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## Additional levies need to pay the debt. AWI in Financial tatters, says AWGA

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The public stoush between AWI and the Woolmark Company reveals a deep and underlying new crisis about to hit all long suffering woolgrowers.

The very real crisis about to hit woolgrowers is that their levy funded R&D body is heading towards financial ruin, this time by way of financial mismanagement by the board of Australian Wool Innovation.

With the revelation that AWI is trading towards insolvency, the immediate brakes must be put on the current management of this grower owned and funded Research and Development company says a concerned AWGA Chair, Mr Chick Olsson.

The recently released Updated AWI Strategic plan, 2004 -2009 should ring alarm bells amongst woolgrowers, amongst the scientific community, within Government ranks, and with public regulators.

This strategic plan reveals, AWI has budgeted on collecting income of \$299.2 million dollars from Levy wool tax, government and other sources, while committing to a whopping expenditure outlay of \$386 .3 million over the same period. This is a net deficit of \$87.1 million in the red for AWI.

AWI then offset this massive deficit by dipping into our hard earned cash reserves, leaving a net balance of \$26.6 left in funds at the end of 2009.

The fatal flaw in this strategic plan is that AWI is relying on wool prices to move up dramatically along with raw wool production over the next 4 years to support the total income figure, says Mr Olsson

This allows AWI to keep a budgeted closing funds figure of \$26 million as a requirement of their statutory funding agreement. However, what if wool prices continue to slide along with raw wool production? What is the net affect on income, if expenditure remains committed? Financial Disaster will start to happen in about 2007/2008, even if wool prices remain at the current level of 678 cents per kg clean, let alone fall below this figure. If the EMI stays at 678 cents clean for the next 4 years, then the same economic model as used by AWI and Woolmark will see the all the cash reserves depleted and a further deficit.

AWI will have blown all of woolgrowers and Federal Government taxpayers \$100 million cash reserve, while having to commit to contractually obligated R&D programs that have yet to be proven to have benefit in lifting wool prices, let alone fund any programs to encourage adoption of these project results' says a concerned Mr Olsson.

Under this model, woolgrowers will be not be able to fund our debts by 2008, and will need to increase the levy to fund such a huge impost on the Australian Wool community. If woolgrowers decide at Wool Poll 2006, not to increase the levy, then the current AWI board will possibly have to enter into insolvency at some stage in 2007/ 2008 warns Mr Olsson.



# AWGA - News Update

If you think correctly the industry has to start marketing wool urgently, the cold hard reality is there is no money available to do so, suggest Mr Olsson.

If you want marketing, the levies have to go up under the current management, by how much is yet to be determined.

The Australian Wool Growers Association has no pleasure in drawing attention to this grim reality.

This is not about politics; this is about survival of the wool industry, and it gives me no pleasure to highlight this absolute disaster, yet woolgrowers have a right to be forewarned about the potential of this, says Mr Olsson.

Under our modelling based on the AWI published Strategic Plan, and even being generous in holding wool prices, we are in trouble. If however wool prices continue to slide to say 600 cents, AWI will not be able to operate as a liquid entity by 2007, Mr Olsson concludes.

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