

**Australian Wool Network Pty Ltd submission to the Australian Wool Innovation Limited commissioned Wool Selling Systems Review
(Submission paper and attached response to questions)**

Australian Wool Network Pty Ltd (AWN) is a privately owned and operated company offering commercial services within the Wool Industry to both the Wool Grower and the Wool Exporter. AWN is also a fully vertically integrated manufacturer and retailer of Australian wool products.

These Australian made products have established markets in the travel and outdoors product markets. As a relevant perspective AWN is owned (i.e. its shareholders) by predominately Wool Growers.

In both wool broking and manufacturing AWN operates in mature competitive markets where market share is earned under extreme competitive pressure and profitability can only be achieved with high degrees of efficiency and innovation to achieve a point of difference and drive costs down.

AWN people conduct business with their grower clients in a committed relationship, and are not transactional in nature. These relationships can span generations and exist because of trust, transparency and honesty in all dealings. This transparency involves sharing information and knowledge about;

1. Wool Preparation
2. Delivery and Testing
3. Wool Appraisal
4. Price realisation
5. Market Conditions
6. Invoicing and payment
7. Export process

Competitive tension in wool broking ensures other companies weakness in their commercial offering or higher costs for certain services is exploited by a competitor to give the wool producer the opportunity for the lowest cost for the service offering they want possible.

Wool broking services have changed dramatically in the last 20 years from a virtual duopoly of high cost commission charging brokers to a plethora of smaller more nimble companies with fixed costs per bale and a more personal service offering. These companies are mostly regionally based and have a strong and personal relationship with their grower clients.

These companies generally offer auction, forward contracts, wool futures contracts, direct to processor sales, store door and on property purchasing, and on farm and shed visits during the 12 month growing period.

A full range of service offerings operate in a competitive and free market from high service commencing from ram selection and sheep classing right through to processing, to simple transaction brokers who don't make on farm visits.

There are 16 Wool Broker members of National Council of Wool Selling Brokers Association (NCWSBA), 14 members of the Inland Wool Brokers Association (IWBA), and 15 members of the Private Treaty Wool Merchants of Australia (PTWMA).

Many Stock Agents and Sheep Advisors play a dual role are actively involved in wool/sheep servicing of wool producers throughout the production year. There are 1200 members of Australian Livestock and Property Agents Association (ALPA). ALPA is the peak body for Australian Livestock and Wool agents with full National coverage. AWN is a member of NCWSBA, IWBA, and ALPA.

The level and intensity of competition has been magnified with the decrease in Australian Sheep numbers and wool production in particular since 1990. From 1990/91 with production of around 5 million bales (farm bale equivalents from total kilograms produced divided by 186 kilograms) to around 1.8 million bales. There are no barriers to entry to

operate as a wool broker, apart from industry knowledge, grower relationships, registrations, and organisational memberships.

Australian Wool Network (AWN) peoples input and professional advice increases transparency and maximises its grower client's returns from wool in both the short and longer terms.

SUMMARY OF AWN SERVICES / BENEFITS PROVIDED TO THE INDUSTRY

WOOL GROWERS:

- Carry on financing facilities; from short term finance to interest free shearing advances (for set period of time) for business cash flow
- Sheep classing / ram selection services; including travel to ram sales and selection and bidding for genetic gain
- Provision of wool packs at the commencement of shearing for convenience and cost competitiveness
- On farm visitations (clip preparation to maximise financial return / market intelligence/ marketing strategy/ Risk Management)
- Cost of production calculations and basic business planning in relation to sheep and wool business , which includes forecasting cash flows and budgeting
- Provision of shearing advance to assist with annual shearing costs; provides cash flow at no cost to grower
- Oversee completion of National Wool Declaration; many growers require assistance or prompting
- Insurance on shorn wool; from the point of yarding for shearing to store
- Arrange sale of surplus sheep or agistment when conditions require
- Payment of initial freight and wool testing costs; Company recovers on prompt
- Provision of various marketing options available to Wool Growers; including direct to processing order sales and private buying
- Risk Management products; the full range of options available and explained including good till cancelled orders (GTC) and Riemanns futures contracts
- Delivery of wool bales to various centralised warehouse locations for market preparation; Utilises AWH national network for coverage
- Preparation of the wool clip for marketing (lotting / wool testing /wool typing / Market appraisal)
- Centralised Show floors for inspection by the customer, both exporter and grower
- Post sale preparation feedback to both Grower and Wool Classer
- Rehandle facility for processing lower lines and single bales to maximise lot sizes
- Management and execution of the sale process; highly personalised and in full consultation with grower regarding selling instructions
- Production of detailed account sales identifying Broker charges and recovery of amounts paid on behalf of the Grower; fully transparent and discussed with grower post sale
- Security of Grower Sale Proceeds (wool is not released from the Broker warehouse until payment is received)
- Payment at Prompt (Friday following week of Sale)

