



**Your Wool.
Your Business.
Our Industry.**

Voting Opens 13 September 2021
Voting Closes 5 November 2021
Helpline 1800 990 365 woolpoll.com.au

Levy Rate Options page 9

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Message from the Panel Chair to woolgrowers

As Panel Chair I welcome you to this information booklet on WoolPoll 2021.

I highly value the process of Australian wool-growing businesses to collectively set the levy rate, providing the future funding for our industry.

The WoolPoll panel with its wealth of skills and experience, has worked closely with AWI to create this document that will provide your wool-growing business with the relevant information and links to assist when selecting your voting preference.

Your levy choice will help determine the level of investment within key areas such as market development, on-farm research, education and training.

Your Wool. Your Business. Our Industry.

Steven Bolt
Chair, 2021 WoolPoll Panel

What is WoolPoll?



WoolPoll is a poll that Australian Wool Innovation (AWI) is required to conduct every three years asking woolgrowers to vote to determine what percentage of your wool income you would like to invest in research, development (R&D) and marketing undertaken by AWI.

Why vote?



WoolPoll is your opportunity to directly influence how much funding AWI will receive for the next three years to deliver R&D and marketing services for the Australian wool industry.

Who can vote?



If you have paid \$100 or more in wool levies over the past three financial years, you are eligible to vote in WoolPoll.

Your voting entitlement is determined from records of your wool sales and can be found on the Ballot Paper sent with this Voter Information Memorandum.

What are the rates?



The WoolPoll Regulations prescribes 4 levy rates and allows AWI to propose an additional levy rate for you to vote on.

WoolPoll 2021 asks you to consider five levy rate options:

0% 1.0% 1.5% 2.0% 2.5%

The current levy rate set at WoolPoll 2018 is 1.5%, and has been effective since July 2019.

How do I vote?



You may vote online, by mail, email or via fax.

ONLINE at www.woolpoll.com.au

POST the Ballot Paper in the reply-paid envelope (provided in this Voter Kit) to:
The Returning Officer, WoolPoll 2021,
Reply Paid A1509, Sydney South NSW 1234

EMAIL vote@linkmarketservices.com.au

FAX the Ballot Paper to toll-free 1800 211 736

For any questions about the voting process, call the voter assistance line on 1800 990 365.

When can I vote?



Voting opens on **13 September 2021**.
The poll closes at **5pm (AEDT) on 5 November 2021**.

SUPPLEMENTARY QUESTION



In the 2020 WoolPoll Review, it was suggested that an additional question be put forward to levy payers for the 3-yearly cycle of WoolPoll to be changed to 5 years. This question is being put forward in the 2021 WoolPoll via the ballot paper to test the preference for a 5-yearly poll more widely with levy payers. This would inform the Government's consideration of regulatory amendments that would be required to enact such a change.



2021 WoolPoll Panel

Get in contact with your 2021 WoolPoll Panel members

Under the Wool Services Privatisation (Wool Levy Poll) Regulations 2003 ("the Regulations"), AWI must form an industry Panel comprising eligible levy payer representatives to confirm that the draft forms and the process for conducting the ballot have been examined and assessed as appropriate. The purpose of the WoolPoll Panel is to:

- Meet the statutory obligations set out in the Regulations.
- Oversee enhanced processes for delivery of WoolPoll with regard to the findings and recommendations from the WoolPoll Review 2020 in order to encourage all eligible wool levy payers to have their say and vote.

The role of the WoolPoll Panel is to:

- Oversee development of the WoolPoll communications strategy.
- Approve the Voter Information Kit.
- Approve the poll process.
- Deliver the final report on the operation of WoolPoll to AWI and Department of Agriculture, Water and the Environment (DAWE).



STEVEN BOLT, WA
WoolPoll Panel Chair
0427 652 043
steven_bolt@hotmail.com



KATE MCBRIDE, NSW
0458 528 333
kate.tolarno@gmail.com



DIANNA MARTIN, SA
0447 654 065
admin@baratta.farm



DANIEL ROGERS, VIC
0408 920 012
daniel.yulong@gmail.com



JOHN MURDOCH, NSW
0418 663 679
j.p.murdoch@bigpond.com



MICHAEL WRIGHT, WA
0427 191 785
michael@dfdrhodes.com.au



MARK WATERS, NSW
0427 753 882
mark.waters4@bigpond.com



JO HALL, NSW
0488 554 811
jhall@woolproducers.com.au



DON MACDONALD
AWI Board
don.macdonald@wool.com



CHRISTOPHER DOBBIE
Department of Agriculture,
Water and the Environment
02 6272 5659
Chris.Dobbie@awe.gov.au



For more information
on the 2021 WoolPoll
Panel members and
selection process.

Visit woolpoll.com.au

What is WoolPoll?

Wool levy payers regularly review and vote on the wool levy rate via WoolPoll, which is currently a legislated three-yearly poll. The recommended levy rate arising out of the results of WoolPoll is advised to the responsible minister and then implemented for the next three years.

The Regulations set out requirements for the conduct of WoolPoll in relation to the rate of wool levy. The Regulations currently require that WoolPoll takes place every 3 years and set out how WoolPoll is to be conducted. AWI, as the recipient of the wool levy funds, is responsible for most aspects of WoolPoll.

WoolPoll Review 2020

In 2020, the Department of Agriculture, Water and the Environment (DAWE) reviewed the WoolPoll mechanism and issued a report outlining 10 recommendations aimed at improving procedures, bolstering transparency, and clarifying existing roles and responsibilities. This report is available on AWI's website at www.wool.com/woolpollresponse. In brief summary, the recommendations are:

- 1. Engagement for WoolPoll to shift to more online activities including a digital roadshow**
- 2. Clarify the optional preferential voting process in the voting instructions**
- 3. Possibility for a 5-year WoolPoll to be tested with an additional question at WoolPoll 2021**
- 4. AWI to liaise with Meat and Livestock Australia (MLA) on potential alignment of strategic planning processes**
- 5. AWI to engage with levy payers on the funding split between R&D, marketing and other activities**
- 6. AWI to develop the framework for levy payers to give their priorities on future levy expenditure**
- 7. Regulations to specify up to 5 levy rate options in WoolPoll**
- 8. Regulations to require AWI's recommended rate to be in a stand alone document**
- 9. Selection Committee to appoint all members of the WoolPoll Panel**
- 10. AWI directors do not have membership on the WoolPoll Panel, but act as engaged observers**

AWI is working with DAWE to ensure that all of the recommendations are implemented for WoolPoll 2021.

Optional preferential voting explained

The Regulations contain details about optional preferential voting and articulate a process for counting the votes. The process is similar to the one used in Federal Government elections.

Levy payers may, but are not compelled to, indicate more than one preference on their ballot paper.

For your vote to have the most impact, you must place number 1 in the box of your first preference and then you may complete the remaining four boxes in order of your preference 2, 3, 4, 5 with 5 being your last preference.

Levy preference

X%	<input type="checkbox"/> 3	X%	<input type="checkbox"/> 2	X%	<input type="checkbox"/> 1	X%	<input type="checkbox"/> 4	X%	<input type="checkbox"/> 5
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Voters using an optional preferential voting system. You must write the number '1' in the square next to the levy rate of your choice.

Levy preference

X%	<input type="checkbox"/> 1	X%	<input type="checkbox"/>						
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If a rate has a majority of votes, based on the number of votes on which a first preference is indicated for each rate, that rate will be declared to be elected.

If after the first count there is no option with more than 50%, a second count will be undertaken. If needed, further preference counts are undertaken until a majority option is identified.

Should you select one preference, and your preferred levy does not receive as many votes in the voting process, your poll preference may not be reallocated.

