

Financial benefits of SustainaWOOL for Merino growers

Do the dollar benefits of SustainaWOOL accreditation exceed 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.

Annual membership fees

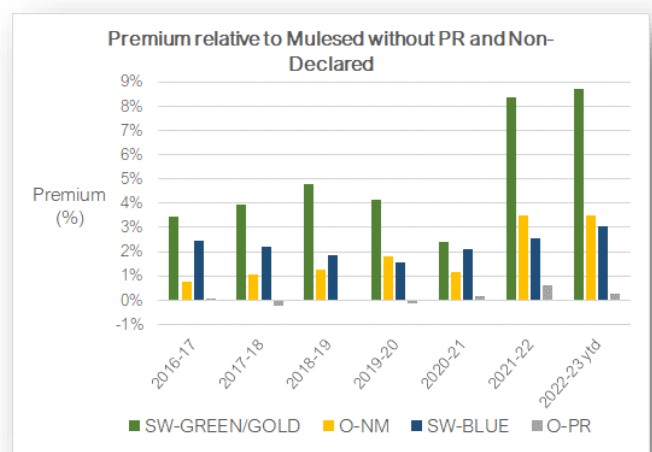
- SustainaWOOL operates on a not-for-profit, cost recovery basis, where the annual membership fee contributes to the cost of farm inspection, compliance costs and extension activities.
- The membership fee is \$220 (GST inc) per annum for our GREEN and BLUE growers.
- The membership fee for our GOLD growers is \$900 (GST inc) per annum.

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 wool 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 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%.



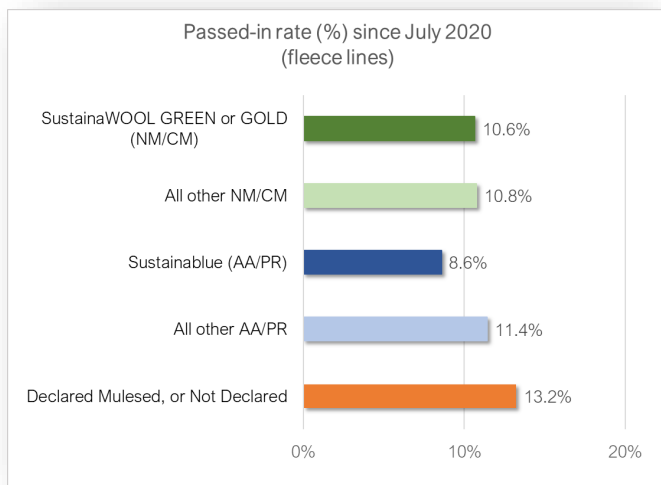
At approximately \$2,500 per 18.5 um fleece wool bale, this equates to around \$40 to \$60 per bale, and so the membership fee is recouped with the sale of 5-6 fleece bales only.

Lower passed-in rates

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

Passed-in wool then is typically sold post-sale at a discount to the auction or goes back into stock to compete against fresh wool at subsequent auctions.

Shown below, since 1st July 2020, 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 Sustaina**blue** 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 baulks at the \$220 cost of joining SustainaWOOL, preferring to avoid paperwork and money available for other purposes (a new putter for golf).

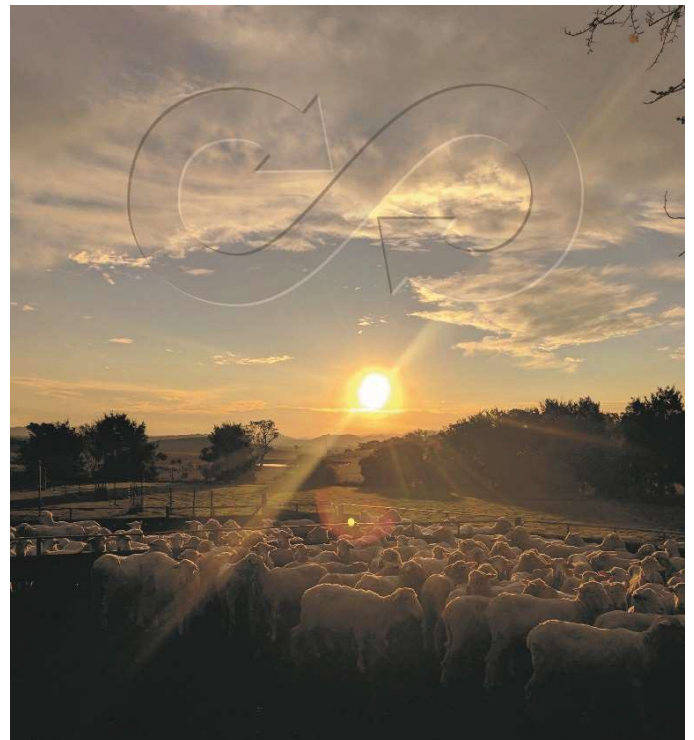
However, Mary points out that the SustainaWOOL Scheme is something she would prefer the two of them to be part of, and that the \$220 dollar fee is much less than the value of the 39th wedding anniversary present Bill forgot to buy the previous month.

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