

Assumptions

2018/19: wool production decreases by 15%, yield decreases from the average of 64.8% to 63.8% and the average EMI is 1850 for the year, that currently used by AWI budgeting for the 2018/19 financial year. The EMI has averaged above 1850 since 6 Oct 17.

2019/20: wool production decreases by a further 2.5%, yield increases very marginally to 64%, and the average EMI increases by 2% (37¢/kg cln, or 24¢/kg grsy) to 1887 up from 1850.

2020/21: wool production increases by 1.5%, yield increases to 65%, and the average EMI increases by 1.5% to 1915.

2021/22: wool production increases by 1.5%, yield remains at 65%, and the average EMI increases by 1.5% to 1944. The EMI has averaged above 1944 since 16 Feb 18

Analysis of the AWI financials shows that "other income" is on average 0.54 of levy income. To be conservative 0.45 is used in the budgets. Because of the large windfall gain in financial year 17/18 a lower figure is used - again being conservative.

Under the 2% levy scenario total expenditure has been set at \$110 million. Under the 1.5% scenario from 1 July 2019 annual expenditure of \$100 million has been used recognising that budgetary constraint (just like the farmers managing drought) is required by AWI.

Interpretation of the modelling

The modelling indicates that with conservative estimates of income and good financial management of expenditure, and taking account of the current drought and a 1.5% levy from 1 July 2019, leaves AWI where is reserves of around \$70 million at the end of the 2021/22 financial year (30 June22). This leaves ample funds to cover the mandatory requirements if the company was to be wound up and a surplus of around \$25 million.

Robert Ingram synopsis

Robert Ingram is a senior agricultural and rural development specialist. He has worked in rural and regional development, agribusiness development and agricultural supply chains in Australia and Asia Pacific for the last 38 years. He has been involved in the design, implementation, and management and evaluation of over 75 projects in over 30 countries. He is also a sixth generation merino wool producer on the far southern Monaro in New South Wales taking over the family farming operations from 2002 while continuing with his professional work. He has worked for many Australian Government Agencies and International Organisations such as the World Bank, Asian Development Bank, USAID and others. He recently led the Department of Foreign Affairs and Trade's major program in the Pacific, the Labour Mobility Assistance Program (LMAP) supporting the implementation of the Seasonal Workers Program in Australia. This involved the coordination and collaboration with six Australian Federal departments and implementing agencies in 10 South West Pacific nations and New Zealand. He describes this program is one of the most successful development programs in the Pacific and the labour supply chains for agriculture in Australia.