Illustrative examples only

Supplementary Question

In the 2020 WoolPoll Review, it was recommended that an additional question be put forward to levy payers for the 3-yearly cycle of WoolPoll to be changed to 5 years with the objective of providing greater stability in the levy rate. This question is being put forward in the WoolPoll 2021 ballot paper to test the preference for a 5-yearly poll more widely with levy payers. This would inform the Government's consideration of regulatory amendments that would be required to enact such a change.

Should the frequency of the WoolPoll period change to 5 years, this could potentially provide industry with:

- greater stability in the levy rate.
- longer term investment in projects.
- potential alignment with Meat Livestock Australia planning processes.
- reduced cost of running WoolPoll.

Should the frequency of WoolPoll not change AWI will continue on with a three-year strategic planning basis.

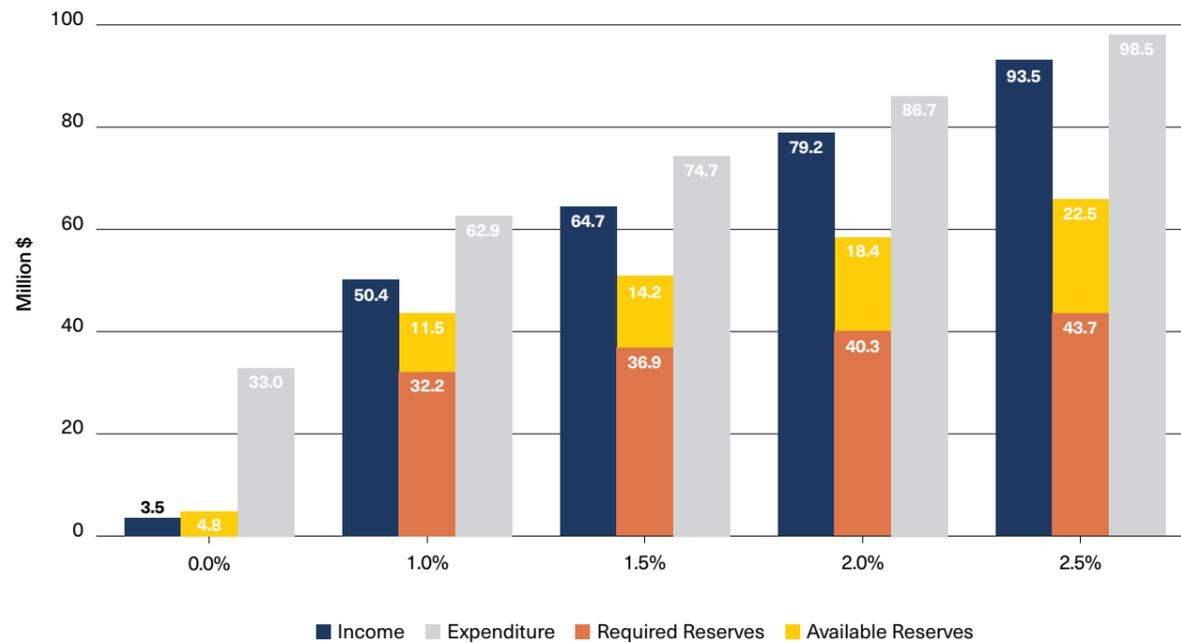
Budget assumptions

To predict the potential income for AWI, the Board considers a number of factors based on current, historical and forward predictions. This is done in consultation with industry, expert advisors and business intelligence sources. AWI seeks to be balanced and responsible in these forward predictions.

Considering these forecasts are for budgets commencing in July 2022, the modelling for the 5 levy rate options are based on the following key inputs.

- **EMI** – is based on the ABARES March 2021 Agricultural Commodities report with an EMI of 1350c, 1480c and 1550c for the 3 years.
- **Production** – production uses a more conservative estimate than the ABARES March report with a gradual increase in production to 320mkg by 2024/25.
- **Government Contribution** – ABARES March 2021 report was used to estimate the 3 year rolling average Gross Value of Production (GVP) used to calculate the contribution.
- **Reserves** – The anticipated reductions in reserves for each levy rate are estimated based on the income projections above and balancing the expenditure required to meet the program investments with the need to maintain the prudent required reserves in accordance with policy.

Average predicted income & expenditure for the 3-year WoolPoll period and estimated closing reserves at 30 June 2025 by levy rate option.



Levy rate options

	0.0% (\$ '000)	1.0% (\$ '000)	1.5% (\$ '000)	2.0% (\$ '000)	2.5% (\$ '000)
Total Revenue	3,500	50,400	64,750	79,200	93,500
Expenditure	33,000	62,900	74,750	86,700	98,500
Average Drawdown	(29,000)	(12,500)	(10,000)	(7,500)	(5,000)
Closing Reserves at June 2025	4,800	43,700	51,200	58,700	66,200
Available Reserves	4,800	11,500	14,250	18,450	22,500

Sheep Production

Should the income from the levy be reduced dramatically, AWI will continue to fund the current R&D contractual obligations that have been undertaken throughout the current strategic period. Any future project investment will need to undergo a review process to prioritise the greatest outcomes for the industry. The industry will see reduced investment in wool harvesting technologies, shearer and woolhandler training and sheep handling robotics. AWI will also pull back on practical sheep skills and tertiary education initiatives, such as the Nuffield Scholarships, Breeding Leadership, Science & Innovation Awards and School Wether Competitions.

If the income from the levy will be unchanged, AWI will continue investment in current R&D projects.

Should the levy rate increase, AWI will place greater emphasis on reproduction and the eco-credentials of wool-growing by mitigating and adapting to climate change. AWI will additionally invest in next generation initiatives such as the National Merino Challenge and young farmer study tours. Lifetime Ewe Management (LTEM) will be strengthened with opportunities for ongoing learning for LTEM groups and graduates.

Strategy	Program	0.0%	1.0%	1.5%	2.0%	2.5%
Healthy Productive Sheep	Sheep Health & Welfare	●	●	●	●	●
	Vertebrate Pests	●	●	●	●	●
	Reproduction & Nutrition	●	●	●	●	●
	Genetics	●	●	●	●	●
Agri Technology	Hardware & Software Development	●	●	●	●	●
	Mechatronics	●	●	●	●	●
	Novel Applications	●	●	●	●	●
Training & Technology Takeup	Sheep & Wool Management Skills	●	●	●	●	●
	Wool Harvesting & Quality Preparation	●	●	●	●	●

The use of Harvey Balls is for illustrative purposes, and there is no scoring or weighting behind this representation. The more solid the ball the more investment will be provide to the program.

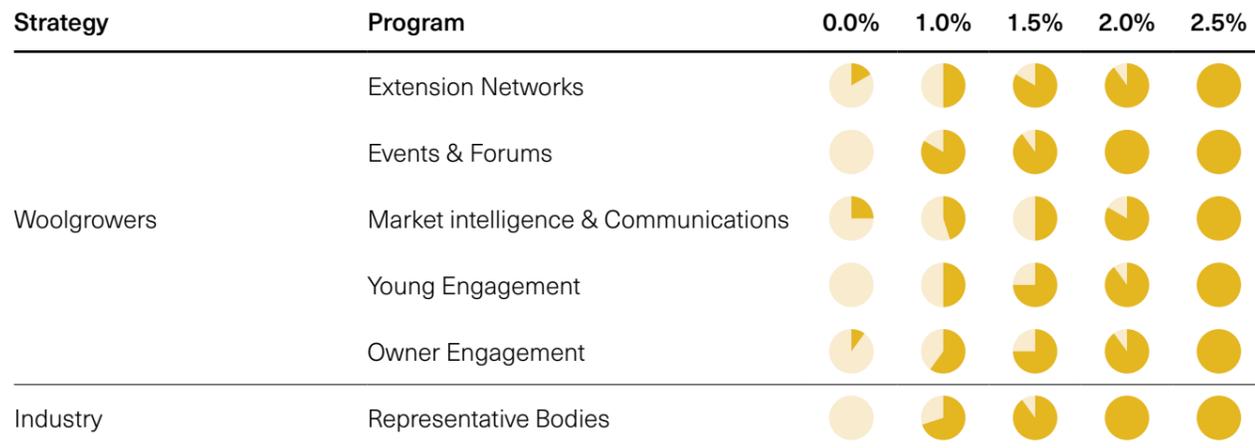
Consultation

Should the income for the levy be reduced dramatically, AWI will invest predominately in market intelligence for licensees and supply chain partners on a subscription basis, reducing investment in grower engagement, extension networks and sponsorships/events.