WOOL EXPORTERS:

- Assembly of wool bales from wool grower properties into consolidated warehouse locations for the efficient and co-ordinated shipment post sale
- Centralised sample inspection locations which allow Exporters to select the specific wool types on offer to fill their orders from overseas processors
- Efficient transfer of ownership process providing the Exporter with consolidated electronic invoicing of purchases
- Negotiate and manage passed in sale lots, and post-sale inspection of samples
- Post sale warehouse storage facilities providing total flexibility to the Exporter on the final movement of wool from the warehouse
- Retrieval of wool bales from warehouse stacks, assembly into shipment loads, countermark (if requested) and load onto transport

- Generally, the Broker is responsible for arranging transport, on behalf of the Exporter, for the movement of wool from the warehouse to the Main Centre dumping facilities
- A guarantee of performance and accountability to point of shipment/delivery to avoid missed deadline costs
- Access to direct from grower supply , and particularly for niche markets like non mulsed, eco label, downs types, and Australian Super Fine (ASWGA) wools
- Direct Exporter and grower communication through extension activities including workshops and meetings

SERVICE TO INDUSTRY TO INFORM TRANSPARENCY FOR GROWERS

Australian Wool Network (AWN) people are actively engaged in Industry organisations vital to the proper functioning on the Australian Wool Industry and represent grower's interests, and communicate to growers on such matters. Those include;

- The National Council of Wool Selling Brokers (NCWSB)
- The Australian Wool Exchange (AWEX)
- National Auction Selling Committee (NASC)
- Industry Services Advisory Council (ISAC)
- The Federation of Australian Wool Organisations (FAWO)
- The Inland Wool Brokers Association (IWSBA)
- AWI Wool Forecasting Committee (AWFC)

CONCLUSION

As a Wool Broker / manufacturer AWN operates under the strongest degree of National and International competition. These are very mature markets where only low levels of return are possible, and the power is with the consumer (the grower).

Wool growers will only engage with a broker in a trusting relationship, and the ongoing tenure of that business relationship is only achieved through complete transparency.

Equally our relationship with Wool Exporters and Processors is vital to our business, and we have a mutual dependence on achieving each party's best interest, and in turn the wool grower on whom we all rely on.

RECOMMENDATION

The Australian Wool Network supports the scope and objectives of the Australian Wool Selling Systems Review (WSSR), and pledges support to the review panel. Thorough review and analysis is vital to the Industries ability to adapt and prosper in the future.

We trust the information presented in our submission provides extra insight in to the wool broking role, and our perspective as a vertically integrated wool garment manufacturer with all stages of the wool selling process.

We avail ourselves to further input in the review process if requested.

Yours Faithfully;



