



12 December 2005

Year end Letter to AWGA members and supporters

Dear Wonderful AWGA members,

I write this letter to you firstly to thank you all for your support this year. The calls of support have been a tremendous tonic for your board members. Thank you for these calls

It has been a year of upheaval for our wool industry. Great changes are occurring in our world, changes we can not fight or resist. The environmental and animal rights movement organisations are only just beginning to flex their muscles. Major financial institutions are now planning long term investment strategies based on ethical standards of those they seek to invest in. We can no longer hide from world opinion. If we do, we will surrender profits to other competitors that can meet those challenges

I am extremely proud to bring you some of the achievements of your AWGA board this year. It is important to remember that we are all voluntary members, who invest much of our time and money because of the passion and belief that we still have for this industry. With this in mind, AWGA has had a significant impact on influencing wool industry direction on several fronts this year.

1. Animal Rights / Mulesing issue.

AWGA took an early belief that suing animal rights groups was a complete waste of time and resources. In this regard, your board decided to try and engage in constructive and sensible dialogue with groups like Peta, and of course, those retailers that were under the boycott process. Spending their own money, a delegation of wool industry people, led by myself, flew to New York to try and resolve the issues that were challenging our industry.

The AWGA delegation to New York was the catalyst that eventually saw the mulesing boycott lifted against US and European retailers. The contentious AWGA / PETA agreement showed how far these animal rights groups were prepared to continue negotiations. It highlighted how little these US based groups knew about sheep farming

Indeed, as much as AWI and Woolproducers may hesitate to admit it, the AWGA /PETA agreement set the framework for a new agreement to be drawn up by the Australian wool industry and The US National Retail Association. The National retailers insisted that AWGA be a signatory on the document, along with AWI and WoolProducers. This was signed by all parties in October of this year. Hopefully, this may be the start of true cohesion in our industry.

2. Merino Wool marketing.

It has been our major platform for the past 2 years, that marketing and selling of merino wool must be a priority for the AWI board. National farmer bodies like WoolProducers and the VFF have steadfastly refused to embrace any notion of "telling the world" about our merino fibre until very recently, claiming it is "not in the mandate" of AWI to do so. Unfortunately,



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it has taken major falls in wool prices for AWI and their political bodies to wake up to our current crisis and embrace the new “marketing merino wool” catch phrase.

It was positive news to hear the Chairman of AWI at the recent board elections, change the spending pattern of levy collections next year. 60 % of the levy collected next year has now being committed to marketing programs for Australian merino wool. This is indeed great news, and represents a major change in how our levy money is being spent. AWGA applauds this major re focus on how our levy money is to be spent.

3. AWGA watchdog bites.

Before the AWI election, the AWGA board received the AWI updated 2005 -2009 strategic plan. After investigation, AWGA found serious problems with allocations of levy funds over the next 5 years. In essence, AWI had committed to spending \$380 million dollars, and collecting only \$300 million. The collection of levies was based on rising wool prices. AWI had intended to fund this \$80 million shortfall by spending virtually all of our cash reserves of \$100 million over this time. At the end of 2009, the wool industry would have nothing left in the bank, except the required minimum of \$20 million.

Because of the AWGA board’s due diligence, this major spending blunder was arrested by way of much media attention It was satisfying to read WoolProducers press release on morning of the AWI election that agreed that spending cash reserves in this way was a major concern for them.

I am led to believe that the whole strategic plan will now have to be revisited to be more conservative and prudent.

4. Changing of the guard at AWGA

One of our great warriors, and director, Mr John Roydhouse retired recently as AWGA board director. He has given 8 years of unselfish service to this industry. Not only a woolgrower and merino stud master, he also runs a very successful IT business out of Mudgee. He will be very much missed by his other directors.

AWGA also welcomes a new director to the board, Dr Matthew Bayfield, well known Sydney heart surgeon and passionate merino wool grower. He is great Australian, who believes in merino wool’s future. We all are looking forward to his wisdom. Watch out for his media releases next year.

It is now also time for a new Chair to be elected. Usually 2 consular years is the allocated time frame for the Chairmanship. As such, it is my time to retire from this wonderful post. It gives me great pleasure to welcome Martin Oppenheimer as the new chairman of AWGA. Martin’ s passion and industry intelligence will make him an ideal man for the position, considering the unique challenges ahead for the industry . My friends , merino wool is still worth fighting for, and this is why AWGA continues. We are the voice of the grass roots woolgrower.

5. . 2006 and beyond.

The world is always looking for new things, or items that have been reinvented. Old movies and old songs are still able to capture a new generation’s imagination and purse strings.



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Merino wool is set to become a new 21st century fibre. However, it must be have a story attached and sold to modern consumers. The question is, what is our story? How will a fashion house even know where to buy Australian merino fibre? The fact that we have not got a “shopfront “ where fashion houses can buy guaranteed Australian merino fibre, is the most significant issue facing our industry. The fact that our fibre is still blended with inferior wools is a major problem. Indeed, where can a consumer buy a 100% guaranteed Australian Merino Wool Suit?

Unless we can retain some ownership of our merino wool right through the chain to a retail consumer, we will remain a commodity and will be paid accordingly.

Next year, I hope that the industry can work together on these issues, and that politics plays a minor role regarding the hard decisions that must be made to make Australian merino wool an internationally recognised premium fibre once more.

In the meantime, my board and I would like to pass on our best wishes for a joyous Christmas and a prosperous new year to all of our AWGA members, supporters and their families. Without your support, we could not continue to do this great work.

Yours truly,
C.R.Olsson
Chairman

12.12.05

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