

# Financial benefits of SustainaWOOL for Merino growers

*Do the financial benefits of SustainaWOOL accreditation exceed the membership costs for Merino wool growers?*



## 3 types of benefit for our growers

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.

## Small membership fees

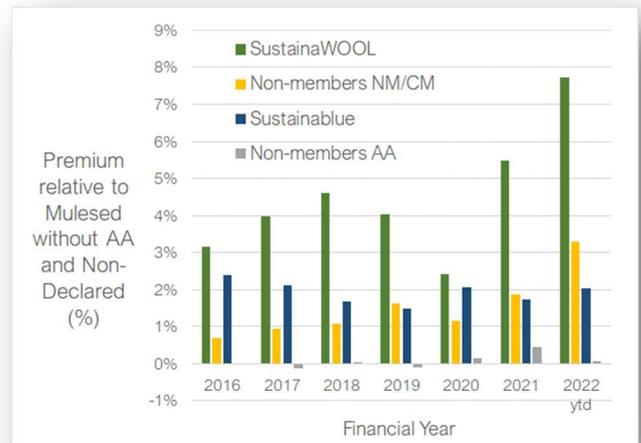
SustainaWOOL operates on a not-for-profit, cost recovery basis, where growers contribute a small annual membership fee to cover their share of the farm inspection and compliance costs AWEX incurs

The grower membership fee has been set at \$150 (GST inclusive) per annum for our GREEN and BLUE growers. For the typical Australian 50 bale wool clip, this equates to around 1 cent per greasy kilogram of wool produced.

## Higher prices achieved

Since 2016, SustainaWOOL members have benefited from increased prices received for their fleece wool lots, relative to the prices received by non-members for wools of matched attributes.

In the chart below we compare the auction prices received for our NM/CM members (SustainaWOOL GREEN and GOLD) and our AA/PR members (SustainaWOOL BLUE), compared to equivalent wool from non-members of different NWD categories.



While COVID has undoubtedly affected 2020-year prices, the overall picture is one where our GREEN members typically receive 4 - 6% higher prices or more than non-members for equivalent wool, and our BLUE members 1 - 2%.

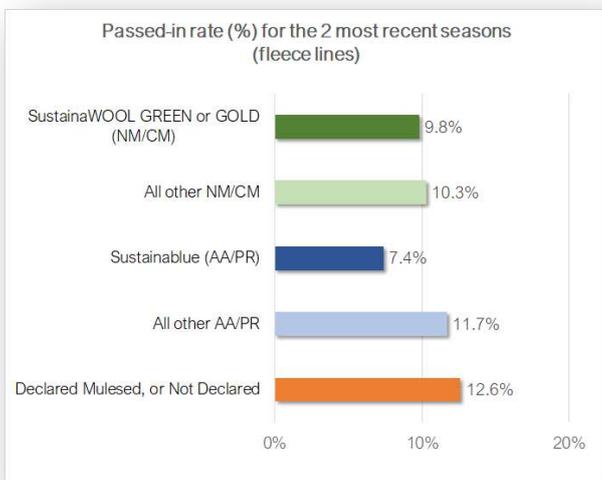
At approximately \$2,500 per 18.5 um fleece wool bale, this equates to around \$40 to \$60 per bale, and so the membership fee is recouped with the sale of 3 - 4 fleece bales only.

## Lower passed-in rates experienced

When your wool is passed-in in an open cry auction, it means the trade valued your wool less than you did.

Passed-in wool then typically goes into stock to compete against fresh wool at subsequent auctions.

Shown below, since 1<sup>st</sup> January 2019, the passed-in rates experienced by SustainaWOOL members at auction have been lower than that received by non-members for equivalent specification fleece wools, especially for our Sustainablue growers.



## 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 18.5-micron Merinos (non-mulesed since 2010), producing 40 bales of non-mulesed fleece wool, which averages 68% yield, and 182 kgs per greasy bale.

While they declare the NM status of their clip using the National Wool Declaration, Bill balks at the \$150 cost of joining SustainaWOOL, preferring to avoid paperwork and money available for other purposes (a new putter for golf).

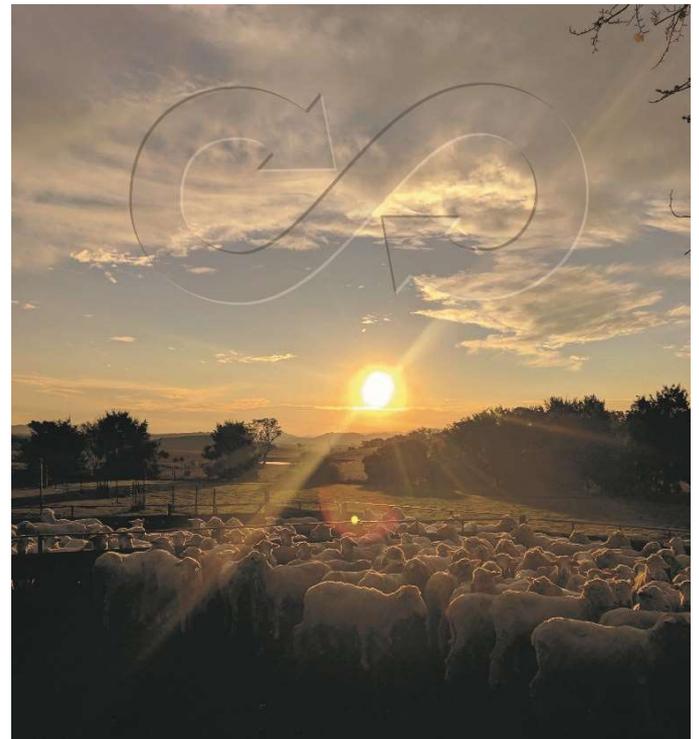
However, Mary points out that the SustainaWOOL Scheme is something she would prefer the two of them to be part of, and that the \$150 dollar fee is much less than the value of the 39<sup>th</sup> wedding anniversary present Bill forgot to buy the previous month.

In the end Mary prevails, and so they complete the SustainaWOOL checklist, pay the small membership fee, and become certified SustainaWOOLGREEN 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 certification.

When the clips are sold at the next sale, Bill received a 4% higher price average for his 15 SustainaWOOL-certified fleece bales than for the 15 bales sold without mentioning the SustainaWOOL certification. That 4% higher price translates to \$100 per bale in additional income.

The following year, Bill has a new putter and the entire clip is sold as SustainaWOOLGREEN.



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