

# **Alternative Strategic Responses to the Animal Welfare Advocacy: The Case of PETA, Merino Wool and the Practice of Mulesing**

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## **Abstract**

Animal welfare is becoming an issue of increasing concern to consumers, managers and policy makers alike and the strategic responses to these issues by different stakeholders can have important implications for an industry's short-term performance and long-term viability. The purpose of this paper is to conduct a comparative institutional analysis of the alternative strategies taken by two different national agricultural industries with respect to the same animal welfare issue, mulesing, and the resulting outcomes and implications of these actions.

The practice of mulesing involves the surgical removal of skin folds from around the breech of Merino sheep in order to prevent flystrike. Since the early 2000's animal rights advocacy groups have increasingly demanded that farmers abandon the use of this practice. Wool industry stakeholders developed different opinions, with groups both supporting and rejecting the call. The Australian and New Zealand Merino Wool Industries adopted two different strategic responses to PETA's demands. Using a grounded theory approach, we conduct a comparative institutional analysis to examine outcomes and impacts of these two different strategic responses.

This paper contributes to our understanding of differing strategic responses available to industry to diffuse animal welfare confrontations and provides critical insights into different outcomes.

## 1. Introduction

Increasingly food and fiber supply system is being challenged by various consumer advocacy groups about the appropriateness of the status quo; the proven standard operating practices of the channel members. These attacks often call for radical changes to traditional and proven livestock production practices; Practices that farmers and channel members trust as they have held up against the test of time as they have been passed from generation to generation.

A key factor behind this has been the growing disconnect between urban consumers and rural agricultural production. Over the past 100 years animal agriculture has moved from a family enterprise that emphasized animal husbandry to an industrial activity involving animal production (Rollin, 1996 cited in Olin, 1999, p.27). Animal agriculture is now an intensive, specialized, production and manufacturing activity dominated by large multinational agribusinesses who successfully exploit improved technology, efficient transportation and distribution networks, increased access to markets and capital to gain substantial economics of scale and sustainable competitive advantage. This shift to industrialized agriculture has however come at a cost: the creation of a psychological disconnect between packaged food and clothing products people eat and wear and the living source of the products (Olin, 1999).

Today, most consumers never consider the manufacturing history of their products they purchase, including the rearing of the animal, its slaughter (in the case of meat), and subsequent processing into consumer-ready products. When they do, their perception increasingly is that animals suffer during these industrial production situations. Furthermore, society has determined that animals have rights, and foremost amongst these is their right not to experience unnecessary pain or suffering. Two large and diverse animal advocacy groups (animal rights and animal welfare) are now focusing on this issue; Animal rights groups view is that animals should not be

used by, or regarded as the property of, humans, whereas animal welfare groups states it is morally acceptable for humans to use nonhuman animals for food, in animal research, as clothing, and in entertainment, so long as unnecessary suffering is avoided.

These advocacy groups are holding food service, manufacturing and retailing companies, like McDonalds, KFC, Nestle and Tesco's, responsible and accountable for ensuring that the products consumer purchase are produced in a manner that meets their respective groups personal ethical, environment and social standards (Thomas, 2006). To achieve their goals and create visibility to their causes, these groups are increasingly using product and company boycotts as a preferred strategic weapon to force suppliers of clothing, eggs, chicken, and other meat products to adopt their preferred production practices; for example, between 1988 and 1995 over 200 firms and thousands of products were subjected to organized boycotts in the USA (Innes, 2006).

Historical precedence set by past campaigns indicates that *consumer boycotts* have proven to be an effective strategy for advocacy groups to follow, as it is one of the few credible threats that food companies will respond too. The effective implementation of consumer boycotts can be extremely costly to firms in management time and resources as well as severely damage a firm's brand equity and market reputation.

To be able to effectively counteract these strategic actions, industry and policy makers must understand the concerns and motivations of animal rights and animal welfare advocacy groups, address their legitimate concerns, understand where and how conflict may arise and know how best to deal with these conflicts, if they do eventuate.

Additionally, it is important that people recognize that they have rights too. However, many people do not recognize or appreciate when their rights might be being infringed upon,

particularly by an advocacy group with a different social and cultural foundation to their own. This is a significant causal effect in the emotionally charged nature of the controversies and dissent surrounding them (Olin, 1999).

Since January 2004, the merino wool industry has become the target of a coordinated global animal welfare advocacy campaign “Boycott Australian Wool” against the practice of mulesing by the People for the Ethical Treatment of Animals (PETA). Mulesing is an animal health practice used by many merino wool growers to prevent flystrike. The practice involves the surgical removal of skin folds from around the breech of young Merino sheep. Since its inception the PETA campaign has been successful in forcing hundreds of retailers and manufacturers to support the campaign demands for end of mulesing and purchase of only mulesing-free wool for fear of adverse publicity and loss of customers and revenue. This has created substantial turmoil throughout the merino wool value chain from farmers to international retailers and consumers and increasing dissent between various factions within the industry as they attempt to define appropriate responses. Five years after mulesing became an important animal welfare issue, the Australian merino wool growers remain in a protracted internal and external fight about the appropriateness of mulesing and how to strategically respond to the issues, having already spent hundreds of millions of dollars previous failed responses. Interestingly, just across the Tasman Sea, the New Zealand merino wool growers, although late to respond, were able to implement a coordinated proactive response that has totally diffused the issue in New Zealand and with their international customers. Their response has been so successful that PETA today actively supports the NZ industry and holds them up as a poster child for best practice. Why have two very similar grower groups chosen very different responses and ended up in very different situations when faced with the same animal welfare problem.

In this paper we conduct a comparative institutional analysis (Aoki, 2004) of this instrumental case and paradox to evaluate the alternative responses of the Australian and New Zealand Merino Industries to, and resulting impacts from, the People for the Ethical Treatment of Animals (PETA) “Boycott Australian Wool” campaign against the practice of mulesing. To do conduct this comparative institutional analysis, we use ground theory approach beginning with a extensive analysis of the issue and responses and then iteratively synthesize, define and discuss possible theoretical arguments for the different observed results. Our analysis begins by describing the merino wool industry and why mulesing has been an integral part of animal husbandry practices in the industry for decades. This is the practice that PETA the animals rights organization does not agree with. We then introduce PETA and discuss how they carried out the campaign. Next provide a detailed chorological description of the PETA boycott and the differing responses of the Australian and New Zealand Merino wool industries to the campaign and its impact on each industry. Finally, synthesize and analyze the similarities and differences between these responses and then draw upon theory from existing literature to provide possible explanations to why the different responses and impacts. Recognizing the weaknesses of case based research we do not draw conclusions on which actors the “farming bodies or animal rights group” have the correct viewpoint in the wider animal welfare debate, nor do we conclude which strategies were appropriate given the particular issue. Instead we try to identify and define the critical factors and interactions that resulted in these two very different responses and impacts. Consequently, this instrumental case study should provide valuable insights into further both theoretical and empirical research on the appropriate strategic response for firms, with similar characteristics to take when dealing with advocacy groups. Furthermore, it may be of benefit to those firms and industries who seek to exploit opportunities presented by the changing socialistic

demands, specifically in the case of credence attributes. Finally we provide a discussion about future avenues for research.