Should a matching income levy rate occur, AWI will continue to invest across all programs of market intelligence resourcing, continue to engage via existing extension networks, and grower events such as the National Sheep & Wool Show, Sheepvention and Woolorama.

Should the levy rate increase, AWI will invest in broader international profiling and insights within major traditional and emerging markets, with the aim to create diversified supply chains and markets for Australian wool.

AWI will also extend support for wool industry initiatives that leverage support and engagement targeting young growers and woolgrower focused events. This includes initiatives such as the National Merino Challenge and Young Grower Study Tours and Young Farming Champions.

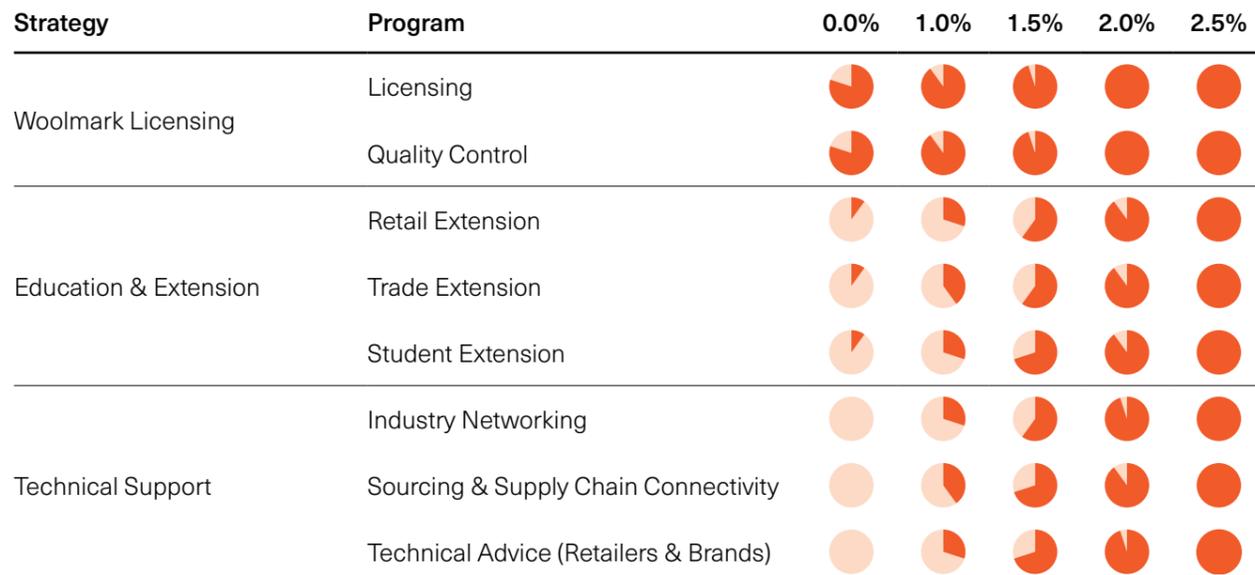


Processing Innovation and Education Extension

If the levy income is heavily reduced, AWI will focus its investment on engaging with partners within the supply chain for Woolmark Licensing. However, AWI will not continue student design competitions, primary and secondary school education, trade partner exposure within the supply chain, trade shows and digital platform content. Emerging markets in the Eastern and Western Hemispheres will also be heavily compromised.

If the income from the levy will remain the same, AWI will continue investing in AWI/TWC digital Education Extension platforms for students and trade throughout the supply chain. AWI will also increase licensing programs by re-engaging with potential brands within the supply chain and collaborate with industry partners for process & product innovation opportunities.

If the levy is increased, AWI will invest in expanding all activities in the Eastern and Western Hemispheres through extension of education and product & process innovation. Greater investment on digital platform content through The Wool Lab will support trade engagement and education throughout the supply chain.

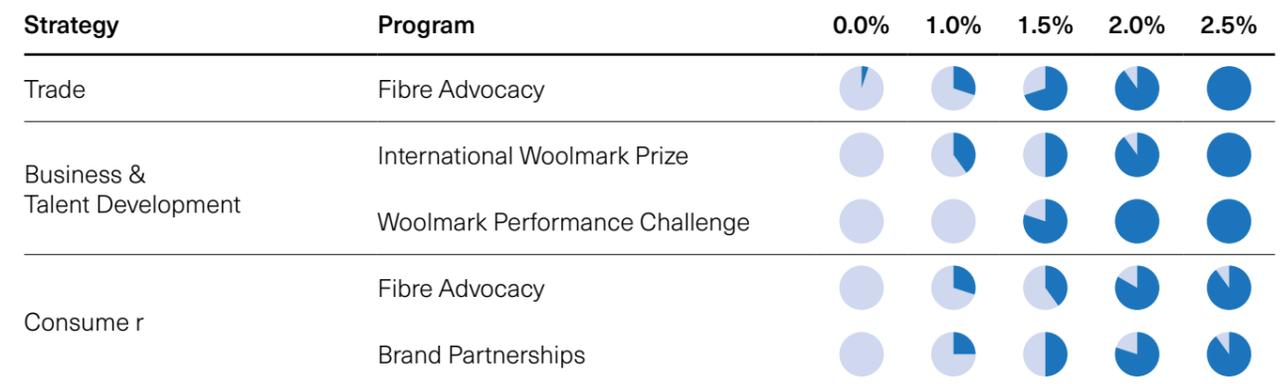


Marketing

In the event that the levy be reduced dramatically, AWI will invest predominately in fibre advocacy of Merino wool from a trade and consumer position. There will also be a reduced investment in the International Woolmark Prize (IWP) and AWI will no longer continue the Woolmark Performance Challenge program.

If the income levy will be unchanged, AWI will provide limited investment in the current Woolmark Performance Challenge and IWP programs, as well as reduced media investment on consumer fibre advocacy of Merino wool. AWI will continue to undergo a review process of Marketing projects to ensure that they yield a positive outcome for the industry.

Should an increased income levy rate occur, AWI will focus investment on greater marketing reach to the Western Hemisphere and East Asia Markets. This will be done through campaigns by promoting eco credentials and performance benefits to consumers and trade. New performance programs in the Western Hemisphere will be created through brand partners and campaign content. AWI will also extend the media investment and messaging reach of our eco credentials campaign globally and engage with more high-profile ambassadors to promote the benefits of Merino wool globally.



Traceability

Should the income for the levy be reduced dramatically, AWI will invest predominately in attracting increased grower and brand traffic to the WoolQ platform and promote a two-way understanding of both stories of provenance and consumer/brand priorities and requirements. There will be minimal investment in traceability initiatives, both digital and science based. Investment in wool's eco credentials as well as proving its effect on wellness and performance will also be impacted. Investment in wellness and performance benefits for skin health, sleep quality and breathability measurement will cease.

