

Financial benefits of SustainaWOOL accreditation for Merino growers

Types of benefit

SustainaWOOL provides 3 types of grower benefit:

1. **Practice improvement:** the SustainaWOOL Integrity Scheme allows growers to self-assess farm management practice against the SustainaWOOL stewardship benchmarks, allowing growers to identify areas for practice improvement.
2. **Reputation:** for growers who take their stewardship and reputations responsibilities seriously, SustainaWOOL provides an effective platform to declare these good practices to the world's wool buyers, and to make clear your willingness to be audited.
3. **Financial Reward:** SustainaWOOL **GREEN** and **BLUE** sale lots are eligible to be included in buyer consignments for integrity-assured lots – attracting additional competition on these lots, and often demonstrably higher buyer limits.

With SustainaWOOL moving to an annual membership-based model, the grower membership fee has been set at \$125 (GST inclusive) per annum. For the typical Australian 50 bale wool clip, this equates to around 1 cent per greasy kilogram of wool produced.

With this in mind, and at a time of drought and for some, bushfire, we thought we'd ask the obvious question on behalf of our members: *"Do the financial benefits of SustainaWOOL accreditation exceed the membership costs for Merino wool growers?"*

Matched Lot Analysis

To answer the question, we analysed Australian wool auction data from all wool selling centres for the 39-month period since 1st July 2016 to 29th September 2019, comparing the auction prices received for specific categories of wool in the market, to the baseline value for all other wool, for wool in the 15.6 – 21.5 micron range.

To make sure we were generating meaningful data, we placed some restrictions on the data.

We only included adult Merino fleece and weaners lots sold at auction (excluding passed-in or withdrawn-from-sale lots) which had been classed to professional standards (P Certificate only), was technically sound (30 to 45 N/kt), of full length (70 to 99 mm), of Schlumberger Dry yield in the 63 – 83% range, VM base of up to 2.2%, and a Style Grade of MF3, 4 and 5. We excluded NZ wool, since SustainaWOOL is not offered in NZ.

With these restrictions in place, 36,000 Merino fleece lots were included in the analysis for lot matching purposes.

5 categories compared

These 36,000 sales lots were allocated across 5 categories relating to their NWD Mulesing Status and SW accreditation type:

1. SustainaWOOL **GREEN** (NM/CM)
2. Non-member NM/CM
3. SustainaWOOL **BLUE** (PR)
4. Non-member PR lots
5. The remainder: the remaining non-declared, declared mulesed or blank Mulesing Status lots.

What does this historical analysis show?

Average benefits since July 2016

Firstly, there is very clear statistical evidence of the benefits of SustainaWOOL accreditation in the market.

The following table shows the average price premium for accredited SustainaWOOL clips and other non-mulesed wool compared to the baseline (all other lots).

Category	c/kg greasy	Benefit %	\$ per bale *
SustainaWOOL GREEN	91.02	3.7%	\$112.64
Non-member NM/CM	21.21	0.9%	\$45.00
SustainaWOOL BLUE	45.00	1.8%	\$26.25
Non-member PR	-0.69	0.0%	-\$0.69
SW effect (NM/CM)	69.81	2.8%	\$69.81
SW effect (PR)	45.69	1.8%	\$45.69

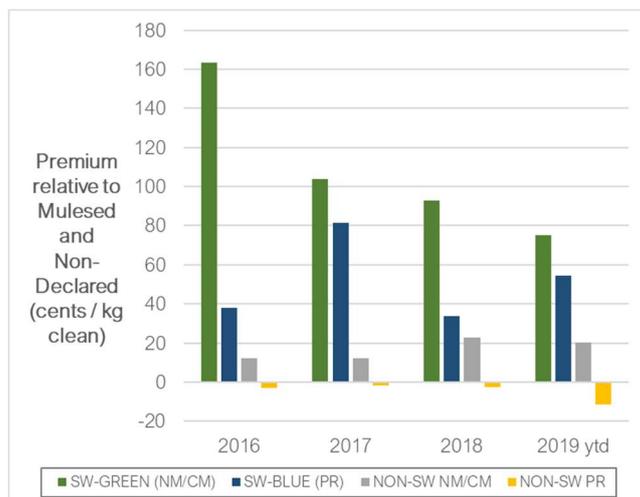
* Using 68% Schlumberger Dry Yield, and 182 kgs average greasy bale weight (17/18 - 18/19 average).