This study is important as scholars such as Olin (1999), Andrews & Edwards (2004) and Zald (2008) argue that more case based research is required on the interactions between advocacy organizations, their selected targets and the business environment in order to better understand patterns of influence and to answer questions about democracy and appropriate responsiveness to these activities, before further empirical and theoretical research can be conducted. Similarly, there has been an upsurge in research analyzing the intersections of movements and organizations, such as advocacy groups (Zald, 2008).

## **2. Grounded Theory and Case Based Research**

As this is currently an under-explored field of research, we undertook a study based on a grounded theory method. “Grounded Theory” is a general methodology that emphasizes an inductive research process focused toward theory development as opposed to deductively theory testing (Glaser and Strauss, 1967; Strauss and Corbin, 1994; Dey, 1999). This is an inductive process of thinking about and conceptualizing data into a theory which evolves through a continuous interplay between analysis and data collection during actual research (Strauss and Corbin, 1994). Theory can be generated initially from the data or if existing theories appear relevant to the area, then these may be extended or modified as new data is played against them (Strauss and Corbin, 1994). Sources of data are the same as for other methods of qualitative research (Strauss and Corbin, 1994). Initially data collection is liable to be somewhat unfocused and often unstructured but become more selective and focused on particular topics as the inquiry proceeds (Dey, 1999). Data analysis takes on a continuous interactive interplay between data and

theory, and extending theory and developing theory (taken from EAEPE paper – change wording).

The researcher must think conceptually and constantly analyze the relationships between their data (Dey, 1999). There is an insistence among grounded theorists that it is interpretive work and these interpretations must include the perspectives of those studied (Strauss and Corbin, 1994). Such interpretations are sought for understanding the actions of those being studied, however, those who use grounded theory procedures accept responsibility for interpreting what is observed, heard, or read, and not merely voicing the viewpoint of those studied (Strauss and Corbin, 1994).

### **3. Merino Sheep and Wool**

The Merino is a breed of sheep famous for its fine, soft wool (or fibre) and its ability to thrive in extreme climates. The main populations exist in Australia, Argentina, New Zealand, South Africa and the Western United States. The Spanish developed the Merino sheep breed from the 8<sup>th</sup> century onwards based on several wild species. Today there are three main strains of Merino each with specific genetic traits: Types A and B are strongly and moderately wrinkled, respectively; the C, or Delaine, type is much smoother, and has better combinations of wool and meat qualities. Merino wools are highly valued within the high-end fashion industry for fineness and softness (Australian Wool Corporation, 1990).<sup>1</sup>

The term *merino* is widely used in the textile industries with very varied meanings. Originally it denoted the wool of Merino sheep reared in Spain, but due to the superiority of Australian and

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<sup>1</sup> Merino wool is finely crimped and generally less than 24 micron ( $\mu\text{m}$ ). It is classified into five categories: strong (broad) wool 23-24.5  $\mu\text{m}$ , medium wool is 19.6-22.9  $\mu\text{m}$ , fine 18.6-19.5  $\mu\text{m}$ , superfine 15-18.5  $\mu\text{m}$  and ultra fine 11.5-15  $\mu\text{m}$ . Staples are commonly 2.5–4 inches (65–100 mm) long. Average wool production for a Merino is between 3 and 6 kilograms (NZM), while rams have been known to produce up to 18 kg in a year.

New Zealand wools the term now has broader use. In the dress-goods and knitting trades the term "Merino" still implies an article made from the very best soft merino wool.

#### **4. What is Mulesing?**

Mulesing is surgical procedure involving the removal of strips of wrinkled wool-bearing skin from around the breech (backside) of merino sheep. The procedure creates a smooth bald patch as the skin heals and pulls tight. The practice reduces flystrike risk and is performed as part of an integrated flystrike management system including crutching, shearing, chemical control, genetic selection and grazing management. In Australia, it is thought that the fly primarily responsible for flystrike, *Lucilia cuprina*, was introduced from South Africa in the nineteenth century. The fly is attracted by the ammonia in urine and breeds mostly on living sheep, laying about 250 eggs in clusters in damp fleece around the breech (Dorrian, 2006). Without mulesing, the likelihood of blowfly eggs being laid in the moist wool around the breech significantly increases; the flesh eating maggots then create painful wounds, causing the sheep considerable pain, stress and suffering from blood poisoning and infection, and in many cases, death (NSW Department of Primary Industries, 2005; Primary Industries Ministerial Council, 2006).

The practice of mulesing was developed in the early 20<sup>th</sup> century, and is named after Mr J.W.H. Mules who developed the practice by mistake, while shearing a ewe with blade shears he removed skin from the hind end (Ellis, 2005). After performing this procedure on his other sheep, Mules noticed that it prevented the occurrence of flystrike. The procedure was refined and experimented with and demonstrated to reduce flystrike. It was approved for use in Australia in the 1930s. Originally, mulesing was only carried out on sheep after they were weaned because it was considered "too rough" for lambs. However, lambs appear to cope with the procedure better than older sheep as the actual area of skin fold (wrinkles) removed on young lambs is quite

small. The recommended age for mulesing is 2 to 12 weeks. In exceptional circumstances, such as proclaimed drought or other conditions in which mulesing is not practicable, lambs can be mulesed over 12 weeks of age. Mulesing of sheep over six months of age must be done with anesthesia. Current codes of practice ban mulesing for sheep over 12 months of age. Animals in poor health and condition are not recommended to be mulesed as this increases the risk of post-operative complications and death (Primary Industries Ministerial Council, 2006).

Codes of practice have been developed that describe how the procedure should be undertaken and to assist operators with complying with the law. In New South Wales, mulesing may legally be undertaken by any suitably skilled person, usually a professional mulesing contractor who has completed the mandatory accreditation and training program (Primary Industries Ministerial Council, 2006).

The mulesing operation is carried out while the lamb is under restraint (typically in a marking cradle), the wrinkled skin in the animals breech is cut away from the perianal region down to the top of the hindlimbs. Originally, the procedure was typically performed with modified wool-trimming metal shears, however there are now similar metal shears designed specifically for mulesing. The standard mules operation takes a "V" of wool-bearing skin extending one-third of the length of the tail, which is docked below the third palpable joint (NSW Department of Primary Industries, 2005). The inside edges of the cuts should closely follow the line of the natural bare area. A thin strip (approximately 2mm) of wool bearing skin should be left between the mules and natural bare area, it is critical that no bare skin be removed. In addition, a portion of the tail is removed and the remaining stump is skinned. The cuts are executed to avoid affecting underlying muscle tissue (Livestock & Grain Producers Assoc., 1978). The non-wool growing skin which is around the anus (and vulva in ewes) is pulled tight as the cut heals and

results in a smooth area that does not get fouled by faeces or urine. The operation takes one to two minutes. Standard practice is to do this operation simultaneously with other procedures such as ear marking, tail docking, and vaccination. Because the procedure removes skin, not any underlying flesh or structure, there is little blood loss from the cut other than a minor oozing on the edges of the cut skin. Lambs rarely die or become ill after mulesing. The ewes and suckling lambs receive minimal disturbance until all wounds are completely healed (about four weeks). Observation is carried out from a distance (Primary Industries Ministerial Council, 2006).

