



10th September 2015

Wool Selling Systems Review

2nd Submission to the review panel

Dear John,

The Schneider Group strongly support innovation and technology improvements in the wool industry and we have always welcomed the review instigated and funded by AWI. We made a detailed submission to the 'issues paper' and attended the workshop in Melbourne. We were very disappointed in the outcome of that day and felt little was done to address our issues as a major customer, financier and supporter of Australian woolgrowers. In our opinion, the media comment following didn't reflect the mood of the day. We were in attendance also when panel member, Bernie Wonder, addressed the Exporters at our AGM. Likewise we were disappointed in the lack of detail provided to date with regards to the proposed Wool Exchange Portal (WEP). In our opinion, at least with the information provided to date, it fails to address the basic intention of the review, to improve returns to AWI grower shareholders. We urge caution to Australian Woolgrowers before allowing AWI to invest funds in establishing and maintaining the proposed WEP. They should seek, as we are, further detail with regards to the reported cost savings, improved competition and increased demand benefiting their wool business.

As a first stage processors of wool, it would be argued that our dependence on wool is greater than that of many of AWI's grower shareholders. As the ultimate buyer, financier, guarantor and processor of the wool we buy, we demand the sample be available to us, all types and descriptions with no exceptions.

Sale by description – Our company is totally opposed to this concept as it does not suit our requirements. We'd be happy to work with panel members 'over the sample box' to detail our reasons if requested.

AWEX id – this is a good typing system for market reporting but is not commercial nor is it useful in estimating the processing performance of single lots. The AWTA does not guarantee the processing performance based on the test results they provide. The panel identify some types can be sold by description. Wool is a special, natural and extremely variable fibre, not a commodity that can be sold on an industry average or standard type (AWEX-id) and supported by measurements that do not guarantee the processing ability. The panel should detail how they came to this conclusion and how they estimate removing the sample will give a greater return to the grower.

Finance – 7 day prompt was mentioned regularly in the discussions paper. Why does the panel make very clear the fact that they will leave the internal workings (nuts and bolts) of their proposals to the industry but the 7 day prompt appears in the discussion paper regularly? The cash terms are very restrictive on most, if not all exporters, yet the panel seems not to see this as a wider issue for the industry despite being raised by the customer and financier of the clip.

GST – we were advised by the AWI CEO at the time that the panel will have direct access to the government and everything will be on the table. Why does GST on wool, almost entirely an export commodity, not gain any consideration from the panel?

Logistic handling costs are our major expense. We must pay the nominated charges, ultimately a cost of the export process and as such at the grower expense. This appears to have been largely glossed over in the review process.

WEP – a cost benefit analysis should be provided to those potentially funding and ultimately using the WEP, maybe this is forthcoming and we welcome it before being able to add further to this concept. If AWI is prepared to fund it, as suggested by their CEO, we strongly recommend woolgrowers challenge the panels findings with regards to the costs savings and potential increase in demand. We will be interested to understand how it will



increase demand, build competition or reduce costs? All directives of the WSSR process.

The modernisation of the auction system – The auction system is digital with the only exception being the physical ‘open cry’. The industry, and particularly our company, have made considerable advances in technology to remain competitive in all aspects of the wool business. In our case, pre auction, detailed auction archives and our own purpose built export and logistic software and financing and processing software. All are managed in house. This extends through to delivery of wool tops and traceability back to grower farm lot origin when required by our customers. Not to mention enormous investment in technology in the industrial division. It’s offensive to claim the wool industry has not advanced digitally.

Electronic trading system – to compare the Auctions Plus system (domestic buyer, large parcels) for livestock with wool (smaller lot size and predominantly for export) is not a real comparison. To date no electronic selling system has been developed that even closely challenges the auction system for wool, and until one does, it won’t get strong support from exporters. One should be built, tried and tested before creating a portal to house it, in our opinion. A lot of research is available on the effect of the internet as a point of sale option on economic commerce, in particular the effect on price and competition.

Quality – the first thing anyone does when seeking a better price, must be to improve quality. This point is extremely important to us. AWI must be involved in promoting and encouraging quality in the Australian wool clip. Too many grower submissions were focused on reducing standards in order to improve returns. We remain adamant that any system that focuses on reducing quality standards can only lead to long term lower prices. Our company is very supportive of AWEX and the role that they are playing in terms of maintaining and improving quality control issues via the industry Code of Practice. This should be supported in this WSSR in our opinion.

Commission buyers – despite our own staff in each selling centre nationally, we have the necessity to use 2 commission bidders. We give them clear instructions daily and they are expected to follow that is if they were our own staff. Nothing less is acceptable. We fail to see how this could be considered detrimental to the Australian wool grower.

Our company is concerned with the lack of detail that has been offered for the WEP but remain hopeful more is forthcoming. We are always interested in improved technology for efficiencies but are yet to understand if the WEP will offer any such advantage to our company. Other issues, as raised above would benefit us more and as a result be beneficial to our grower suppliers. We are adamant that the grower welfare and our welfare remain very closely aligned. If one side is profitable, historically the other will be too.

We look forward to the considerable detail required from the WSSR panel and are available for further input if requested.

Tim Marwedel
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