If the income levy will be unchanged, AWI will continue to work on key initiatives including participation in the EU Product Environmental Footprint (PEF) development, Life Cycle Analysis (LCA) and wool's GHG status and its role in circular economies. Investment increase will occur through profiling various quality assurance schemes on WoolQ and AWI will look to build blockchain and science-based traceability into the Woolmark licensing value proposition for global partners. However, carbon footprint studies on wool processor benchmarking and development of integrated on-farm methane reduction strategies will not proceed.

Should an increased levy rate occur AWI will increase investment across all programs of traceability and eco wool credentials overall through the supply chain to ensure that clear messaging is provided. This will allow wool to be best positioned and meet the shifting requirements of overseas customers.



The use of Harvey Balls is for illustrative purposes, and there is no scoring or weighting behind this representation. The more solid the ball the more investment will be provided to the program.

Who is AWI?

Australian Wool Innovation Ltd is a not-for-profit enterprise that conducts research, development and marketing along the worldwide supply chain of Australian wool. It provides services to Australian woolgrowers in the interests of the Australian wool industry and may engage in any other activities in the interests of the Australian wool industry, in each case for the benefit of Australian woolgrowers.

AWI is the prescribed research, development (R&D) and marketing organisation for the Australian wool industry and receives wool levy funds from wool levy payers in that capacity. AWI was established in 2001 to manage woolgrowers' collective investment in R&D for the benefit of the industry. In 2007, AWI acquired The Woolmark Company and marketing activities re-commenced.

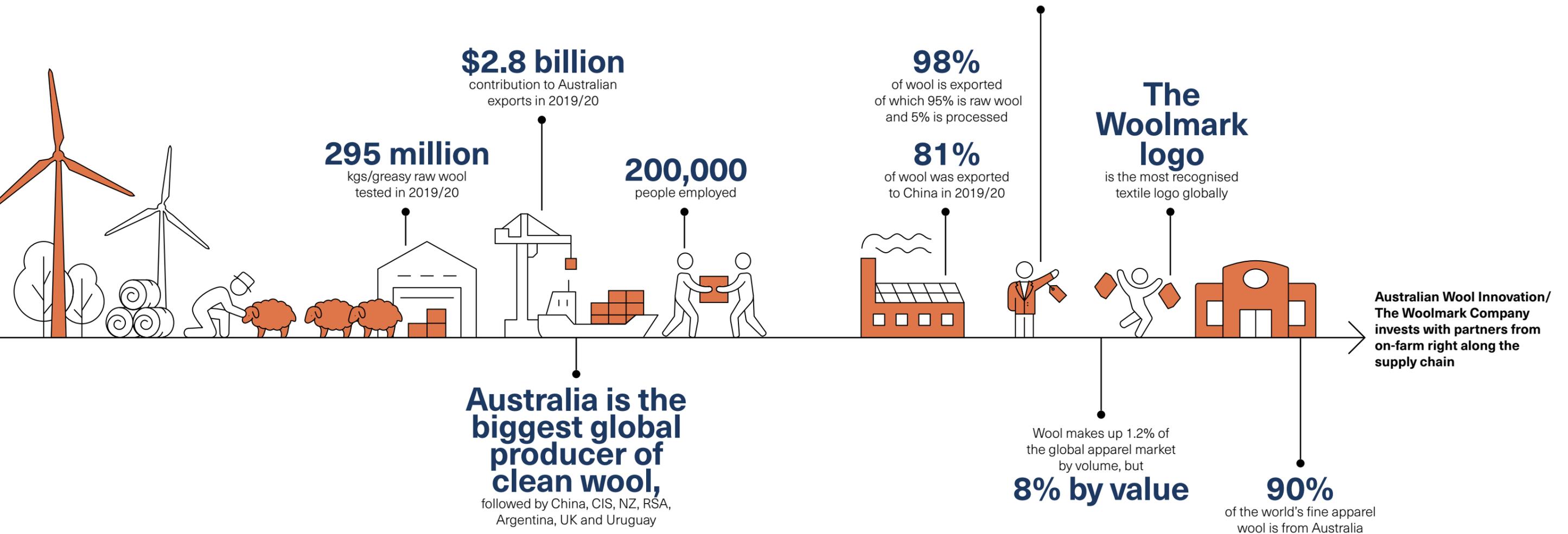
AWI invests in R&D and marketing activities across the global wool supply chain with the aim to:

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

AWI is a global organisation, with currently approximately 150 staff across multiple countries, led by AWI's head office in Sydney.



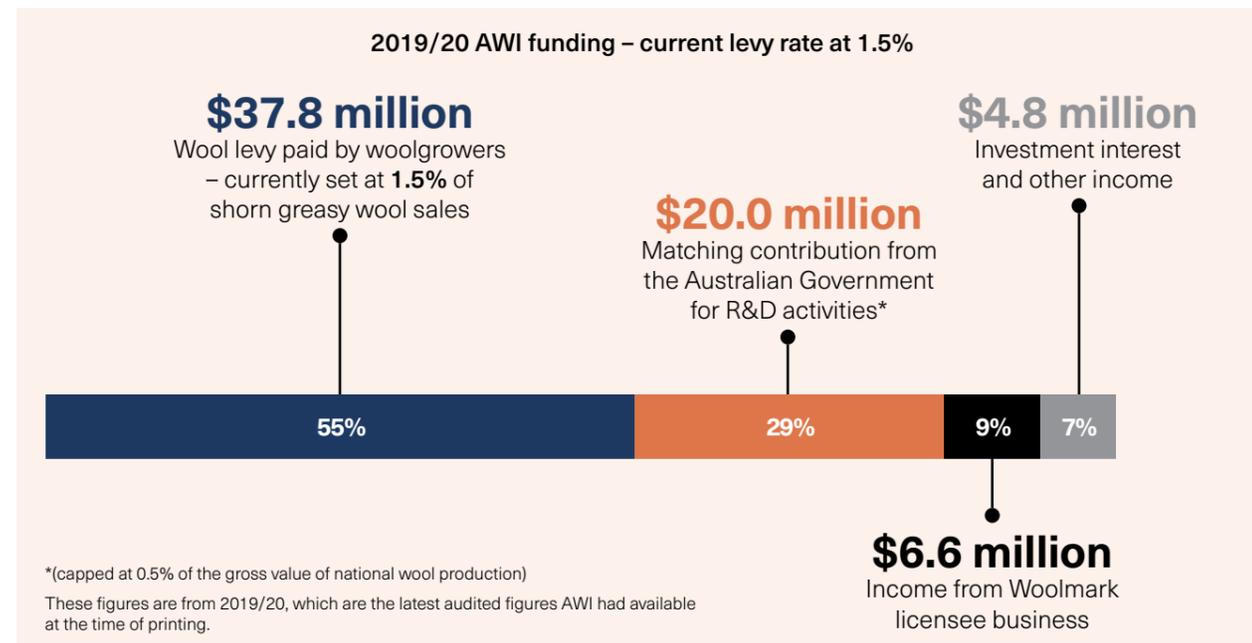
For more information on AWI R&D and marketing activities see pages 16-19.