The New South Wales Department of Primary Industries states in the Standard Operating Procedures that, "While the operation causes some pain, no pre or post operative pain relief measures are used". Studies have however found the procedure can cause considerable stress to sheep as seen in the elevated levels of cortisol and  $\beta$ -endorphin (Shutt et al. 1987, Fell & Shutt 1989 cited in Kilgour et al.). Antiseptics are often applied, but anesthesia and painkillers are not currently required during or after the procedure by Australian industry practices (NSW Department of Primary Industries, 2005; Primary Industries Ministerial Council, 2006). Research indicates that the procedure does not cause long-term distress to the animals and infection is a rare occurrence after the procedure. The procedure is only endured once by each sheep and the discomfort period seems to last for approximately two weeks by which time healing is almost, if not entirely, complete.

Alternative methods are currently being developed to control flystrike, including: clips, needleless intradermal, breeding breech-strike resistant sheep, integrated parasite management, blowfly genome project, biocontrol of blowflies (AWI Limited, 2008). But for the present, the Australian Government, the Royal Society for the Prevention of Cruelty to Animals (RSPCA) Australia and the Australian Veterinary Association accept mulesing as a necessary sheep

husbandry procedure to prevent flystrike, as current scientific research shows it to be the most practical, effective and humane method available to many woolgrowers (Wool is Best, 2008). It is estimated by the National Farmers Federation that without mulesing 3,000,000 sheep would die of flystrike each year. The animal rights and animal welfare activists however disagree and consider unanaesthetized mulesing to be inhumane and unnecessary. It was found by Peterson *et.al* (2008, p.16) that clearly in relation to wool products consumers react to negative information about animal welfare practices such as mulesing by lowering their willingness to pay.

## **5. PETA, Mulesing and their campaign to Boycott Australian Wool**

### ***PETA and the “Boycott Australian Wool” Campaign***

People for the Ethical treatment of Animals (PETA) is a large international animal rights movement based in the USA with over two million global members and supporters and annual revenues exceeding \$31 million USD. They target four main areas where they believe the largest number of animals suffer the most for the longest periods of time: animals raised on factory farms; animals used for laboratory testing; animals used in the clothing trade; and animals used in the entertainment industry (PETA, 2008a). PETA engages in advocacy through a range of activities including public education, cruelty investigations, research, animal rescue, legislation, lobbying, special events, celebrity involvement, and protest campaigns (boycotts). Their boycott campaigns have proven overtime to be a very successful strategy for getting firms, such as McDonalds, to change their procurement specifications (Zwerdling, 2002 in Innes 2006)

In January 2004 PETA began a campaign against the practice of mulesing on merino sheep<sup>1</sup> by pressuring overseas apparel retailers to cease selling products containing Australia Wool from

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<sup>1</sup> The boycott also drew attention to Australia's live sheep export trade.

mulesed sheep. The campaign's purpose was to end the practice of mulesing and was referred to as the Campaign to Boycott Australian Wool. See [SaveTheSheep.com](http://SaveTheSheep.com) for extensive details about their campaign. Their tactics included an extensive radio, TV and print media campaign, public protests, and the use of well known celebrities, such as Pamela Anderson and Pink, to draw negative attention to the Australian woolgrowers for their mulesing practices.

In October, 2004, American fashion retailer Abercrombie & Fitch Co. responded to PETA's pressure and boycotted the use of Australian wool (Associated Press, 2007). As overseas consumer concerns grew and media visibility increased, J Crew, New Look and Timberland all quickly followed suit and joined the boycott. Since then numerous other companies have individually and collectively joined the boycott, including major retailers and branded manufacturers such as H&M, Perry Ellis, HUGO BOSS, Gap, Liz Claiborne, Nordstrom, Haggard Clothing, Copley Apparel, Austin Reed, Carter's, C&A Europe, Bestseller A/S, Matalan Retail Limited, Nike, Lindex, Marks & Spencer, and Adidas, among others.

In a recent February 2008 statement, Frank Henke, Global Director of Social and Environmental Affairs for Adidas, told PETA:

*“Adidas has given a clear briefing to its development and sourcing teams to not use merino wool from sources where mulesing practices are applied. Clip-mulesing is also rejected by our internal policy...we would select another material unless we obtain clear confirmation from the source that mulesing practices were stopped”* (PETA, 2008c)

Similar sentiment was held by the Swedish retailer H&M who felt the AWI phasing out of mulesing was taking too long so it publically decided to buy only mulesing-free merino in a press release 8 February 2008:

*“H&M does not accept mulesing, the surgical procedure carried out on merino sheep in Australia in order to prevent flystrike. The company has decided to direct its buying towards other countries of origin and other suppliers in Australia that can guarantee mulesing-free merino wool”.*

*H&M has worked for the abolition of mulesing for several years. Since 2005 there has been an agreement between the National Retail Federation (NRF), of which H&M is a member, and the Australian wool industry (Australian Wool Innovation) which means that mulesing will be replaced by more animal-friendly methods by 2010.*

*The decision to concentrate our buying on products that use mulesing-free merino wool was taken because the company feels that the phase-out of the practice is proceeding too slowly.” (H&M, 2008)*

Following H&M’s announcement, 17 other major Swedish retailers made the same pledge and a coalition of 31 European retailers have since announced that they are considering or have decided to stop using wool from mulesed sheep. According to PETA this amounted to cancelled orders of 550000 bales of wool from Europe alone in 2008 (PETA, 2008b).

Some big retailers, including Benetton initially refused to back the campaign instead choosing to support the Australian Wool Innovation’s (AWI) legal and technological initiatives. These initiatives failed to change consumer perceptions or diminish support of the animal welfare groups calls for change. Thus these actions ultimately hurt both Benetton and AWI (Associated Press, 2007). Benetton have since tried to distance themselves from the Australian Wool industry without adhering to PETA’s demands (United Colors of Benetton, 2008).

Conversely, PETA has also run campaigns supporting those who move away from practices they see as cruel. In July 2007, PETA carried out a demonstration outside the New Zealand Consulate-General's office in Sydney, Australia, in support of the New Zealand Merino Industry, their growers and the New Zealand Merino Company and thanked them for their efforts towards the cessation of the practice of mulesing (PETA, 2008c). They also offered an award to the New Zealand Merino Company through their NZ body SAFE for best practice in animal welfare, but NZMC declined the offer (personal correspondence).

