

June 19, 2009

Kevin M. Burke  
President & CEO  
AAFA

Tracy Mullin  
President & CEO  
NRF

Sandra L. Kennedy  
President  
RILA

Laura E. Jones  
Executive Director  
USA-ITA

Dear Sir/Madames

Thank you for your letter of the 15 June 2009.

AWI welcomes your ongoing support and commitment to work in partnership on this important issue for your members and the Australian wool industry.

We welcome dialogue with any industry representatives to ensure we are able to provide updates on progress the industry is making. I am concerned you believe AWI has not provided adequate updates. AWI sent senior delegations in August 2008, January and April 2009 to the USA, UK and Europe to meet with retailers, government and industry representatives including the NRF. However to the best of my knowledge AWI has never met or been requested to meet with the AAFA, RILA or USA-ITA.

Australian Wool Innovation (AWI) is aware that People for the Ethical Treatment of Animals has been writing to retailers and brands recommending retailers and brands source wool from non-Australian supplies. This recent campaign is of great concern to AWI and to the Australian wool industry. I have forwarded your letter to the Australian Wool Industry leaders and representative bodies.

Since 2004 the industry has made significant progress in terms of animal welfare. Several alternatives to control flystrike are currently available to farmers including anti-flystrike clips and pain relief, while many farmers have already been able to cease mulesing due to improvements in genetics/breeding programs and the introduction to additional management measures. Another key piece of staging towards genetically breeding sheep that don't require mulesing is our work in mapping the sheep genome which is now complete.

While several flystrike control options are already available to farmers, we are still making progress with other R&D initiatives under funding and have not stopped looking for new ideas.

Since 2004 the Australian Wool Industry has made significant progress in terms of animal welfare. During this time AWI has invested over \$15 million USD in fast-tracking flystrike alternatives through research, development and commercialisation. Our commitment for the 2009/2010 fiscal year is nearly \$4 million USD.

AWI and Australian Wool Industry are actively encouraging growers to complete the National Wool Declaration (NWD). We encourage retailers and brands to source wool (through the standard auction system) in accordance with their specific Corporate and Social Responsibility (CSR) standards.

To address your concern of the availability of fine-gauge wool from ceased-mulesed or other non-mulesed sources being sufficient to meet market demand, we can offer this information: in the year to date to May 2009, 117,994 bales were sold through the auction system and declared through the NWD as either non-mulesed - NM (42,581 bales), Pain Relief - PR (40,608 bales) or Cease Mules - CM (34,805 bales). This equates to approximately 16 million kgs (35 million pounds) of clean high quality fine Australian wool. Sadly we can not identify any premium being paid for this wool at the moment.

Further on-farm developments have also been made by Australian farmers committed to animal welfare. In 2004 a survey conducted indicated that 5% of lambs would not be mulesed. Five years later it showed that 54% of lambs would be non-mulesed. The table below provides a summary of these survey results since February 2008, showing significant progress.

<b>DAFWA Survey Results</b>	<b>Feb-09</b>	<b>Aug-08</b>	<b>Feb-08</b>
Proportion of lambs born to be un-mulesed	54%	46%	32%
Proportion of growers who would not mules	31%	34%	23%
Proportion of wool produced un-mulesed	18%	14.5%	11.5%

I have enclosed a copy of the most recent AVA audit report on AWI's R&D program conducted in March 2009. The next audit is currently underway. Once complete I will forward a copy.

As stated we welcome the opportunity to meet with all signatories of the letter dated 15<sup>th</sup> June 2009. AWI continues through our New York office to provide regular support directly to retailers, brands and manufacturers who have expressed interest in this topic. In fact we regularly provide advice and guidance on this issue to assist retailers and brands to protect their commercial interests.

May I emphasise our commitment to continuing to work in partnership with yourselves, and your members. As you rightly note in your letter, this is not a time for complacency. Consequently I feel it's critical that we send a senior delegation to meet with your organisations immediately. To facilitate this and to organise a suitable date to receive the delegation, Brenda McGahan, AWI CEO, will contact Tracy Mullin by phone next week. It would be helpful if you would advise a suitable time and date for this call.

I urge you to continue to support the Australian wool industry.

Yours sincerely

Walter Merriman  
Chairman

cc: Brenda McGahan Chief Executive Officer  
Erik Autor - NRF