The data shows that since July 2016, SustainaWOOL **GREEN** Merino fleece lots have averaged a 3.7% above the market compared to the baseline (or \$112.64 per eligible bale), and generated additional 2.8% higher price than the equivalent non-mulesed wool sold by growers who have elected not to be a part of the SW scheme – worth \$69.81 per bale.

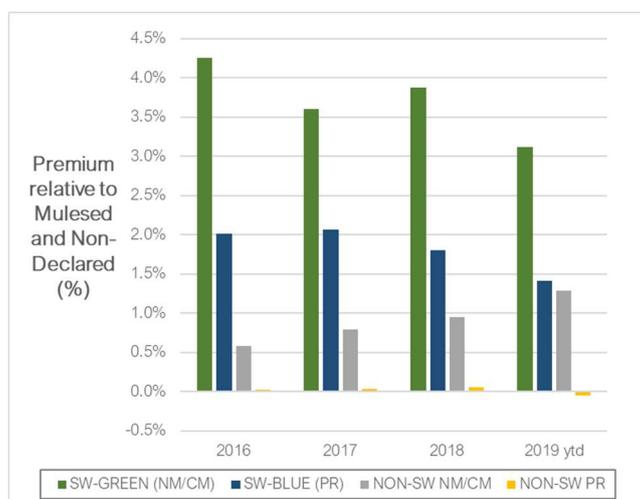
SustainaWOOL **BLUE** lots sold at an average of 1.8% higher than the baseline (45 c/kg greasy), and 1.8% higher than equivalent PR wool sold by non-SW member growers - or \$45.69 more per bale.

Trends across years

The following chart show the results compared to baseline prices for each calendar years July 2016, expressed in raw cents per clean kilogram terms.



The second chart express these price differences compared to baseline in percentage terms, to account for cross-year changes in the baseline auction prices.



These charts show:

- Substantial impact of SustainaWOOL membership on historical prices received for NM/CM and PR lots.
- The differences have declined over time, especially in raw terms (cents per kg clean).
- There is evidence of rising % price premiums for NM/CM lots compared to Non-declared or Declared Mulesed lots, as shown by the grey columns.

Does SustainaWOOL membership pay?

If history is any guide, absolutely. Let's consider a hypothetical NM scenario.

Bill and Mary have for many years managed a flock of non-mulesed Superfine Merinos (non-mulesed since 2010), producing 40 bales of non-mulesed fleece wool, which averages 68% yield, and 182 kgs per fleece bale.

While they declare the NM status of their clip using the National Wool Declaration, Bill balks at the \$125 cost of joining SustainaWOOL, preferring to avoid paperwork and money available for other purposes (a new putter).

However, Mary points out that the SustainaWOOL Scheme is something she would prefer the two of them to be part of, and that the \$125 dollar fee is much less than the value of the 39th wedding anniversary present Bill forgot to buy the previous month. In the end Mary prevails, and so they complete the SustainaWOOL checklist, pay the small membership fee, and become accredited SustainaWOOL **GREEN** growers.

Committed to the gaining of wisdom, Bill decides to conduct an experiment with their upcoming clip without telling Mary – and with the help of his broker and classer, markets the wool under 2 brands – with the bales evenly split between, and the second brand deliberately not associated with the SustainaWOOL accreditation. When the clips are sold at the sale the next month, Bill was surprised to receive 70 cents per clean kilogram more for his SustainaWOOL accredited bales than the others, or \$86.63 per bale for 20 bales (or \$1733).

The following year, Bill has a new putter, Mary has a new kitchen, and the entire clip is sold as SustainaWOOL **GREEN**.

Disclaimer: Please note that this analysis is based on historical market price data and should not be taken as representing future price outcomes.