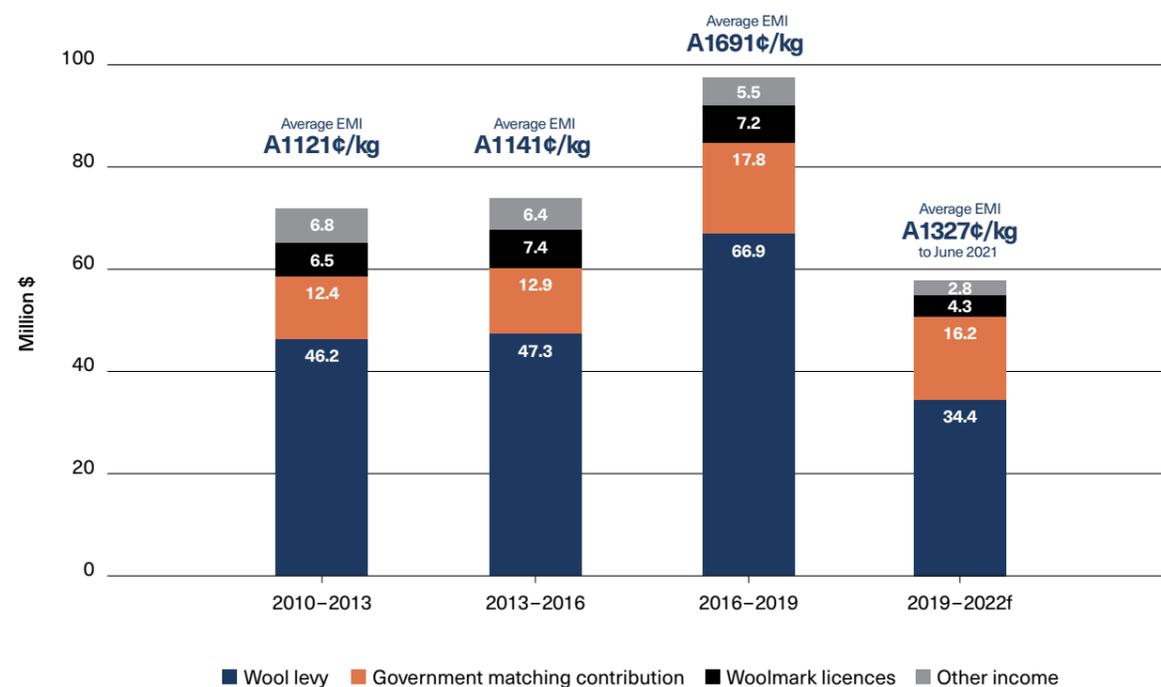
How is AWI funded?

The Statutory Funding Agreement between AWI and the Australian Government defines the conditions under which AWI may invest the levy and Government-matched funds for R&D. The primary aim of the agreement is to ensure the funds are invested in line with woolgrower and Government expectations.

AWI also owns The Woolmark Company with income generated via the licensing of the Woolmark logo.



Historical average revenue by strategic planning period



Mhunga Whalla shearing camp, Geraldton WA, in collaboration with WA Shearing Industry Association (WASIA), WA Department of Primary Industries and Regional Development and Australian Wool Innovation (AWI). www.wool.com/people/shearing-and-woolhandling/



What has AWI delivered?

STRATEGIES:

Sheep Production



PROGRAMS:

- Sheep Health & Welfare
- Vertebrate Pests
- Reproduction & Nutrition
- Genetics
- Hardware & Software Development
- Mechatronics
- Novel Applications
- Sheep & Wool Management Skills
- Wool Harvesting & Quality Preparation

Consultation



- Extension Networks
- Events & Forums
- Market intelligence & Communications
- Representative Bodies

Processing Innovation And Education Extension



- Retail Education
- Trade Extension
- Student Education
- Licensing
- Quality Control
- Textile & Retailing Technologies
- Partnered Innovation

Marketing



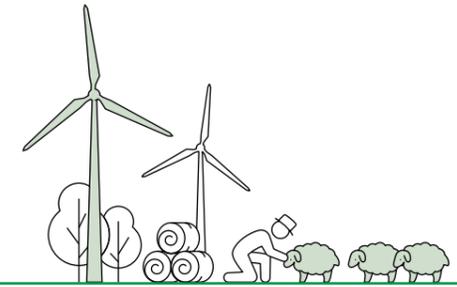
- Fibre Advocacy – Trade
- International Woolmark Prize
- Woolmark Performance Challenge
- Fibre Advocacy – Consumer
- Brand Partnership

Traceability



- WoolQ
- Fibre Identification & Tracing
- Eco Credentials
- Wellness & Performance

Sheep Production



A 2020 survey showed **87% of woolgrowers** used pain relief when mulesing ewe and wether lambs. This was published with AWI, WoolProducers Australia and the Livestock Contractors Association in the *Plan, Prepare and Conduct Best Welfare Practice Lamb Marking Procedures – Training Guide*.



A total of **5,000 Smart Tags** have been deployed in field trials. A new version of the hardware and software has been developed improving range, increasing the energy efficiency of data collection and transmission and reducing the time and resources to set up new trials.



AWI's plan for 2021/22 is to train **580 more staff** to maintain a fully sustainable wool harvesting team.



AWI in collaboration with Shearer Contractors Association Australia (SCAA) Training are working on a **wool handler's app** in addition to the shearing app, which will be a valuable tool for wool handling staff, contractors, and wool classers.



The Wild Dog Alert project was completed in **July 2019** and moved into the commercialisation phase.

The project has delivered four separate products to meet the needs identified: Wild Dog Alert (3G system), Wild Dog Alert (Buck-eye system), Wild Dog Alert Node (Satellite system) and ClassifyMe® software package.



AWI, in collaboration with other RDCs, participated in the development of the **Farmers 2 Founders (F2F) Program**. F2F engaged directly with more than **300 Australian primary producers** from across industries and from all states and territories (including 16 wool producers).



In the 2019/20 financial year, **1,348 woolgrowers** were engaged in implementing beneficial feedbase guidelines and practices.



Increased sheep numbers are driving the demand for shearers, so to address this, AWI plans to have **more schools and training in the 2021/22 financial year**, with particular emphasis in NSW, which has seen a significant increase in sheep numbers in recent months.



Lifetime Ewe Management (LTEM) participants increased whole-farm stocking rate by **9.3% from 8.5 to 9.3 DSE/ha**, lamb marking percentage by **7% from 97.3 to 104.3%**, and decreased ewe mortality from **4.1 to 3.0%**.



To date, a total of **5,861 people** have been trained as either a novice or improver level shearer/ or wool handler and there is a retention rate of **76% who have stayed and are working in the industry**.

Approximately **2,850 shearers** are employed on a full-time basis in Australia.



During March 2021, **14 students from the eastern wheatbelt** participated in a Woolhandling & Shearing School held at Kim Creagh's 'TAMARUA' farm in Nungarin WA. The students varied from raw learners to wool pressers wanting to upskill for a position on the board as a learner shearer.

After the 10-day training, **6 students went onto shearing stands as learners for 5 local contractors and 2 wool handlers were employed**.

Consultation



AWI engaged with stakeholders at **115+ events and forums** nationally and the activities involved direct woolgrower engagement.



Beyond the Bale magazine, is posted quarterly direct to nearly **40,000 Australian woolgrowers** and wool industry stakeholders to keep them informed of AWI investments and activities.



AWI woolgrowers' newsletter, emailed monthly to about **10,000 recipients**.



AWI's weekly podcast **The Yarn** receives well over **1,500 downloads per episode**. Across more than 170 episodes it has received well over 300,000 downloads.



The **Wool 2030 10-year strategic plan for Australian woolgrowers** was completed in January 2021.



A total of **29 wool industry groups** as well as a representative of the Department of Agriculture, Water and the Environment and the Independent Chair of AWI's Woolgrower Industry Consultation Panel were part of the development process of Wool 2030.

More than **800 woolgrowers** helped write the Wool 2030 strategy report that was overseen by AWI's Wool Consultation Group (WCG) and the Wool Industry Consultative Panel (WICP).

Processing Innovation and Education Extension



The new "Meaning Behind the Mark" and Woolmark Licensing program re-structure was developed in partnership with the Marketing team with an aim to increase the use of the Woolmark logo on products.



