



09 July 2006

The real cost of AWI

Dear Sir,

Thank you Matthew Flugge for continuing to expose Australian Wool Innovation's (AWI) poor performance in building profitability for woolgrowers, "A mere \$264 million" (The Land July 6), quoting AWI income for the past 4 years.

AWI is clearly attempting to distract woolgrowers from the point of Marius Cuming's article titled "AWI told to lift its game" (The Land June 22). That is, the failure of AWI's spending to impact positively on wool industry growth and confidence, and more importantly wool prices. Woolgrower groups are rightly demanding better performance, with less waste and duplication.

Actually in the interview with Rural Press I quoted AWI's income since inception in 2001 at \$450 million from an excellent recent industry paper by Andrew Russell. My research since indicates that from 2001, \$368 million income has gone directly to AWI, plus some funding in 2001 to AWS, totalling over \$394. AWI can correct these numbers and should include any capital value from AWS or the former AWRAP.

Another way to examine the real value of AWI, or cost to woolgrowers, is to value the Australian woolclip over the past 4 years according to ABARE; 2003 \$A3.5 billion, 2004 \$A2.8 billion, 2005 \$A2.8 billion, 2006 \$A2.6 billion.

That is a reduction in 4 years of \$A 900 million in the value of the Australian woolclip from 2002/03 to 2005/06. The cumulative total shows \$A 2.4 billion lost.

Put that in terms that woolgrowers understand even better, wool prices, and the picture become even more alarming. Auction prices in c/kg greasy have declined from 682 in 2003, 533 in 2004, 485 in 2005, and 455 in 2006. That is a reduction of 227 cents per kg in 4 years.

The EMI has fallen from 1049 in 2003, to currently 749, a reduction of 300 cents. To Matthew Flugge and all the highly paid people at AWI, please continue to correct any inaccuracies on the public record. My best advice is to improve your service and value to our industry, and help to turn around the recent decline in value of the Australian woolclip. Woolgrowers cannot afford to continue to pay for such poor performance.

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