John Colley
Managing Director
Australian Wool Network

26th February 2015

Submission - Wool Selling System Review

Number	Question	Comments
PHASE 1 – WOOL PREPARATION		
1	Are the direct costs incurred by the wool broker in conducting these visits considered to be part of the broker service charge (BSC) incurred by woolgrowers post auction in the account sale? And, if so is there scope for a “user pays” component should the woolgrower not require this level of service?	Cost to Company of on farm visitations are apportioned between the Seller and Purchaser as both entities receive benefits from the process. On farm visits are vital for transparency and information for grower decision making.
2	During the farm visitations is the wool broker able to provide the woolgrowers and/or classer with recommendations on how best to class and prepare the wool to meet with current customer requirements? Or is the classing advice designed to meet with the AWEX “Code of Practice” for classers?	Advice provided by AWN staff is aimed at maximising the financial benefit received by the Wool Grower irrespective of the AWEX guidelines. Advice for direct to mill/exporter are part of this service, as well as auction. AWN staff are actually present in the shed at shearing to have an influence.
3	To what extent are the wool brokers providing woolgrowers with information they already have? Do wool brokers have an expert understanding of market developments and implications for sheep husbandry and wool production?	AWN employees are well versed in current market requirements and communicate this information to clients throughout the wool growing season. AWN has expert staff from ram selection through wool production and marketing. AWN staff collate and present the relevant information to the grower. AWN staff also provide information and advice to Wool classers and shed staff representing their grower client.
4	Is there scope for the wool broker to provide additional services during the farm visitation?	AWN continues to educate its staff on all facets relating to wool marketing ensuring the information provided to Wool Growers is of the highest standard. Refer submission for full details.
5	In the last decade China has become the largest buyer of Australian wool taking nearly 80% of the total wool clip. This dominance has been accompanied by a more commodity based approach to wool usage as a fibre. Does this evolution present opportunities to create greater efficiencies at the point of shed preparation (for example larger lot sizes) and should the classing “Code of Practice” (COP) be reviewed to better suit this evolving processing consumer base?	The creation of larger lot sizes may have benefits for the Wool Industry in the areas of clip preparation and logistical handling. This process would need to be managed as in some cases the creation of larger lot sizes can be detrimental to the Wool Grower if it limits competition due to the volume of wool within the sale lot. Export ready large lots can and are formed now but risk reduced competition if not exactly meeting order specifications. An opportunity for COP review is for classed but non skirted cross bred fleece wools being within COP due to market acceptance of this preparation method.
PHASE 2 – DELIVERY AND TESTING		
6	For a woolgrower to receive a fully certified AWTA test result on their wool they must first have delivered their product to a wool	If the integrity of the test result is beyond refute, this could be reflected in the final market price received. Wool Tested and held in a Broker

	broker's store that has AWTA certified core and grab sampling facilities. Would there be any commercial benefits to the woolgrower in knowing their final test results prior to delivering their wool to a broker's store?	warehouse ensures the validity of the test information provided. Obtaining AWTA certified test results to IWTO standards on farm is not a practical reality (costs prohibitive).
7	Is there a more efficient logistical process for conducting the testing compared to the current core, grab, tuft sampling, and sample movement process?	Not available at the moment. Integrity of the test information is paramount in the trading of wool. This issue would need to be resolved.
8	After the wool is sold at auction, who retains the box sample? Is there an industry standard procedure for this?	AWN retains the box sample with the Exporter having the option to acquire this sample. No doubt individual Brokers adopt their own commercial procedures regarding the treatment of the grab sample.
9	Can AWTA testing be performed on-farm or at another regional location of the woolgrower's choice if such alternatives are preferred?	Currently the integrity of the test result provided for trading wool is maintained through Broker security of both grab sample and physical bales. On farm testing to IWTO standards is not a practical reality, and regional testing sites currently exist where practical.
10	AWTA currently tests for a multitude of measurements including micron, vegetable matter (VM), yield, length, strength, CVD, CVH, position of break, wool base etc. Are there additional characteristics AWTA should test for that would enhance the objective description process and possibly open up alternative processes for the sale of wool?	Would need to prove there is a clear commercial demand for introducing any further pre-sale tests – this would be an additional cost to the Wool Grower. If there is a need for additional testing required by Exporters / Processors this should be able to be recognised by additional post sale testing activity by Exporters.
PHASE 3 - WOOL APPRAISAL		
11	Can any efficiencies or cost savings be achieved within the appraisal stage of the wool supply chain through some consolidation of the three forms of inspection? For example, why not just have the AWTA apply an AWEX type rather than have the wool broker and AWEX both complete this task?	Some consolidation of the work process in appraising wool could possibly be reduced. The major issue will be the guarantee of wool type if the appraisal is conducted by one industry sector. There must be separation of AWTA role to remain focussed entirely on test integrity and accuracy for international trade. The Broker type and appraisal is our role in representing our clients' interests.
12	Can a combination of AWTA test results and a singular, industry accepted valuation standard provide an online platform for wool to be appraised and valued? If so what efficiencies and costs savings (if any) can be achieved?	As agent for the Wool Grower AWN has a responsibility to ensure the correct appraisal of wool type. This is our role to represent the interest of our grower clients and maintain control on their behalf in the open market. This is the essence of the broker role.
13	To what extent is physical inspection a necessary element of appraisal and valuation? Would the woolgrower be disadvantaged by relying solely on appraisal and not displaying the physical wool sample?	Exporters / Processors (the Wool Growers customer) currently requires the viewing of the sample. The Broker through the current process preserves the integrity of the sample being representative of the physical bales in the sale lot. A current Broker role is of quality assurance for sample integrity and resolution of cross over samples.