AWI's Wool4School fashion design competition has now involved more than 125,000 students in four countries across the world (Australia, Hong Kong, UK, Italy). Participation in Wool4School increased this year by **4.75%** with **25,500 registrations globally**.



The **Wool Lab Digital platform** was launched in February 2021. It features more than **300 swatches** provided by **50 global suppliers** of which **20 suppliers** are Woolmark licensees.



Delivered retail training programs across womenswear, menswear and sportswear to **54 retailers/brands** globally.



The Woolmark Learning Centre digital platform was officially launched in mid-December 2019, resulting in more than 10,000 registrations and students have successfully completed **2,828 courses** on Australian wool and the manufacturing industry.

Marketing



Global partnership contracts were secured with **10 global partners** that includes Prada Luna Rossa, Tracksmith, TMall, Uma Wang, VivoBarefoot, Zalando, Zozo Town, Victoria Beckham, Castore and Amazon.



The China Treasure Wool campaign achieved an **8.1% uplift** in Merino wool awareness.

The campaign response generated more than **500 million impressions** and **300 million page views** on the Woolmark x Tmall Wool shopping hub.

The campaign also achieved **60% increase** in audience purchase intent for Merino wool and an average **56% uplift** in wool sales for 4 top campaign partners.



Shaun the Sheep campaign achieved a **9.5-point increase** in Facebook Purchase Intent*, **864%** over the industry benchmark and there was **17 million views of the Super Nature Wool promotional film**.

* Facebook Purchase Intent score is defined by how likely a customer was to purchase wool after the campaign exposure.



The Woolmark Performance Challenge saw a total of **2,418 student registrations**, a **year on year increase of 28%**. This challenge develops innovative new product applications for Merino wool within the sports and performance market.



As the official technical partner of the **Luna Rossa Prada Pirelli America's Cup Team**, The Woolmark Company has led the development of Merino wool rich uniform to support the entire Luna Rossa team. There was an earned media reach of 302 million, earned media value of \$1 million, 3.5 million video views on Woolmark platforms and 80,440 unique visitors to the waterproof jacket on Prada.com.

Traceability



AWI continues to strongly represent **wool's eco-credentials** in the European Union's Product Environmental Footprint Technical Secretariat.



WoolQ now has more than **3,470 registered users**, 1,866 of which are woolgrowers.

More than **46,000 bales** have been created on the platform with more than 1300 e-speci's being lodged.

AWI continues to produce and publish evidence on how current

environmental scoring of apparel disadvantages the value chains of natural and renewable biogenic carbon fibres compared to non-renewable fossil carbon derived fibres. AWI's 2020 publications on this topic include:

- Cradle-to-grave LCA for wool
- What affects garment lifetimes?
- Laundry care regimes
- Garment lifetimes – what should be measured?



AWI continues with its work to produce and publish a strong body of evidence that demonstrates **wearing superfine Merino wool next to skin** is beneficial for eczema sufferers.

There now exists **3 highly efficient selling options** on the WoolQ market. These include the online auction, the 24/7 bulletin board and the progressive tender catalogue function focussed at assisting wool brokers. WoolQ now represents the beginning of the wool traceability data journey.



A social media marketing campaign on The Woolmark Company's Twitter channel this year delivered more than **669,400 views of our content** regarding the benefits of superfine Merino wool in ameliorating eczema, including **86,700 views of a video** about the benefits of superfine Merino wool.

Market analysis

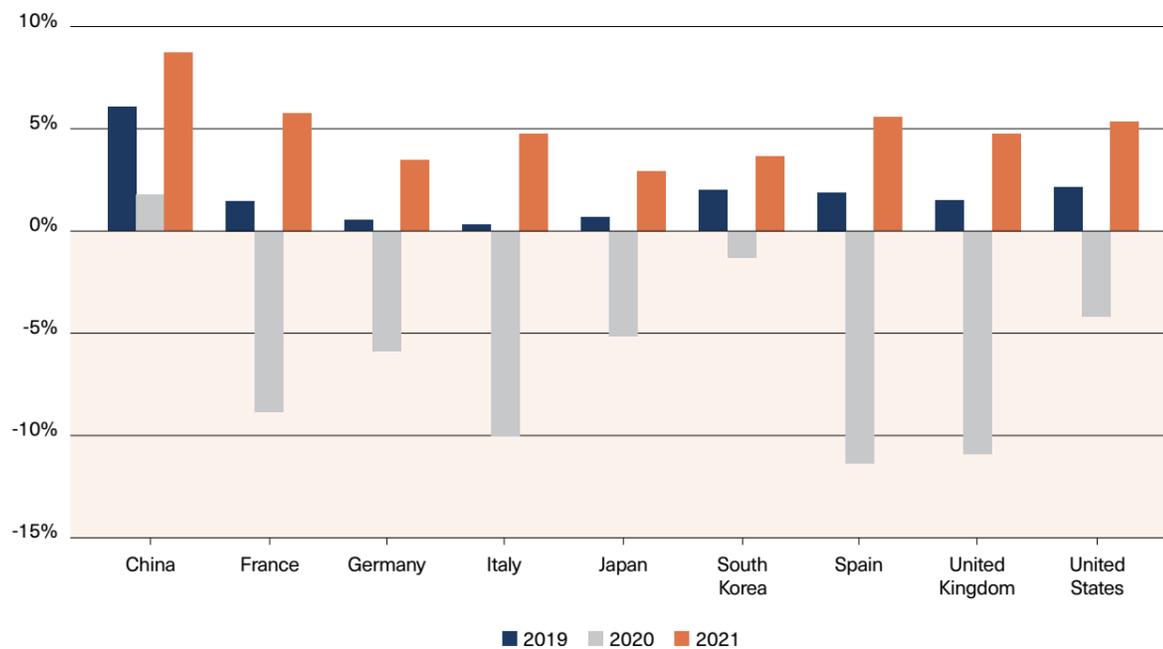
What markets are recovering best from the global COVID-19 pandemic?

In 2020, the global economy experienced its deepest recession since World War II. Overall, it is estimated that the global GDP contracted 3.7% in 2020. The COVID-19 pandemic has caused major disruption in all global industries and the wool industry has been no different. With unemployment rates rising around the world and less luxury spending, monitoring global market performance has never been more important.

Of the key wool consumption markets, the Eastern Hemisphere markets have fared much better than the Western Hemisphere markets. In particular, China, has been an anomaly in 2020 and was a rare economy that experienced growth. This is shown in the chart below where **China had a 1.82% increase in GDP in 2020**, whereas all other major markets for wool, experienced contractions. The European markets of France, Germany, Italy, Spain, and the United Kingdom were all severely hit.