PETA however is often criticized. According to the PETA Kills Animals Organization, during 2007 PETA killed more than 90 percent of the adoptable animals in its care. They have also been accused of supporting arsonists and other violent criminals. This includes a 2001 donation to the North American Earth Liberation Front (ELF), an FBI-certified domestic terrorist, and during the 1990's, PETA paid the Animal Liberation Front (ALF) who were convicted of burning down a Michigan State University research laboratory. Furthermore, they are often accused of targeting children, offending religious believers, and attacking research foundations focusing on uncovering cures for birth defects and life threatening diseases (PETA Kills Animals, 2009).

## **6. Different Responses to the PETA threat! Australia vs. New Zealand**

### ***The Australian Response***

Merino wool production and marketing is an extremely important sector within Australia's rural economy. Australia is the largest producer of wool in the world. Approximately 88 % of the national flock is the merino breed. These 96 million merino sheep produced 426 mil kg of wool in 2006/2007 or 80% of global merino wool production. In 2006/2007, this resulted in over \$3 billion (AUD) of export earnings, second only to beef exports. The wool was shipped to 52 countries with China the most significant market at 67% of the clip, followed by Italy (8 %) and

India (6 %). Most Australian wool (approximately 85%) is bought and sold through 5 open cry auction centers in Sydney, Melbourne, Fremantle, Newcastle and Launceston, the remaining 15% is sold 'privately' on-farm or to local wool handling facilities. The wool market is administratively divided into three geographic regions: NORTH (NSW/QLD), SOUTH (Vic/SA/Tas/NZ) and WEST (Western Australia). Two major wool brokers handle up to 50% of wool, encouraged by 40 to 50 smaller, independent handlers often in local centers.

The Australian wool industry's primary research and development vehicle is Australian Wool Innovation (AWI). This is a grower owned company legislated and formed by government statute. Under this statute, AWI receives a 2% grower levy from the sale of all shorn greasy wool in Australia to then reinvest for the wool growers into research and development, innovation, and marketing. The Australian government then matches the wool growers levy contribution (capped at 0.5% of gross national value of wool production). AWI has ownership of the renowned woolmark brand after its merger with Australian Wool Services in 2007. AWI is managed by a CEO and governed by a board of farmer elected representatives.

In response to the campaign *Boycott Australia Wool*, launched by PETA in January 2004, AWI initiated the formation of an industry working group to consider a coordinated industry response to the mulesing issue. This group initially consisted of representatives from: AWI, Australian Wool Industries Secretariat (AWIS) / Federation of Australian Wool Organizations (FAWO), International Wool Textile Organization (IWTO), The Woolmark Company (TWC) and WoolProducers. The group later expanded to include the National Farmers' Federation (NFF), Meat & Livestock Australia (MLA), Sheepmeat Council of Australia (SCA), LiveCorp and the Australian Government, when PETA included live sheep exports in its campaign. The entity was referred to as the Wool and Sheep Industry Taskforce.

On the 8th November 2004 the Australian sheep and wool industry taskforce made a public commitment to retailers to phase out the current practice of mulesing by 31 December 2010. According to AWI this commitment remains firmly in place and the industry is on track to deliver alternative methods for flystrike prevention by the end of December 2010. However, between 2004/5 and 2006/7, Australian Wool Innovation (AWI) Ltd has so far unsuccessfully spent over A\$10 million in the development of alternative flystrike prevention methods to ensure that Australia's sheep flock remains protected against flystrike after mulesing is phased out ([www.woolisbest.com](http://www.woolisbest.com)). As of 2008, only 23 percent of Australian merino wool growers had committed to stop mulesing by the end of 2010 (AWI, May, 2008). Hence the industry remains under a cloud of speculation and continuing boycotts concerning their commitment to the proposal.

This AWI commitment came as the Australian Wool Industry was stunned by the news on October 18<sup>th</sup> 2004 that the US fashion retailer Abercrombie and Fitch had boycotted Australian merino fiber in all of its 749 stores. It was suggested that failure to act would result in 'hard times' and possibly in the decimation of the wool industry with ramifications for the entire Australian economy. As previously mentioned the industry had known since January 2004 that the practice of mulesing had been unpopular among animal rights groups. The industry was divided on what was the appropriate strategic response to the problem. At one end of the spectrum there was the Australian Wool Growers Association (AWGA), representing a self-formed minority group of producers, who wanted to collaborate with PETA to co-create shared goals in finding alternative preventive measures to the threat of blowfly strike until the practice of mulesing could be phased out. Whereas at the other, there was the AWI controlled Taskforce. The Taskforce fully opposed the right of any external organization (including PETA) to demand

the imposition of controls or restrictions on how their members operated and adamantly defended in their view the rights of their grower members to mules. Thus they directly challenged the PETA attacks by pursuing an aggressive legal response.

The AWGA view on the issue was that both market perceptions about products, especially related to sustainability and ethics, were becoming an increasingly important factor in consumers purchasing decisions and that concurrently consumers' knowledge of these agricultural production practices were rapidly declining as a result of increased urbanization and greater separation from rural communities. To summarize they quoted "these perceptions are mainly city oriented, and no matter what woolgrowers say in the defense of mulesing, it won't change consumers perceptions of the procedure.....any perceived cruelty to animals will be punished by a closure of markets. The US does not care if it doesn't buy Australian wool, as there are plenty of other fibers' to choose from". They suggested that the AWI inform not only growers but the world that the issue was being addressed, including advising projected timeframes for delivery of a commercial viable alternative.

While the taskforce and other groups, including AWI, RSPCA, AVA and the Australian government, disagreed with the AWGA stance and instead attempted to "rebuff" such assertions by PETA and other animal welfare groups. This polarization of opinions about the appropriate strategic response escalated the already prevalent tension between AWI and AWGA who had been calling for a better return on the Australian wool growers \$60 million a year investment in AWI and its activities (AWGA, 20<sup>th</sup> October 2004). AWGA preferably wanted an alternative to mulesing, and continually questioned AWI over what was their plan to combat the actions of PETA, American clothing retailers and consumers perceptions of the wool industry.

AWGA were in favor of a unified national industry position and opposed AWI's aggressive legal response for several reasons:

1. The significance precedent set by the Abercrombie & Fitch's decision and the potential for others to follow suit.
2. The Australian wool industry was not in a position to set terms in the market. Several alternative sources of wool supply existed and numerous alternative fabrics were available to major retailers reliant on fickle consumer sentiment.
3. The Australian wool growers were particularly vulnerable on the issue of mulesing because it is an Australian industry standard practice not a global industry practice.
4. The Australia wool growers levy funds should be spent, where possible, on enhancing the attractions of Australian wool in the market place.
5. The Australian Wool industry cannot compete with PETA. "Taking one simple competitive indicator as a starting point, PETA's web site runs rings around any Australian wool industry site for readability, interactivity, persuasive force and celebrity endorsement. In an era of urban prosperity, where people no longer necessarily follow an established spiritual regime, but still feel the need to believe in or demonstrate their social conscious, concern about animal rights/welfare provides an attractive, fashionable badge of moral conscience that will grow in mass appeal rather than diminish over the next decade".
6. Defending the practice of mulesing was viewed as an inherently difficult task. AWGA recognized that "The story lends itself beautifully to tabloid television and the nuances of balanced veterinary opinion will be easily lost in the emotion of urban viewers

(consumers) watching defenseless sheep have large chunks of their skin carved out of their bodies without pain relief, for profit. The lack of progress to date in changing industry practice reflects not a lack of economic alternatives to mulesing but a lack of will to unsettle entrenched orthodoxy in the face of a real and growing external threat to our prosperity.” (AWGA, 31<sup>st</sup> October 2004).

