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Supplementary submission to WSSR Panel

Australian Merino Exports Pty Ltd responded to an invitation from AWI's WSSR review Panel to highlight potential areas of cost savings, between the grower and the principle first owner. Our understanding of the Panel's objective was to improve the logistical cost structures currently in place between seller and buyer, with the ultimate aim to improve the net income returns of the woolgrower.

In our submission we highlighted various areas that we believe require formal structural industry change, as well as suggesting areas that currently reduce competitive tension which we believe would in turn lead to improved returns for woolgrowers.

The subsequent open discussion held recently in Melbourne, regrettably failed to address these issues as the Panel felt such "minor" cost savings to growers was not what they were looking for, instead it was "quantum leaps" that AWI were chasing through the introduction of a sale by description, online portal. Clearly the PR department of AWI has shifted the rhetoric from "competitive tension" to "Quantum leaps".

To cut to the core of this issue, without a wool sample to view and feel, Australian Merino Exports is only able to offer a basic price. When a sample is made available, the opportunity to offer a higher price becomes available."

In Press statements made by AWI CEO, Mr. McCullough this week, it was stated that wool auctions made "no sense". Such statements highlight the industry's suspicion that that this anti-auction sentiment has been the driving motivation for the Panel review, despite statements from Mr. McCullough suggesting the issue is independent of AWI. His declaration that AWI would fund the portal when the industry has not even expressed the desire or intention to use such a system is arrogant. As the WSSR review is still a work in progress, such comments are premature and must be of great concern to wool growers who, as we know, provide significant funding to AWI.

Our company, which has established itself in the last 8 years as an innovative, modern exporting and processing wool business, is not inhibited by inertia and we believe the wool industry as a whole, is not either. Recent spikes in the market have lead to more buyers and sellers (including ourselves) using current futures and forward derivative platforms to manage their overall risk profile. As growers become more confident and educated with such systems, we believe the percentages of other selling methods will evolve in a commercially sustainable manner.

One of the fastest growing areas of our business includes our expansion into early stage processing types, for which it is imperative that we retain a sample for inspection prior to sale. Wool should be regarded as a specialty fibre, *not* a commodity and the current push to "Industry type" and generically value the wonderful characteristics of this unique fibre would be to the detriment of the wool growers bottom line in the long term. The more eyes that determine the real value of individual lots to the buyer- the better for the grower and wasn't that the very reason for the review – to increase the growers bottom line?

Australian Merino Exports is strongly opposed to the suggestions to replace the current auction system with a sale by description, online line portal. We also believe that sufficient alternate selling options are already available to woolgrowers. Contrary to ignorant public commentary, the wool industry is already entirely online except the actual exchange of ownership, with all data being transmitted electronically from wool grower to end user. **Any attempt or suggestion for AWI to use woolgrower funds to finance the establishment of the portal should be rejected as it simply adds another layer of cost which in turn reduces the competitive tension to growers on their wool.**

Whilst the academic opinion from the Panel may suggest the portal is the best way forward, as an organisation with a financial stake in the wool industry we take a commercial view which differs to that of the panel and would be happy to discuss in detail should the Panel wish.

Chris Kelly and James Thomson
Managing Directors, Australian Merino Exports