

# 'Growers Call' Contract

A buying contract specifically for unmulesed wool



## Background

Over recent years, the global luxury garment industry has shown a preference for raw materials produced in accordance with animal welfare standards. For wool, this has centred attention upon the practice of mulesing.

The recent 'Future for Superfine Wool' report found that while wool from mulesed sheep was acceptable to some fabric and garment manufacturers (providing pain relief had been applied at the time of mulesing), it also found cases where wool from unmulesed sheep was preferred. Further, the report found evidence of orders for wool being diverted to other countries in order to source unmulesed superfine wool.

In response to market demand for unmulesed wool, some growers have made their own call to cease mulesing outright, and to rely on other strategies such as genetic improvement or enhanced management strategies to reduce the impact of flystrike.

A concern of growers who have ceased mulesing is the lack of sufficient price premiums to offset the increased costs associated with managing a non-mulesed flock. A likely cause of the lack of price premium is that the market for non-mulesed wool has not been truly tested as there are effectively no supply chains into Europe that are dedicated to wool from unmulesed sheep.

The 'Growers' Call' contract will provide an outlet for unmulesed wool in a manner that capitalises on the growing demand for this type of wool, and in particular, will provide a market mechanism to convert growing demand into financial benefit for growers who have made their own call to cease the practice of mulesing.

## Specifications

This contract is for wool that meets the following criteria:

- 'traditional superfine' types visually 74s/80s count and of best topmaking style (typified as having curvature above 80deg/mm on laserscan or 90deg/mm on OFDA).
- target AFD is 15.0 to 16.5 microns although lines up to 17.0 microns will be considered.
- staple length of 70mm to 85mm and even in length, maximum cv of length 18%
- staple strength should be minimum of 39nkt with lowest 25% not less than 25nkt
- lines of wool with VM >2%, coloured or cast fleeces, poorly classed and prepared are likely to be excluded
- shorn from sheep that have not been mulesed in any way. Wool from clips where mulesing is being phased out ('ceased mulesing') can be accepted, providing no wool is included from sheep that have been mulesed.

## Declaration that sheep are unmulesed

Prior to the sale of any wool under this contract, the grower will be required to sign a declaration verifying that all wool they are selling under this contract has been shorn from sheep that have not been mulesed in any way.

## How it works

Growers make a written or verbal expression of interest with their local Elders Wool Manager. Wool is delivered to any Elders/AWH store, then tested and prepared for sale as normal. Once growers have test results they can request the wool be appraised to ensure it meets contract criteria. This appraisal will be conducted by AWEX accredited assessors. The decision to accept or reject wool will be made by the buying company. The grower then has the right to agree to sell the wool at the agreed price based on the specified price premium under the contract, whereby the wool will be invoiced to the buyer. Normal brokerage will be deducted and proceeds will be paid to the grower in accordance with regular payment settlement terms.

There is no requirement to commit to an offer under this contract, with growers retaining the right to withdraw at any time prior to a sales agreement.

## Pricing/Settlement

As at 20th May 2017, the price being offered to growers is 300c/kg clean above the AWEX Premium & Discount Report (P&D's) and AWEX acquired quotes for 15 to 16 micron. (These prices will be a straight average of the Northern and Southern P&D for the relevant point of micron and based on the 42NKT premium). Price is based on the average fibre diameter for the respective line of wool's AWTA core test result. The MPG used to calculate the price is that reported for the most recent day's trading at the point in time when the grower agrees to sell the wool. As the MPG is quoted for every .5 micron, a pro rata calculation will apply according to the respective core test result.

The buyer reserves the right to amend the price premium, although once a sale is agreed, the price will remain fixed.

## Confirmation of price

Until such time as an agreement is made between an individual grower and the buyer, no guarantees can be provided as to the price which a grower is able to achieve.

## The Buying Company

The Buying Company is AAFT Pty Ltd, ACN 619 241 780.

## Feedback to Growers

Growers who participate in this scheme will receive feedback on the processing performance of the consignments and information on the product ranges made from the wool.

## Contact

For further details on the 'Growers Call' contract, please contact your local Elders Wool Manager OR

David Mahilraj | Ph: 0428 496 741 | Email: david.mahilraj@elders.com.au