

22nd August 2015

Mr John Roberts  
Secretary WSSR

Dear Sir Supplementary Submission

From a report in The Land (29th July) it may be that the combination of self interest, self preservation, lack of knowledge of how the industry really works and traditional thinking, denied the opportunity of positive reform -which was the real purpose of the review. It has forever been thus and some of the reasons the industry is in the present state of decline.

I make the following points for consideration at the next "review".

- 1 Growers must accept that science, technology and computers are now integral to creating an efficient, economic wool handling and selling system.
- 2 Sale by Description for most wools, despite what is promoted by some exporters, is an efficient low cost method of handling and selling wool. Sale by Description has been available since 1990 but a boycott of trial sales early in that decade by Japanese Exporters put an end to further acceptance. Brokers some time later attempted to place a "style" symbol against each lot in the catalogue but this was resisted by the exporters and did not proceed. If a type or style symbol was shown together with existing test information in the catalogue, any lot can be fully and accurately described.
- 3 Classing standards require a complete overhaul. The most effective wool classer is one who keeps the lines even and together to obtain the best average and lowest costs for the grower.
- 4 Centralized Storage did not rate discussion despite some Exporters expressing dissatisfaction with the present multitude of storage locations.

In the 1991-2 season the Queensland clip totaled 389,341 bales with six brokers operating. In the same season, the Sydney, Newcastle and Goulburn centres handled 1,243,806 bales with four major brokers operating in those centres. Smaller city and regional brokers handled 388,669 bales. Obviously the quantity of wool produced at that time could support the large number of operators.

In the 2012-2013 season the Queensland clip totaled 77,172 bales with 2-3 brokers(?) operating in Brisbane. The NSW clip in 2012-2013 totaled 685,519 bales with 18 storage centres operating, a costly, fragmenting and ludicrous situation. These operators could not be considered entrepreneurs but opportunists, as the high cost of warehouse space at Yennora has allowed them to operate in low cost buildings.

Assuming nothing changes, most of these centres are located in regions where wool is suitable for Sale by Description, that will eventually be accepted by growers because of cost savings.

In this situation will there be consistency of typing by so many individuals and will buyers accept this?. Will AWEX have to provide travelling personnel to check samples?. Will the operators **guarantee** that

the sample conforms to existing trade standards?. Will they be financially able to accept a claim in the event that misrepresentation of the sample should occur?

- 5 The way the industry in NSW can be best brought together is for growers, through AWI to build and own a store in Parkes to control the cost of warehouse space. All NSW & Queensland wool would be processed at this site by an independent experienced operator or group in the fields of sale preparation, dumping and placing in containers for rail shipment to export port. Such an operation would bring about greater efficiency and significantly reduce costs to growers and buyers.
- 6 AWEX should come under the chairmanship of an AWI Director in order to link in with specific AWI initiatives and give growers a more representative voice than exists now. The functions of AWIEX would basically continue as now: (a) compile Statistical Year Book (b) organize sale room selling arrangements and review and minimize sale room charges (c) review classing standards including acceptance of unskirted clips, having been crutched less than 3 months before shearing and classing carried out by a registered classer (d) decide on a minimum lot size that can be sold at auction (e) recommend what style categories can be amalgamated and compile schedule of parameters (f) promote Sale by Description for suitable wools (g) inspect samples and bales to ensure correct typing and validity of test results.
- 7 Centralized Selling in Melbourne appears to be supported by growers and buyers, brokers not mentioned. The average lot size in season 2012-2013 for northern centres was 4.55 bales and southern centres 5.87 bales.

There were 45 selling weeks in that season and the sale of 696,338 bales in the north required 113,080 lots selling over 1- one day sale, 40- two day sales & 4- three day sales.

In the south 1,00,746 bales required 160,377 lots over 26- two day sales & 19 -three days selling.

The Questions are:

- (A) Is there sufficient show floor space to cater for the number of bales and boxes in the peak weeks?
- (B) are buyers able to value and process the number of lots and bales in the peak period?
- (C) Do buyers have a lot restriction on the number of lots that can be offered each day?

It is evident that the average lot size must be increased to reduce the number of lots on offer. A minimum lot size that can be offered would be 3 bales, specialty bales would be exempt. As the take of Sale by Description occurs, so will the requirement for show floor space in Melbourne decline.

- 8 It is essential that computer selling be developed and introduced as soon as possible as a means of streamlining the auction system, at least for wools sold by description.
- 9 The yearly sale roster is published ahead but it is not possible to accurately forecast in advance anticipated quantities to be available each sale. High percentages of passed- in wool, whether on brokers or owners instruction can overload later sale quantities when reoffered. **To overcome this, all passed - in lots should be placed on Wool Trade for sale, so that the only wool coming to auction is first time offered.**
- 10 Is the Wool Exchange Portal really necessary?. The auction system is understood by all participants in the industry & is transparent. Also, Wool Trade and Auction Plus are efficient and easily understood

mechanisms already available, as well as growers having the option of private sale from the shed. Surely, the purpose of the review is to create efficiencies and reduce costs, not the opposite.

- 11 Obviously the decline in wool production must have had serious effect on AWTA's bottom line. The small lot size situation has no doubt been helpful. As the sole provider of wool testing services they are obligated to service regional warehouses as detailed below :

NSW-21 centres, Victoria -9 centres, WA -2 centres, SA -1 centre, Tasmania - 1 centre, Qld - 1 centre  
Total 35 centres.

Surely, the centralization of warehousing centres where practical would be a cost saving to the Industry in general and AWTA in particular.

- 12 Lot building operations need to be established to handle small lots ie 1&2 bales, other than superfine specialties bales. Growers could have the option of waiting for the auction price or selling at a fluctuating offer price on arrival at the store.
- 13 The possibility of the Panel arriving at recommendations from the meeting of the 21st July would seem remote. As a suggestion, the formation of a small group consisting two broker members ( north & south), two buyer members, two growers (not superfine), a secretary and a senior member and Director of AWI. Those invited would all have extensive knowledge in their field, have access to gain information from other authorities, be free to put forward any suggestion for the benefit of "wool" without fear of favour.
- 14 I am sure that a positive plan could be developed over a few days of intensive discussion, that would be practical and efficient and would be of value to the Panel.

Yours faithfully  
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