Realizing this the chairman of AWGA led a delegation to New York to discuss with PETA the possibility of creating a collaborative approach with retailers, animal welfare groups and woolgrowers on trying to solve the mulesing boycott. These discussions led to an agreement between AWGA and PETA in August 2005. The plan provided a roadmap for an audited phase-out of mulesing that would have started immediately and be completed by 2010. The plan also established a new ‘ethical’ wool brand which would be available to retailers internationally.

Many retailers issued letters of support for the agreement. The agreement led to PETA suspending their campaign for 45 days and agreeing to another 45 days after that if AWI and the others who had so far refused to talk to PETA decided to consider the plan. If the plan was then agreed to and ratified by the whole Australian wool industry, PETA agreed that they would not campaign against Australian wool for ten years from the date the agreement was ratified.

Independent third parties would have been employed to audit and ensure the progress of the plan.

The agreement was however harshly criticized by WoolProducers (a separate group of Australian wool growers and the brother organization to the AWI). They attempted to personalize the argument by taking swipes at both PETA and AWGA through the media. For example, they suggested the proposed agreement was an opportunistic attempt by AWGA to raise its own profile, ahead of the interests of the wool industry, and stated “AWGA is driven by a small group of individuals currently advancing their political campaign for election to the Australian Wool

Innovation board”. AWGA (20<sup>th</sup> August, 2005) responded by saying “why wait until 2010 to capture the potential market opportunities that exist in 2005”. Consequently, the plan did not get past the initial proposal stage.

Concurrent with the AWGA negotiations, AWI and the Taskforce began pursuing an aggressive legal strategy against PETA. As the founding member, AWI had maintained a major influence over what they referred to as an industry “inclusive” taskforce. There are claims throughout the process that the Taskforce wasn’t inclusive, as they excluded various other stakeholder groups, such as AWGA, from negotiations surrounding the issue and often painted these organizations as rogue. Following a Taskforce meeting on the 8<sup>th</sup> November 2004 (at which the 2010 deadline was decided on) and without consulting the other non-taskforce stakeholders, the AWI filed an application and statement of claim with the Federal Court of Australia against People for the Ethical Treatment of Animals Inc. This was served on the president of PETA shortly after an appearance on a televised documentary program. The AWI chairman stated: “We cannot stand by as the livelihood of Australia's woolgrowers is threatened by these people peddling innuendo, half-truths and deception.” He went on to say “They are damaging the industry. We believe what they are doing is illegal and we will ask the Court to protect the Australian Merino wool industry”.

The AWGA was opposed to the filing, as wool retailers had come under increasing pressure to make a stand for or against the Australian wool industry. Clothing retailers and manufacturers had previously requested that the wool industry quietly and professionally handle the matter out of the public and media domain. The chairman of AWGA quoted “if the current management fails to apologize for their arrogance and divisiveness, then on behalf of the industry, in

consideration of our international markets, AWGA will have no option but to apologize to the world for AWI's actions on their behalf".

PETA stated that "the legal action in fact assisted the organization in keeping the story alive and generating publicity" (AWGA, 7<sup>th</sup> March 2005). It was believed that the legal action cost more than the total amount of woolgrowers funds invested in finding alternatives to mulesing (AWGA, 7<sup>th</sup> March 2005). However, the chairman of AWI stated at the AGM in 2007 stated that "the current Australian wool price, and the extremely strong futures market in the face of an extremely strong Australian dollar, I think is testament to the fact that the market for Australian Merino wool is unimpeded and has been unimpeded in the last few years by these activities. I think this is unarguable" (McLachlan, 2007). However this is debatable, as Peterson *et al* (2008) found that US consumers were willing to pay a premium for Australian Wool over United States wool. However when the information was included on mulesing and negative aspects of transportation costs the willingness to pay for Australian wool gloves plummeted to statistically equivalent to zero.

The initial wool industry injunction was thrown out of court (22<sup>nd</sup> March 2005). AWI did not give up and over the pursuing six months they unsuccessfully tried filing five other versions of the claim. AWGA believed that the legal action, as of September 2005, had cost AWI and the Australian wool grower between \$2 and 3 million AUD with the case yet to be taken to trial. AWI abandoned its allegations and legal actions against PETA in February 2006 and a settlement was finally reached between the AWI board and PETA in July 2007. The agreement was in effect an injunction against PETA targeting individual retailers according to the Chairman of AWI at the 2007 AGM. However, the international *Boycott Australian Wool* campaign continues on the PETA and related animal rights websites despite this agreement.

Prior to these revelations, AWI had also been investing woolgrower levy funds in the strategic pursuit of developing alternative technical solutions to mulesing. With their public commitment to phase out mulesing, finding a technical solution was rapidly becoming the number one priority as the legal strategy faulted. Their challenge however was that many of the proposed technical solutions (although technical viable) were not viewed by the various animal rights groups as suitable alternatives to mulesing; the use of clips to remove the skin was viewed as little different from a knife and the establishment of a \$360,000 AUD National Training and accreditation program for mulesing to “make some people feel more comfortable” (CEO of AWI) didn’t go down well either (7<sup>th</sup> March 2005). That said, some solutions did gain positive support by animal rights groups, such as pain relief, but they faced immense farmer resistance due to the costs and management challenges involved in implementation.

Additionally, AWI launched an unsuccessful marketing campaign aimed at repairing the Australian wool industry’s tarnished image and to defend itself against the increasingly visual and brutally graphic attacks of animal welfare organizations about mulesing. The campaign included the infamous \$2 million “fly on the shoulder” advertising campaign in the US and European fashion industry print media. The problem was that the advertising campaign brought greater unwanted attention to an already volatile debate from an apparel industry that was generally unaware of and uneducated about the issue, until then. The negative promotion immediately led to questions about what is mulesing, thereby further fueling the debate about the rights and wrongs of these production practices amongst a community of socially concerned (and possibly ill-informed) industry leaders. The campaign was a public relations disaster within the US fashion industry. Furthermore, a public feud ensued between AWI and the Woolmark Company who were carrying out the marketing about the campaign (9<sup>th</sup> October 2005).