Looking forward, it is expected that the global economy will grow at a record speed of 6% in 2021. This projection however still comes with levels of uncertainty, and it will be dependent on the effectiveness of the vaccination rollout programs throughout the world. This outlook is also considering that there will be continued fiscal and monetary support provided by governments. China is tipped to be the quickest growing economy of the economies highlighted in 2021 and is expected to grow at 8.75%. **All key markets are still expected to grow at significant rates throughout 2021, which brings a level of optimism to the global economy.**

GDP growth rates of key wool consumption markets



Source: GlobalData, April 2021

Where wool fits in to the recovery

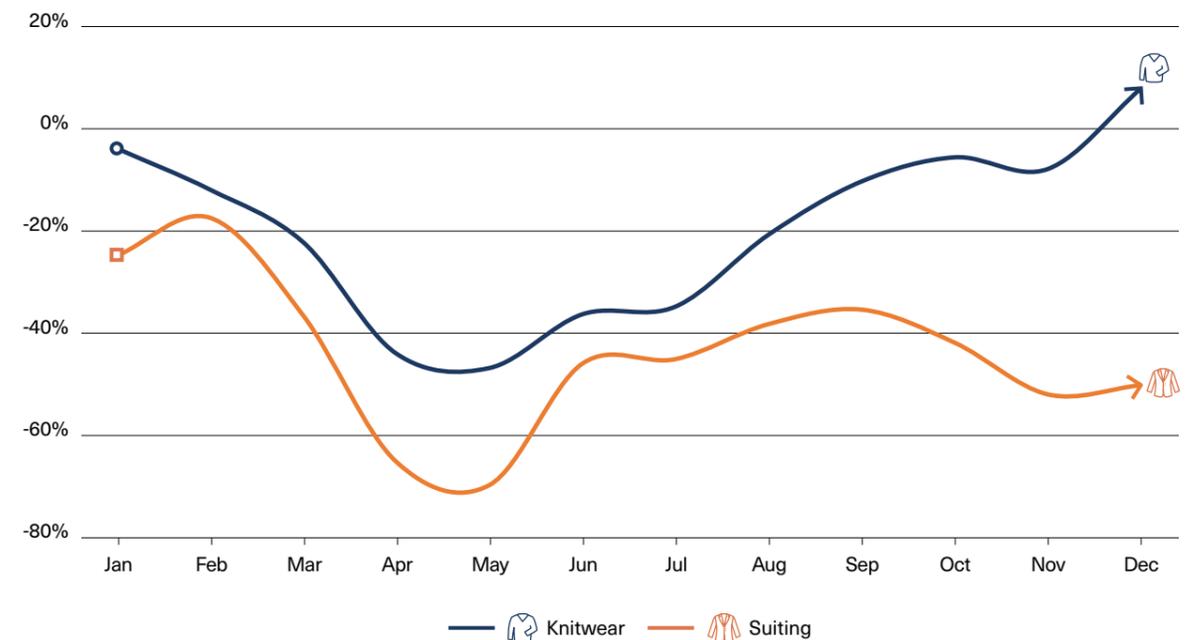
The wool landscape has changed as a result of the pandemic and the more traditional uses of the fibre are quickly becoming shadows in the new and evolving consumer landscape. COVID-19 has brought about lockdowns all around the world and this has meant a world where working from home has become commonplace, little to no major events have taken place and very minimal travel has occurred.

Suiting as a result of the pandemic has been the worst hit wool apparel category and signs of recovery are not on the radar just yet. In contrast, **wool knitwear products**, despite a large hit amid the pandemic in April-May of 2020, **are recovering and look to reach pre-pandemic levels in the short to medium term.**

The chart below shows the year-on-year change for the value of global imports for both wool knitwear and wool suiting as a way to compare 2019 performance with 2020 performance. Knitwear fell as low as -50% in the heart of the pandemic and has slowly recovered, where in the final months of 2020 it started to see near pre-pandemic levels. Suiting on the other hand bottomed at approximately -70% during the pandemic, and then plateaued between -40-50% for the most-part through the final six months of 2020.

It is expected that the trend of casualisation in the workplace will continue throughout 2021 and the years ahead. Not only will knitwear be an opportunity for wool, but **sportswear, Personal Protective Equipment (PPE) and casualwear will be areas with potential for wool moving forward out of the pandemic.**

Knitwear vs suiting global import value year-on-year performance 2020



Source: International Trade Centre, 2020

Trade dynamics

The destinations for Australian greasy wool have become more and more narrow over the past 20 years, and the COVID-19 pandemic has not helped in this regard. In 2001, China took a bit under 55% of Australia's wool clip, and increased to about 87% in 2020. The challenge in 2020, was limited production capacity caused by lockdowns and other precautionary measures taken as a result of the pandemic.

There was a 10-year-period from 2009 to 2019, where China took about 80% of greasy wool consistently. Italy as an export destination for greasy wool has

seen the largest drop off in the past 20 years, during which the country's share of Australian wool dropped approximately 22% to only 2.7% in 2020.

In 2020, five countries import more than 1% of wool from Australia and the countries are China, Czech Republic, India, Italy, and South Korea. It is worth noting that South Korea receive their wool from Australia in the form of carbonised wool.

Wool production

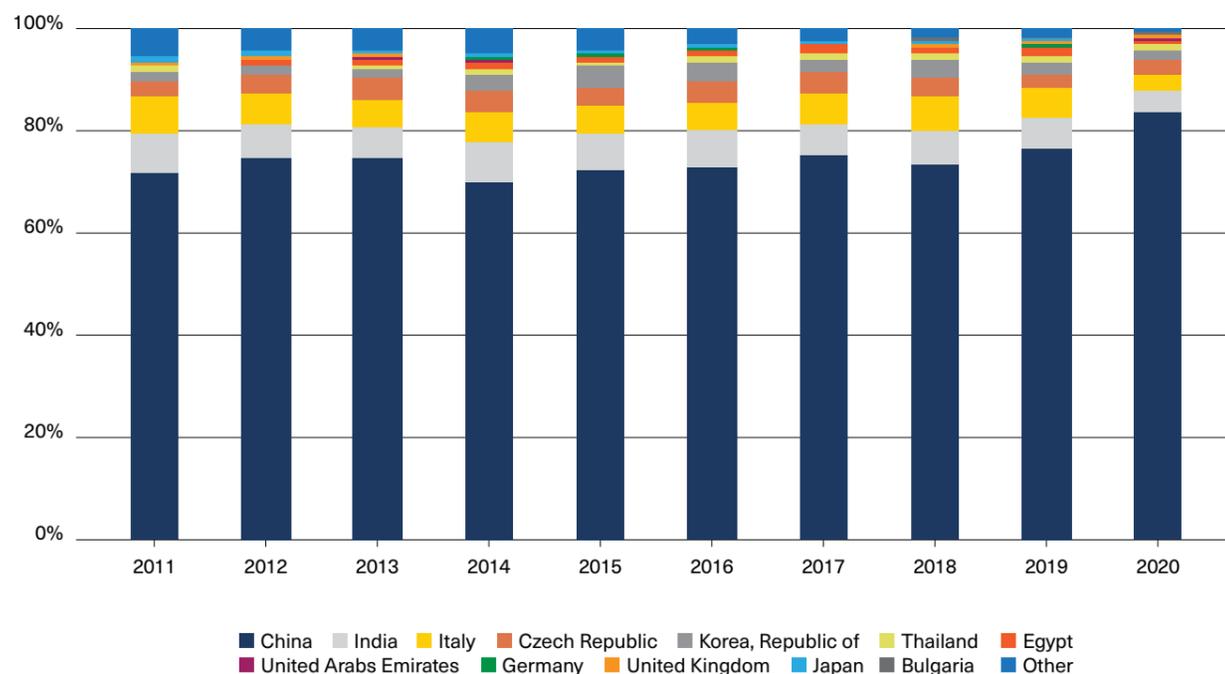
The major challenge looking forward for Australian wool production is land competition and how Australian farmers look to best utilise their land. It is expected that this competition in the years ahead is only going to increase, and the challenge is how to maintain wool as a key competitor and feasible land use option.

Land use competition is increasing in importance due to the growing global population and the effects that climate change is having. By 2050, the population will have reached 10 billion people and with this added population comes a higher demand of food, apparel and other consumer goods. Climate change is also

likely to have an impact on land use as seasonal patterns will shift and cause farmers to adapt their habits accordingly.

