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Australian Wool Innovation draws down on reserves to fund marketing, research

Australian Wool Innovation (AWI) has drawn down \$14 million on its reserves in the past financial year to pay for marketing and research, and plans to draw down again by \$12 million in 2014-15.

It comes as the wool marketing and research body focuses attention on wool campaigns overseas with the Woolmark Prize design competition and No Finer Feeling marketing campaign.

The organisation outlined its financial situation and marketing priorities at its Annual General Meeting, in Sydney today.

Ahead of the meeting, there was criticism from wool lobby group, the Australian Wool Growers (AWGA) that AWI's internal spend is 70 per cent of wool growers' \$43 million levies.

But AWI's chief executive Stuart McCullough, told the Annual General Meeting he's entirely happy with that, because AWI has a large marketing team.

"We have brought in-house the things that are typically outsourced," Mr McCullough said.

"We make every film, every banner and graphic, it's produced and printed internally.

"The Beyond the Bale magazine is type-set and produced, and published in-house.

"We're looking at recharging them, so they don't blow out the operating costs, and we are looking at reducing overheads."

AWI will look to shed 20 staff in the next 12 months, from the 168 currently on the payroll.

"Woolgrowers are doing less, so we will too," says Mr McCullough.

In 2012, woolgrowers told AWI to draw down on its reserves, of \$103 million sitting in the bank and AWI told the AGM it would still have \$70 million in reserve.

'Not feeling fine' say woolgrowers



PHOTO: Instability in wool prices is a concern for Australian Wool Innovation.

(Image: Elosie Fuss ABC cross media reporter)



AWGA - News Update

Geoff Fiskien of the farm group Wool Producers echoed concerns of the Australian Wool Growers Association which questioned the benefits of the \$14 million No Finer Feeling campaign.

AWGA called it "an expensive failure in stimulating fine wool demand."

"All funding into the No Finer Feeling Campaign should cease," Robert McBride of AWGA said.

But AWI is calling for patience.

Stuart McCullough says the marketing doesn't have an instant result but the campaign has gained 80 partners in retail sectors globally, which is double its initial target, and an audience reach of 309 million people.

He says growers shouldn't compare their current wool cheque to 2011 when there was an abnormal spike in price.

Instead, Mr McCullough says since 2010, when AWI resumed the role of marketing wool, the price trend has gone up, to be 186 cents/kilogram higher now.

Mr McCullough said the Chinese market would be the new priority for wool marketing, given product is made there, middle class demand is increasing and the country's cold climate is a good fit for wool.

There is a new marketing director in China and the Woolmark design prize will be awarded in March 2015 in Beijing, in the Year of the Sheep.

An audit of the Woolmark prize, shows the media reach was 1.8 billion people after Indian designer Rahul Mishra won, which Mr McCullough says is equivalent to spending \$105 million on media coverage.

Woollen Raincoats

AWI has also unveiled its next development. Last year it was wool denim, and this year it's a hydrophobic woollen coat.

"Woolgrowers have paid for this one, well and truly," says Mr McCullough.

"Because it's Australian technology called the Optim machine designed to stretch wool to make it finer, when there was a shortage of fine wool, now there's not.

"Rather than leaving those machines sitting in containers in Victoria, we've shipped it to Nanshan textile processing in Shandong, China.

"We temporarily stretch the fibre, then shrink relax it with steam, to create such a dense fabric that it is hydrophobic, with no synthetic fibres.

<http://www.abc.net.au/news/2014-11-21/nrn-wool-awi-agm/5908272>