Ultimately, as a result of the various failed strategic responses, the CEO of AWI resigned in September 2006. It was decided the CEO needed to have more marketing experience. The cost of the legal case totaled 3.7 million AUD which included lawyers, barristers, expert witnesses, and discovery service providers, according to the Chairman of AWI Brian Van Rooyen at the 2008 AGM.

By the end of 2008 the results of these various failed strategies had started to become clear to many wool growers. The AWI found it was under immense financial pressure due to having run deficits throughout the period to support these failed strategic initiatives, while the AWI board and directors have also found themselves individually and collectively under substantial political pressure from their constituents and outsiders, having gone through three CEO's in less than 24 months, found no apparent solution to the problem and now have a new member elected board from the recent November 2008 elections (four of which opposed the 2010 deadline).

The parting shoot for 2008 from PETA was to send an open letter to the new chairman and board stating that AWI must:

1. Immediately end the use of clip mulesing nationwide and replace it with humane flystrike methods that don't involve the removal of skin;
2. Ensure that after 2010, Australian framers not remove skin from sheep's rumps – whether by standard or clip mulesing; and
3. Agree to immediately undertaking bare-breech breeding programs nationwide with the goal that every wool-producing sheep in Australia will be bare-breach by the end of 2013.

The group has vowed to “keep all campaign options open” if the mulesing deadline of 2010 – an agreement made between PETA and AWI last year - is not adhered too (The New Zealand Farmers Weekly, 2008)

### ***The New Zealand Response***

In contrast to Australia, the New Zealand (NZ) merino industry is relatively small, consisting of approximately 700 Merino growers managing 3.3 million sheep or about 5 per cent of the NZ flock and producing about 60,000 bales per annum, accounting for 1.5% of the global merino wool produced (McKinsey and Company, 2000). About 97 per cent of the merino growers are in the South Island.

Over the 1990's the New Zealand merino industry completed a substantial and politically charged institutional transformation where they moved from a highly-adversarial, commodity-based model driven by auctions and wool brokers – very similar to Australia's current model – to a strongly market aligned and vertically integrated business model driven by detailed market knowledge, long-term collaborative brand partnerships and contractual relationships. This integrated model is coordinated by The New Zealand Merino Company (NZMC), a joint venture between the New Zealand merino growers and PGGWrightson (a publicly listed farming services company). The NZMC markets 90% of the national merino clip. It acts as both a traditional wool broker but increasingly as an integrated marketing facilitator assisting the international clients (branded retailers and clothing and fabric manufacturers) to create sustainable mutually beneficial brand partnerships with NZ Merino growers and provide access to appropriate R&D, processing , procurement and marketing support. Today, the majority of NZ Merino wool is marketed on long-term contracts with the end users through various high-end, branded, and exclusive specialty value chains.

The NZMC and their professional staff have become a critical knowledge link between consumers, the branded retailers and manufacturers and their contracted wool growers. Part of the strategy of the NZMC is to change wool growers from being adversarial price takers into collaborative brand partners and thus attempt to align and link the success of both groups together. This alignment process has been a long and difficult process, but extremely successful with likes of *Smartwool*<sup>TM</sup> and *Icebreaker*<sup>TM</sup> now entering into long-term five year contracts directly with growers.

When the mulesing issue arose in January 2004, the NZMC had already established strong direct relationships between the international retailers and manufacturers and their brand partner growers through their integrated long-term contractual relationships. These long standing relationships allowed both NZMC and the growers to learn and understand directly from their international clients that mulesing was only the tip of the iceberg, international consumers were becoming increasingly conscious and discriminate about their purchasing decision based on a broad range of social, ethical and environmental issues. Consequently, the CEO and staff of the NZMC recognized that they needed to adopt a broader approach to the issue. As John Brackenridge, CEO of the NZMC stated “our differentiation needs to be bigger than non-mulesing.”

However, like the Australian wool industry, the NZMC only adopted a policy of a 2010 deadline for the phase out of mulesing and only after the Australian industry had publically announced their intentions. The NZMC acknowledged that farmers should not be expected to immediately cease the practice of mulesing until viable alternatives were found. Consequently, the industry has invested in researching alternative methods of flystrike prevention, including trialing of

pasture species, chemical trials, pesticide management and overall farm input management.

Some of this has been done collaboratively with the Australian industry.

The introduction of the 2010 policy still however created dissonance within the New Zealand merino industry. This was overcome to some extent by the NZMC facilitating a series of information meetings between the growers and their overseas clients relating to the market demands of the retailers customers. The dissonance was further overcome by the announcement of a \$30 million dollar contract from Smartwool to buy wool from New Zealand farmers who ended the practice of mulesing by the end of 2005.

The negative market publicity and resulting retailer and manufacturer responses created by the Boycott Australian Wool campaign over mulesing also proved to be the catalyst for the NZMC to develop and implement an ethically, social and environmentally responsible and sustainable private standard program under the *Zque* brand. The private standard took a holistic view of the production system. The idea was born sometime earlier by NZMC leadership and management team during their regular monitoring international consumer purchasing decisions and through communications with manufacturing and retailer partners. They had become aware that sustainability and corporate responsibility issues were becoming more of a concern to consumers. This was seen as an opportunity for NZMC and their growers to strengthen market position by creating an ingredient brand, *Zque*, that would be valued and demanded by their clients and brand partners and meet their respective marketing needs. Hence, the *Zque* brand and private standard program was created.<sup>1</sup>

To enter into the *Zque* program qualified growers have to meet and are audited against specific environment, stewardship, social responsibility and product performance requirements, including

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<sup>1</sup> Further details on the *Zque* program can be found at [www.zque.co.nz](http://www.zque.co.nz).

not mulesing sheep. Third party auditing is an integral aspect of the program and provides extra transparency demanded by both consumers and the NZMC brand partners. The use of third party auditing follows the international movement within private standards towards these practices, such as ISO 9000, ISO 14001 and GFSI. The retailer is provided with a certificate of Zque certification signed by the CEO of NZMC and Asure Quality who acts as the third party auditor. The cost of the Zque programme accreditation is absorbed by the NZMC. Farmers are provided a manual from Asure Quality and to become a part of the programme all farmers are initially audited on inception. Furthermore, farmers are required to submit an annual self audit and a further 12% of farms are monitored at random annually. A veterinarian assesses the flock during auditing to assess whether the animals have been mulesed. This equates to three layers of verification. The program was designed to both meeting the existing legislative requirements and align with the third party accreditation requirements already in place within the New Zealand meat industry. So far 200 farms or 30-40% of the NZMC growers have joined the Zque program. This accounts for approximately 50 to 60% of wool marketed through the NZMC. The price farmers receive through the Zque programme is linked into their existing client contracts with some but not all clients willing to pay a premium for unmulesed wool. Growers are able to vary the percentage of their clip in the contract. The NZMC have encountered no problems in renegeing of contracts due to change in grower philosophy discouraging opportunistic behavior over the past ten to fifteen years. This potential for a premium assisted in calming farmer concerns about the increased costs associated with non-mulesing flystrike prevention methods. It is estimated by farmers that changing the practice of managing flystrike away from mulesing costs between 30c and 150c per kilogram of wool.

