

WOOL SELLING SYSTEMS REVIEW.

SUPPLEMENTARY SUBMISSION.

This supplementary submission is made in the context of the wool industries' response to the Review Panels Discussion Paper- July 2015 and the subsequent consultation at the Rialto on the 25th July. It also encompasses matters that have perhaps wittingly or unwittingly been overlooked and deserve scrutiny.

As I said in my original submission, greasy wool is probably the only product that Australia produces where the world discovery price is the domain of Australia. The cavalier way in which our statutory wool institutions have over the decades flaunted this responsibility is astounding!

As became evident during the Rialto discussion, the industry is very suspicious of any attempt by the statutory wool institutions to meddle in the selling system. Talk of electronic selling by the institutions immediately conjures up images of "sale by description, elimination of the greasy wool samples and centralised selling"; all anathema's to the wool trade.

As Professor Samuels said in his opening remarks at the Rialto "the industry is deregulated, there is no evidence of lack of competition, there are plenty of growers, brokers, exporters and early stage processors; the market is transparent and there is no evidence of collusion".

If this is correct, and there is no evidence to suggest otherwise, then a competitive and innovative industry such as ours ought to be allowed to grow and adapt "organically" as it is indeed doing;-some electronic selling is already in operation. To suggest or infer premature change can in itself lead to a lack of confidence, which can adversely affect the market.

Instead of promoting an obvious furphy such as the "Wool Portal" perhaps it would be more productive for a panel of such eminent people to examine areas that may aid innovation and efficiency and in time aid the facilitation of organic changes to the price discovery of the Australian and thus the world greasy wool market.

The three most important aspects of any agricultural commodity in today's market are: brands with strong consumer recognition, traceability (from farm

to consumer) and adoption of new technology to enhance efficiency, both pricing and operational.

BRANDS: While brands are not a matter for this study, brands are an issue that is within the realm of Australian Wool Innovation (AWI) jurisdiction. With the collapse of AWI's much vaunted wool mark symbol, brands or more importantly the lack of strong brands associated with wool, ought to be the subject of another independent review as a matter of urgency.

TRACEABILITY: The modern consumer, particularly those with high disposable incomes who purchase and wear garments made from natural fibres like wool, increasingly demand trace back to the property or the farm of origin. Some would argue that because of the nature of the wool industry this is not achievable, however obvious blockages to this process need to be unblocked; with innovative technology it is impossible to argue that this requirement of the consumer might not be achieved in the future!

The obvious blockage at the moment is the procedure where an exporter after purchasing a number of grower lots to fill an order or a combing batch, then surrenders the original Australian Wool Testing Authorities (AWTA) test certificates and is reissued with an amalgamated certificate that represents the average of all lots. This procedure extinguishes all identification of grower's branded lots which means at the point of scouring the only information remaining is the property brand on the wool bale. Without the AWTA test certificate this is quite meaningless information. Obscuring this valuable information is to the commercial benefit of the wool trade rather than to the benefit of all of all interested parties in the whole industry. The reasons why this happens and how this situation can be changed needs to be a matter for consideration by this Review Panel. To ignore this important issue is to turn a "blind eye" that allows the wool trade to defy a worldwide trend of consumers wanting traceability back to the property of origin and the additional benefits accruing including enhanced end product performance!

AUSTRALIAN WOOL TESTING AUTHORITY (AWTA):

AWTA again sits at the crossroads of potential innovation in the greasy wool market. For the Review Panel to remain silent about AWTA would be a serious dereliction of obligation. It should have become apparent to the Review Panel, very early in their endeavours that the wool trade is extremely pedantic about retaining the right to inspect samples prior to auction. The trade have very

good reason for being pedantic about this matter. Has the Review Panel questioned why this is so? Have they asked what needs to be done to remove this requirement? If not why not? Resolving this matter would be a major breakthrough in increasing market efficiency. I know why the trade wants the right to inspect samples prior to auction, and I believe this situation can be resolved with research and the innovative adoption of new technology. However while AWTA continues to retain a privileged position of a tax free status, (as an educational institution of all things) competition is denied from other players and the much needed research and adoption of new technology is denied the industry. Tax free status inhibits competition which has allowed AWTA to become lethargic and avoid the need to innovate.

This is intolerable particularly as reliable and intricate testing of all of wools commercial characteristics required by individual buyers, is the secret to future progress in the marketing of the Australian Wool Clip!

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1st September 2015