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Attn. WSSR / To Whom It May Concern

Dear Sirs,

We are a relatively new top-making mill (since 2013) based in Taiwan and have followed the debate with regards to WSSR's objectives and initiatives, albeit from afar, with great interest. Supply of high quality Australian wool represents arguably the most important corner-stone of our business; therefore we can no longer follow the discussions without adding our perspective as recent developments in the debate are alarming to say the least.

The initiatives for change are always welcome, especially when it comes to questioning dogmas and processes/procedures that have not changed for a long time – any progressive business (or society for that matter) should regularly seek improvement of products and services. Change for the sake of change, or worse yet: change confused with perceived action/activity are on the other hand counterproductive so it is important that there is a distinction is made between a review in its own right (a good initiative) and the need for a tangible result OF the review which is more subjective.

We feel the latter (the need for a tangible result, or change, regardless whether it is an improvement) is gaining momentum even though *no* change *could* be the correct way forward; we cannot comment on hypothetical outcomes without independent modelling data however we can categorically state the following:

Any attempts to standardize / "commoditize" wool for sale by description will be resisted by ourselves and I dare say we would not be alone in this view although I would be reticent to make comments on behalf of others.

We specialize in mid micron wool (23-28mic) where it is imperative that our supplier values the wool correctly as the difference between a Japan-style high quality lot and an average top-making lot is significant with regards to colour, style, processing performance (whether combing or spinning) and so forth.

If a body was to guarantee the valuation (or put differently: performance) as a direct extension of the proposed sale by description, that body would need very deep pockets as the cost of an incorrect lot being erroneously included in a delivery grow exponentially throughout the processing chain. Before even entertaining the thought of buying wool on description, who will be financially responsible in the event of incorrect description or other irregularities; this responsibility is currently shouldered almost solely by the exporter of which the importance should not be underestimated.

If sale by description became the norm, our company could no longer risk buying Australian wool as the expertise and accountability would be reduced. We need both (expertise AND accountability) and are prepared to pay for it.

The other point we wish to make is on the ever-debated Buyers Service Charge. To increase cost efficiency and to create a level playing field (broker competition as well as geographical variances due to distance, bale weights and lot sizes), we would support an initiative to completely ABOLISH BSC for exporters and that the broker charges the grower the correct fee for marketing his wool including transport to a central location as required.

On face value this may be seen as transferring the cost from the buyer (exporter, processor) to the grower but actually it would increase the net return for the wool to the grower as the broker will have to become competitive in order to secure the grower's business and THAT is likely to improve the returns for the grower, however modestly.



Another point we wish to make is on that of increased competition in order to increase return for the grower; let's not forget that this is driven from the end product and even more specifically (if we talk retail which is where most products end up) the return per square meter of sales area for the party that takes the final "risk" before the consumer makes his/her choice.

The efforts to increase return for the grower would be better spent in education of consumers why they should buy wool specific products rather than whether 13 or 18 exporters are bidding on any given lot; the "buyer" competition is a mere extension of what happens further down the chain and any attempts to cosmetically change the perception of buyer competition in its own right is surely doomed to fail (in our opinion).

Finally, with regards to initiatives to improve the overall process of transferring wool from the grower to overseas buyers such as ourselves, we feel there is room for improvement with regards to control of quantity offered each week.

The production is relatively well known (+/-5% at worst for annual production), therefore we propose the following change: a quantitative range of wool to be made available each week, coordinated nationwide to comply, loosely outlined as follows:

Each week a minimum of say 30,000 bales (difficult to manage / enforce but as a starting point) and a maximum of say 40,000 bales (this is easily managed) to be made available for sale; this will give the buyer confidence of quantity (knowing full well that the breakdown of QUALITY will vary based on seasonal variances).

We have seen how uncontrolled quantities added to a sale distort the market and pricing unduly; Our suggestion is that brokers report on the quantity they will put up for sale on a first come first serve basis; once the weekly ceiling is reached, the wool will have to go onto the next week.

This alone will be a stabilizing factor which will increase the desire for long term contracts, processing commitments and finally an increased confidence (however small it may be) from retailers. This suggestion is a more indirect benefit that may be hard to measure initially but once stabilization improves (much needed as world supply is Decreasing), then the measures as how to increase the actual price for the grower will become marginally less difficult; the two approaches should of course occur in tandem.

Thank you for the opportunity to express these opinions, we will follow the WSSR process with regards to outcomes with great interest.

Yours sincerely

Kristian Flanagan
Managing Director
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