The goal of Zque brand was to raise the bar for the market. The NZMC the development of the Zque program as evolutionary process and have plans to fully extend the Zque accreditation program throughout the supply chain from farm to retail shelf. This would involve putting in place an assessment criteria for manufacturers, distributors and retailers to insure that each of the channels partners practices and philosophy fitted with the Zque story. The timeframe for this is flexible and is being taken on a supply chain by supply chain basis.

The development of Zque accreditation program and the move away from mulesing prompted PETA through their NZ body SAFE to offer the NZMC an award for best practices in animal welfare. The NZMC declined the offer as they preferred to fly below the radar and did not want to fuel the debate any more.

According to discussions with industry representatives the structure and size of the New Zealand merino wool industry and the previous transformation process have all assisted in the removal of practice and the generally held market belief that mulesing is not and has not be carried out in New Zealand. It is estimated that prior to 2004 approximately 50% of New Zealand merino growers practiced mulesing. Today, however, over 70% of NZ merino wool growers have stopped mulesing or have never mulesed. These figures are larger when taken on a percentage of wool clip basis, as the majority of the large high country sheep stations are on NZMC contracts. This significant increase has come about since the adoption of the 2010 target, alignment of market contract and the development of Zque accreditation program. In the future the NZMC would like to see formal legislation institute that bans the practice of mulesing in New Zealand, as at the moment this is being done on a voluntary basis and there is still a catastrophic risk that the few who continue may severely damage or ruin the international markets perceptions for the majority.

## **7. Analysis: Why the differing responses to the same issue?**

There are two paradoxes that arise in this instrumental case on the strategic response to animal welfare campaigns. First, why on first glance did two very similar industries and grower organizations from two very similar cultures and markets responded so differently to the same issue with drastically different consequences. Second, given the close working relationships between the two groups, the success of the NZMC in diffusing the issue in NZ and the contracting of the NZMC by AWI to assist them with their market development, why has AWI not been able to more effectively deal with this animal welfare campaign.

In this analysis we attempt to synthesize out the major differences between the two nations merino wool industries (see Table 1) and then from a grounded theoretical perspective discuss how these differences may have resulted in the observed outcomes. These characteristics are discussed starting with the wider institutional industry characteristics such as size before moving to the value chain differences between the industries. This facilitates discussion about how information is dispersed throughout the industry. Then we end by briefly discussing issues that require further theoretical and empirical investigation and are beyond the initial exploratory comparative institutional analysis of this paper.

### *Institutional Characteristics*

The Australian Merino Wool industry dwarfs the New Zealand industry in terms of size. Australia's 80% share of the global merino industry means they are the predominant face of the global merino wool industry, with New Zealand making up a niche-like constituent of the global market. This industry size difference has several implications which may explain the different responses.

The targeting of the Australian industry may have been viewed by PETA as an opportunity to essentially change the global merino industry due to their market share, whereas an attack on the New Zealand industry would likely have minimal effect on the Australian industry. Such a scenario is described by Innes (2006) in his study of a dualistic market with a large and small agent and the decisions an advocacy group must make. He states an advocacy group which has too few resources to launch an effective boycott against the whole industry may have an incentive to launch a persistent targeted boycott against the larger firm as their market will suffer the most. The reason is even though the boycott cannot prompt the targeted firm to adopt the desired practices; it can reduce demand for industry product and thereby reduce the extent of undesirable practice production. Thus by targeting Australia a successful outcome for PETA would reduce the pain and suffering for a greater number of animals. Innes (2006) claims that small elastic demands may thus give rise to small persistent boycotts against large firms or industries. However, the situation of a boycott where the advocacy group supports the smaller agent is not discussed; it is perceivable to expect this would increase the demand elasticity in relation to credence attributes such as animal welfare. Hence may provide some insight into how the NZMC was able to pursue their strategic response and rapidly gain PETA support, even though mulesing continues in New Zealand.

The size of the Australian industry also reflects the greater population of farmers who are spread over a vast geographic area compared to New Zealand, where almost all production of merino wool occurs in the high country of the South Island. Size and geographic distance may have made it more difficult for Australia to have a unified industry group and thus they are divided. The divided nature of the Australian industry presents an environment for differing opinions to develop for an appropriate response to PETA. Such an institutional environment presents PETA

with an opportunity to exploit the frustration between industry stakeholders to further their own agenda. Alternatively, the smaller nature of New Zealand may have helped facilitate a common focus.

Furthermore, the size and significance of the Australian merino wool industry to the rural economy means it has historically been highly politicized with strong government links. This may have resulted in personal ambitions and egos taking priority and an adversarial approach being taken in order to “flex muscle” of ones self or organization. While such a proposal is very much speculation, the mud slinging of the various industry bodies is evident from comments like “AWGA is driven by a small group of individuals currently advancing their political campaign for election to the Australian Wool Innovation board” made by the Wool Producers body.

Alternatively, New Zealand operates a free market economy and farmers realize there will be no government support and that their farming operations success is dependant on the appropriate strategic decisions being taken by all value chain stakeholders. `

Additionally, during the 1990’s and early 2000’s, the New Zealand merino industry and its growers under went a massive transformation process from a commodity industry to a vertical integrated market-driven high value consumer product industry. This transformation required a long and protracted battle for their independence from the New Zealand Wool Board that was controlled by the larger and more powerful traditional strong wool growers. The new cohesive and collaborative vertical-integrated, market-driven, consumer focused approach based upon the New Zealand Merino Company and their innovative brand partnerships between international manufacturers and wool growers is the result of this transformation process. This has totally transformed the way that New Zealand merino growers operate and collaborate in a marketplace.

These industry characteristics when coupled with the institutional differences may help to explain the differences in responses between the value chains of the two nations. However, the converse may also hold true. For ease of clarity discussion of the institutional differences will be discussed with limited reference to industry characteristics.

#### *Institutional and Market Engagement differences*

The Australian merino market is predominantly coordinated by wool brokers, who view the product as a commodity and give mostly volume signals based on prices received through the auction system. Consequently Australian producers commonly view themselves as solely a producer and the value chain is considered to be price based.

Alternatively, New Zealand's merino market is driven by the specific requirements of retailers and manufacturers and coordinated by the NZMC. The NZMC coordinates the collaboration between growers and end users through long-term contractual. The focus for farmers is on a bundle of product attributes with price determined by specific attributes demanded from the specific end user who is purchasing that grower's wool. Consequently each grower knows exactly who they are selling their wool to and exactly what that buyer's requirements are across a broad range of product attributes. This allows both the buyer and grower to collaborate in ensuring that the appropriate final product is produced that consumers want. As a result growers in this system view themselves as brand partners rather than solely anonymous producers of the primary commodity product. The value chain is viewed to be virtually integrated due to the tight relationships.

