

Wool Selling Systems Review Submission

Introduction to the NZX Australian Agribusiness:

The following submission is on behalf of the NZX Australian Agribusiness, which operates three established Australian Agribusinesses, based in Melbourne. The company is wholly owned by the New Zealand Stock Exchange (NZX) and identifies as both a 'markets' and 'information' business. The NZX objective is to "build and operate markets which improve the economies in which we operate".

The three brands which operate under the NZX Australian Agribusiness banner are the Clear Grain Exchange, Profarmer Australia and Australian Crop Forecasters.

The Clear Grain Exchange provides an online trading platform that allows buyers and sellers of Australian grain to transact both physical grain and forward contracts at up country storages across Australia's grain growing regions. The exchange was launched in 2008 and is Australia's largest online marketplace for grain, having transacted in excess of 3 million tonnes to date.

Profarmer Australia is an independent team of specialist agricultural commodity analysts providing strategy, analysis and tools to empower decision making for Australian agribusinesses. Profarmer Australian has maintained continual involvement with the Australian wool industry through a weekly wool and sheep strategy publication for subscribers.

Australian Crop Forecasters are a leading independent Australian grain crop forecasting service.

Submission:

As a stakeholder in the Australian wool industry, the NZX Australian Agribusiness remains committed to the continued improvement and sustainability of the industry. We will continue to support developments which supporting this. The WSSR Discussion paper has outlined a number of issues currently faced by the Australian wool industry and puts forward potential solutions to address many of the challenges identified.

Here at the NZX Australian Agribusiness we can identify with many of the issues addressed and support resolutions that promote further improvements to the efficiency of the supply chain, ultimately reducing the cost of moving Australian product to market and increasing returns to Australian wool producers.

These include operational efficiencies, by aiming to improve logistics and the cost transport as well as pricing efficiency, by ensuring that price realisation reflects the underlying demand for, and supply of Australian wool.

Wool Exchange Portal (WEP)

The key recommendation from the WSSR Discussion paper was the proposal of a Wool Exchange Portal (WEP). Whilst we understand the concept is in its infancy, we support any resolve that would improve the efficiency and transparency of the Australian wool selling system. Adopting modern technology in the way Australian wool producers sell their clip has the potential to greatly improve the selling process, and ultimately returns to producers and broader industry.

Modernisation of the wool selling system has the potential to provide a host of benefits to the industry including but not limited to; increased transparency, further competition, reduced costs, access for new entrants, improved efficiencies, further access to information as well as increased convenience of selling.

The NZX Australian Agribusiness has had first-hand experience in developing an online marketplace in an industry that had yet to adopt an online model, through the Clear Grain Exchange . We understand the immense challenges that undertaking such a task entails however we are also fully aware of the opportunities it can create. Considerable changes to an established process are bound to result in challenges in the process of becoming successfully adopted. It is critical for the success of such a radical development to be aware of the potential challenges which may arise.

The NZX Australian Agribusiness has gathered valuable expertise in implementing an effective and efficient online selling system in the 6 years of operating the Clear Grain Exchange. Through our understanding of the Australian Wool Industry from our experience with Profarmer we recognise there are also considerable differences between the two industries, each having their own complexities which will need to be considered when assessing a suitable model for an online wool marketplace. However despite differences in requirements between the grains and wool industries we feel that through our experiences within the grains industry via the Clear Grain Exchange we have a firm understanding of the integral considerations to an effective exchange. These include but are not limited to the following:

- *Utmost confidence in the testing/quality classifications.*
- *Standardised quality classifications*
- *Industry acceptance and adoption of the proposed selling mechanism*
- *A model that allows participation from a variety of market participants (growers, brokers, buyers, exporters etc)*
- *A model that provides added advantages of participation.*
- *Provides simplicity, convenience and ease of use.*
- *Provides transparency*
- *Provides greater access to information.*

If effectively designed, a WEP for the Australian wool industry has the potential to provide enormous value regardless of the final format. Further transparency in the Australian wool market, improved efficiencies in the supply chain, and greater price realisation for sellers would all provide benefit to wool producers and the broader industry.

We feel the NZX Australian Agribusiness is well positioned to leverage existing knowledge and expertise to assist the scoping and potential development of an online WEP and welcome further



discussion and consultation on the matter. Here at the NZX Australian Agribusiness we will continue to follow the WSSR with interest and eagerly await the findings to be released later this year. We will continue to support initiatives that will prosper the Australian wool industry.