STANDARDS**

AWI Program Manager Angus Ireland provided an update on wool industry activities to influence the EU's textile ratings. The EU has targeted the textile sector to improve its environmental footprint. Their intention is to mandate the labelling of clothing to show the size of that footprint through a system that is developed by the EU. There are serious concerns that the methodology the EU is proposing will disadvantage all natural fibres, especially products made from animal fibres. AWI are working through legal avenues as well as undertaking a scientific review of the PEF methodology's shortcomings to be published in a highly respected journal.

**BOARD NOMINATION COMMITTEE PROCESS**

WPA requested an update regarding the BNC process; namely clarification on the public call for a skills-based candidate and how the skill set was determined. AWI company secretary advised members that under the requirement of the BNC charter the board nomination committee is putting forward a skills-based candidate by way of an executive search, by Heidrick and Struggles. It was reiterated by the AWI Chairman that the board did not make a recommendation on the skills being sought and is entirely removed from the process. WPA raised concerns regarding a lack of transparency about the skills and process. It was recommended by panel members that the BNC use the method of a public advertisement for the position to increase transparency and trust in the process. It was decided that the Chairman of the WICP should write to the Chairman of the BNC to capture the concerns of the WICP, and seek insight in the process undertaken. This was completed and the BNC responded within days of the WICP meeting.

Lyndsey Douglas  
Independent Chair  
Wool Industry Consultative Panel