The significance of this is that the virtual integrated nature of the value chain ensures first party specific information is efficiently dispersed to all participants, allowing high market sensitivity and effective collaborative response by all industry stakeholders to such threats as boycotts. The

nature of the supply chain was significant in ensuring farmers who were critical of the response by the NZMC to the 2010 ceasing of mulesing were able to be persuaded. This was aided by the reputation the NZMC has with merino producers for the vision of future market demanded specifications.

Alternatively the 3<sup>rd</sup> party commodity information provided by the wool brokers in Australia does not facilitate information flows to the same extent between retailers/manufacturers and growers. Rather their changing demands are determined through price signals as opposed to a collaborative view of what the consumer will demand in the future, or in other words market sensitivity is low. Therefore, farmers often take an on farm production approach view. This lack of market information was compounded by the lack of marketing expertise in Australian Wool Innovation who heavily focused on R & D of new technologies. This fact was shown when the CEO of AWI resigned because of calls for greater marketing expertise. It would seem that the ramifications of legal action and the prevailing public debate were not thought through as it appears according to the findings of Peterson *et al* (2008) that bringing a contentious animal welfare issue to the forefront of the mind of consumers that would otherwise not have known of the issue, does little to create value in the chain.

Alternatively the New Zealand Merino Company, a specific team with an industry wide focus reframed the threat as a market opportunity and kept the debate privately within the value chain participants. Rather than focusing on mulesing as a single issue as the Australian industry did the NZ industry focused on the larger issue of ethics and sustainability and incorporated mulesing into the various brand stories of manufacturers and retailers. They also developed the ZQUE brand which takes a holistic system view of the production of merino wool. In doing so they were viewed as being responsible in a social consumer sense and as collaborators by PETA. This

gave PETA further ammunition to throw at the adversarial Australian approach. Even though the NZMC did not acknowledge the PETA support, they do recognize that it done no harm to their own market position, in fact it may have strengthened as a result of both the support and the boycott of Australia. The support received by the New Zealand industry is referred to as a *boycott* which Friedman (1996) defines as efforts by consumer activist groups to induce shoppers to buy the products or services of selected companies in order to reward these firms for behavior consistent with their goals. Furthermore, this self-regulation (brand specifications in this case) or CSR resulting from activist pressure is sometimes labeled as corporate social performance (Baron and Deirmeier, 2007). It could be suggested that the NZ merino industry responded in such away to avoid there own boycott, as recent empirical work shows that the threat of boycott is a significant explanatory for CSR, over and above any ‘green marketing’ and regulatory incentives that may be at play (Sam and Innes, 2004).

### ***Other notable points***

It has also been suggested by Pralle (2003) that advocacy groups select venues for their campaigns where the issue will resonate in the publics mind and where the target has limited ability to control consumer purchasing patterns. This may explain why PETA selected to target the Australian merino industry customers outside of Australia, by doing so they were able to mobilize a supporter base that had limited ties to Australia that could however affect the demand for Australian product. Alternatively if they had targeted Australian public and retailers the campaign may have been less successful due to possible understandings of the economic effects of such actions. Furthermore, New Zealand’s clean green image may have made PETA view the country as greater challenge.

PETA were able to spread the boycott with limited use of resources by targeting individual retailers, this is known as the domino effect, as others retailers quickly reacted to avoid being the next target (Baron and Deirmeier, 2007). As a result the Australian industry found itself not just facing a withdrawal of support from any one retailer but from the wider apparel industry.

Conversely, the New Zealand industry faced the positive side of the domino effect, as word grew of its non-mulesing product an increasing number of apparel manufacturers and retailers sought to source it.

## **8. Conclusions.**

This paper has presented an instrumental case of study of two nations industries that carried out the practice of mulesing viewed as controversial and unnecessary by animal rights advocacy group PETA. The findings would suggest that the interactions between advocacy groups and target industries are complex and that the outcomes will be affected by institutional characteristics, market channel characteristics and their corresponding information flows. This case should provide insight to firms and industries both in and outside of production agriculture who have characteristics similar to either the Australian merino industry or New Zealand merino industry. The study would be further enhanced if further data was collected from a wider array of stakeholders in both value chains and if PETA were questioned on how they strategically approached the campaign. However, such a case study would be of greater value if a collection of case studies focusing on the same characteristics were put together in order to view in context the characteristics of firms/industries and the various approaches and outcomes of dealing with advocacy groups. This further suggests that firms need to have an understanding of advocacy groups and how they select their targets, where and what form the pressure applied will take.

Hence a study of advocacy groups strategy may be of interest especially if insight was provided for firms/industry as to how to develop and implement combative strategies.

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**Table 1. Analysis of Differences Between the Australian and New Zealand Situations**

<b>Characteristic</b>	<b>Australia</b>	<b>New Zealand</b>
<b>Industry Characteristics</b>		
Size (global market share)	80%	1.50%
Farmer population	Greater	Lesser
Geographic Membership spread	Expansive	Concentrated
Economic significance	Important	Minor
Government involvement	Highly politicised	Free Market
Industry Cohesiveness	Divided	Unified
Previous Transformation	No	Yes
<b>Institutional Differences</b>		
Value Chain Structure	Numerous Spot Markets	Vertically Integrated
Ownership Changes along Chain	Numerous	Single
Value Chain Interaction	Arms Length	Collaborative
Value Chain Philosophy	Adversarial - Price Based	Mutually Beneficial Partnerships
Value Chain Focus	Commodity Production	Consumer Experience
Market Structure	Spot market - Auctions	Long-term Contracts
Co-ordinators	Wool brokers	New Zealand Merino Company
Buyer	Next agent in chain	Final Branded Manufacturer
Farmer focus	Price takers	Partners in a Consumer Experience
Farmer philosophy	Wool Grower (Commodity Product)	Brand Partners (Integrated Experience)
<b>Market Engagement Differences</b>		
Source of Market Knowledge	3rd Party Commodity Information	Brand Partner (Retailer or Manufacturer)
Delivery	News Media	Brand Partner Meetings
Feedback Loops	Minimal	Integral
Information Provided	Aggregated and Pooled	Client Attribute Specific
Grower responds to	Price Signals	Consumer Needs and Technical Specifications
Understanding of Consumer Needs	Low Sensitivity	High Sensitivity
Grower Advocates	AWI	NZMC
Role	Production Technological Innovation	Market Driven Coordination, Facilitator and R&D
Marketing Expertise	Limited	Integral
Approach to the Pressure	Narrow and Defensive	Open and Expansive
Response:	Aggressive Legal Defense	Market Opportunity
	Technical Solutions - Clips	Consumer Solutions - Accreditation Program
	Independent and Insular	Collaborative and Open
	Publically Defend	Privately Diffuse
<b>PETA Action</b>		
Media Attention	<b>Boycott Target</b>	<b>Boycott Target</b>
Public Perception of Wool	Hot Topic	Past Issue
	Indifferent	Positively Support