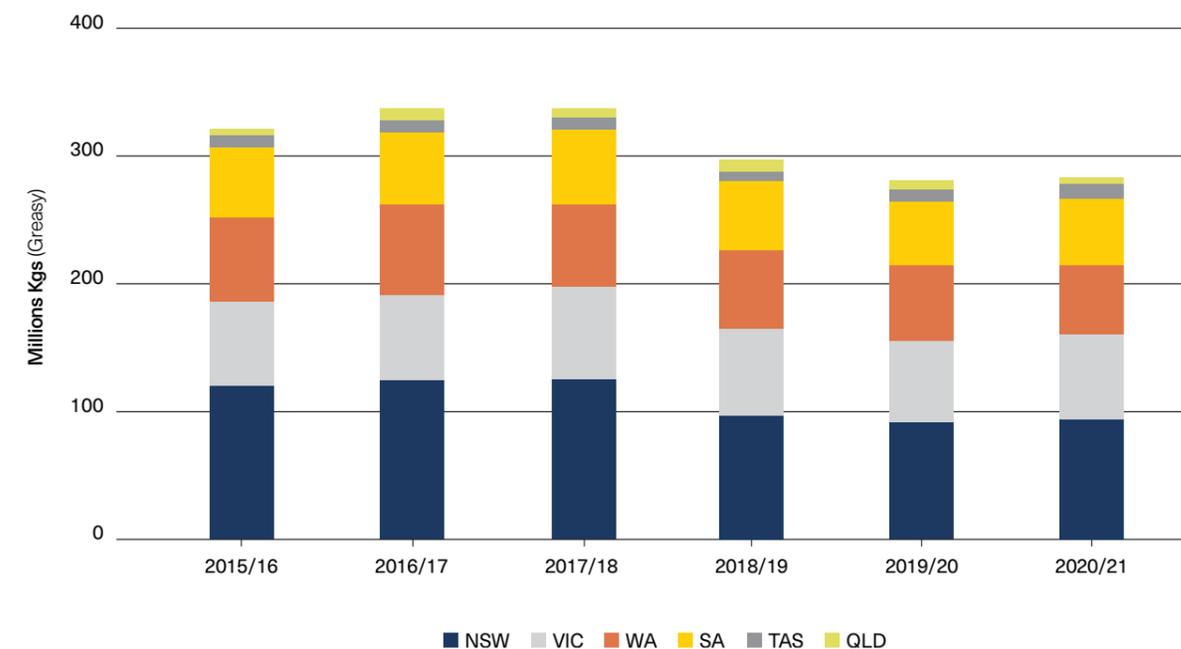
Australian wool production has declined in recent years as a result of drought and poor seasonal conditions in major wool-growing areas throughout Australia. Positively, **the forecast for the 2020/21 season, sees a slight increase of 2.1% in wool production** which would see the national clip at 290 million greasy kgs. **The first estimate for the 2021/22 season for shorn wool production is 305 million greasy kgs, an increase of 5.1% compared with the current season.**

Australian greasy wool exports by percentage of value



Source: International Trade Centre

Australian wool production



Source: Australian Wool Production Forecasting Committee (AWPFC)

AWI reserves

AWI protects woolgrowers' collective R&D and marketing investment by maintaining – and annually reviewing – its reserves' level, which ensures the company retains sufficient funds to manage potential threats to the industry or changes to the company's operations.

AWI Reserves Policy requires the following funds be retained:

FORWARD CONTRACTS RESERVE – to cover contract commitments in the event AWI is shutdown (reviewed at the end of each financial year) – **currently \$21.2 million.**

OPERATING RESERVE – nine months of annual operating costs in the event AWI receives a 0% WoolPoll result – **currently \$23.8 million.**

EMERGENCY ANIMAL RESERVE – fixed at **\$5 million** to cover any contingent expenditure arising from obligations under the Emergency Animal Disease Response Agreement.

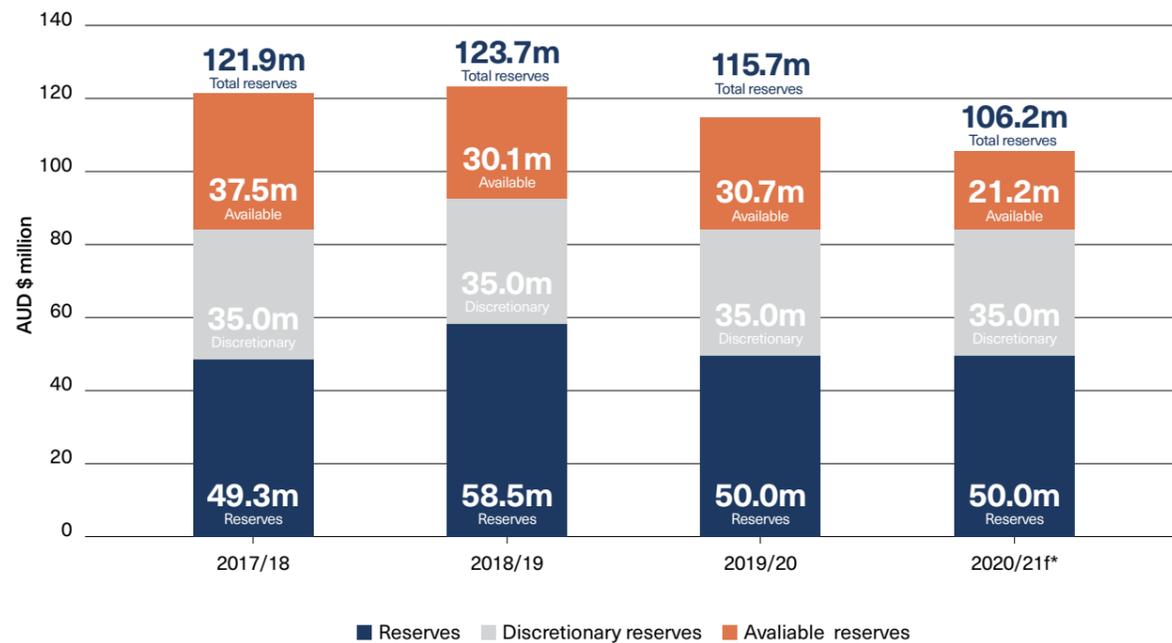
Discretionary Reserve:

In 2017/18, the Board introduced a **\$35 million** Discretionary Reserve to enable AWI to manage the cyclical nature of wool prices, by 'banking' any significant increase in income. The Discretionary Reserve is set aside for:

- building resilience and a buffer to protect R&D and marketing projects in the event of a downturn in wool prices, and
- investment in new, major R&D or marketing opportunities as they arise.

Available Reserves may go up and down based on levy choices expenditure, wool prices and production.

Historical and projected reserves
2017/18 – 2020/21



*projected 2021

How are AWI finances managed?

We run a budget the way growers do on farm – adjusting all the time for variables like price, weather, production and more. When the AWI Board makes financial decisions and allocates budgets, it considers:

- delivering a benefit to woolgrowers and the industry – increasing woolgrower profitability and global demand for wool
- woolgrowers' priorities – what R&D and marketing activities have been identified as priorities during consultation with woolgrowers
- alignment with AWI's Strategic Plan – developed by the AWI Board to reflect woolgrowers' R&D and marketing priorities
- pathway to commercialisation – ensuring the investment can be commercialised and thereby realise benefit for growers
- market failure – where private investment is low/non-existent

Engage with AWI

If you want to provide input to guide AWI's R&D and marketing activities, you can do so easily in a number of ways:

- **Call, email or write** to AWI directly and let us know
- **Become an AWI shareholder** and be able to vote in Board elections www.wool.com/become-a-shareholder
- **Visit the AWI stand** at all major wool industry events around the country throughout the year
- If you are a **member of a grower representative group**, ask them to feed your priorities into AWI

1800 070 099
feedback@wool.com
GPO BOX 4177, SYDNEY, NSW 2001

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WoolPoll 2021

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