14	Should the industry be seeking to achieve a wool selling system based entirely on sale by description? Are multiple systems needed to address diverse buyer needs?	Some standard types could be sold through this method however this could not be a single solution to the marketing of wool due to the multitude of variables on wool types and customer needs. Also guarantee of wool type still needs to be resolved. Such systems exist e.g. Wool Trade, and sale subject to sample inspections, as customers want to see a sample.
15	Could woolgrowers exercise more discretion in the type of tests performed on their wool in order to save costs?	Possibly. If the Exporter / Processor require the test information, a reduction in test information may have a detrimental financial outcome for the Wool Grower. Additionally, if a specific test process was withdrawn at pre-sale and the Exporter required the information for the Processor this would be conducted post sale at a higher cost – which would no doubt be reflected in the Exporters bid pricing.
16	Does the information provided on the show floor meet buyer needs? What, if any, additional information would be useful? What information could be dispensed with?	Current information provided on the show floor appears adequate for the marketing of wool however this requirement will be dictated by the Exporter / Processor. If post sale testing activity indicated additional information was required then there would be a case for reviewing requirements.
PHASE 4 PRICE REALISATION		
17	What other selling alternatives exist for woolgrowers in the market place today and how do the selling costs to the woolgrower compare to the traditional auction method? What other methods are worthy of investigation?	Wool Growers are provided with an array of methods of exchanging ownership. Wool Growers will decide on their preferred method of sale regardless of the number of selling options available.
18	Do or could other selling alternatives generate a comparable or greater level of competitive tension at the point of price realisation relative to traditional auction?	The current auction method is the preferred system utilised by Wool Growers in the exchange of ownership. This system provides transparency, price discovery and facilitates wool market reporting requirements to the industry. All other selling methods determine their price point from the auction system. No other sale method generates the same level of competitive tension than auction.
19	If the auction system delivers the highest level of competition for growers' wool are there more cost and time effective methods that would ultimately benefit the woolgrower (for example: online selling) and would these savings be passed down to the woolgrower?	While online computer selling could be a potential benefit to the wool industry, when taken in context, the cost savings to the industry would be minimal.
20	The present auction system is dominated by exporters purchasing wool on behalf of their clients. Is there further potential to shorten the supply chain and involve downstream interests earlier in the ownership of wool with a view to removing or reducing costs?	The Exporter has the expertise to assemble a group of lots together to provide the processor with the requested order. It is a commercial decision of the Processor to have an Exporter agent to acquire the batch orders and arrange finance, shipment etc. Perhaps from the Processors point of view this is the most efficient method. Price and supply risk is passed on to the Exporter by the processor, giving the processing customer the best possible business

		arrangements.
21	The Panel understands that due to a reduction in weekly auction volumes a number of exporters no longer employ a full time wool buyer in each wool selling centre of Australia. This has resulted in a number of commission buyers holding multiple buying limits from a number of exporters. Against this background, is it well known whom a commission buyer is acting for in respect of individual purchases? Do commission buyers confront any conflicts of interest in their purchasing decisions when buying on behalf of clients with similar interests? What effect (if any) do such issues introduce with respect to competition for a woolgrower's wool? Is there a need to cap the number of clients one commission buyer can buy for?	This is a commercial decision for Processors / Exporters. Any suggested restriction / cap on the number of clients an Exporter can purchase on behalf of may add costs not reduce costs or increase competition. The size of the selling centre is a factor, and wool exporting remains an ultra-competitive business where buying wool at best to meet orders is a matter of commercial survival.
22	Are stakeholders able to draw examples of previously attempted selling alternatives and reasons for their lack of adoption to the Review Panel's attention?	There have been previous proposals for alternate selling systems including: <ul style="list-style-type: none"> • Computer Selling System designed by AWTA • AWEX EClips • Computer Selling Systems designed by Brokers (e.g. Wool Bid) • Auctioning of container loads of wool in China by a Broker (eg Global Auction) • Non classed, non -skirted, stain and bellies removed , and direct to processor (Fibre Direct) • Jumbo bales direct to processor At this time all appear to have failed due partly to the simplicity, transparency, and maximum competition of the full market of price discovery and exchange of ownership delivered by the current auction selling system. Non-conforming preparation methods defy commercial logics.
23	Are auction results communicated in an efficient and timely manner to market participants and thereby enhance the dynamics of the price discovery process? Why is it necessary for AWEX staff to attend auctions to record information for their market reports? Couldn't this information be automatically generated at lower cost?	The information is recorded by AWEX staff and utilised by all participants via the data exchange network. If the price/ buyer information was not recorded by AWEX staff it would have to be captured by Broker staff. Difficult to identify the savings given the function has to be delivered by someone. Electronic Selling may assist in addressing this issue. AWEX provides an efficient and highly detailed market reporting service with complete integrity and is respected internationally.
24	Are the auctions basically the same in each of the three major selling centres, or do they differ in some respects? Are there transparent rules governing the conduct of auctions? Do	All selling centres are conducted under the same transparent rules. Only variation in centres could be dictated by volume of specific wool types on

	auctions in the different centres generally realise similar outcomes for the sale of specific wool types?	offer in any one location.
25	Are there barriers to entry or other impediments impacting participation at Australian wool auctions? Could those barriers or impediments be reduced by adopting alternative processes? What are the key requirements and/or costs applied in order to participate?	Yes, but minor. Through the wool auction system AWEX membership is required, and compliance of the set Rules and Regulations. The barriers in place are there to protect the integrity of the auction selling system. Wool can be traded privately (outside the auction system) without these barriers.
PHASE 5 - INVOICING AND PAYMENT		
26	In what proportions is the Post Sale Charge (PSC) borne by the various participants in the supply chain? For example, is the cost incurred by the exporter reflected in the price paid by the overseas customer? Or is it taken out of the initial price they bid at auction for the woolgrower's wool?	This point is best addressed by the Wool Exporter fraternity.
27	What services are provided by the wool broker to the woolgrower that is covered by the Broker Service Charge (BSC)?	<p>Broker Service Charge can represent one single charge or a multiple of charge categories depending on the services provided eg.</p> <ul style="list-style-type: none"> • Commission • Warehousing/ Wool handling • Insurance • Grower Excess storage • Wool Lot Building • Resolving discrepancies between wool specification and bales received • Identification of overweight/underweight bales • National Wool Declaration completion <p>The cost of services and charging structure will vary between Brokers dependant on their service levels and corporate overhead costs. The structure and level of charges will be a commercial determination by individual Brokers. These charges are governed by maximum competitive tension in this market (refer AWN submission paper for full details).</p>
28	What services are provided by the wool broker to the buyer that is covered by the Post Sale Charge (PSC)?	<p>Post Sale Charge represents services obtained and benefits gained by the Exporter from the functions conducted by the Wool Broker. The major items included in the PSC include:</p> <ul style="list-style-type: none"> • Warehouse labour • Occupancy costs • Equipment • IT Costs

		<ul style="list-style-type: none"> • Baillie Insurance • Electricity • Wool procurement • Industry costs • Corporate overheads • Cartage to Dump • AWN Profit margin
29	Are all costs incurred by the woolgrower sufficiently transparent (i.e. are they generally known and publicised prior to the sale of wool)?	AWN Wool Representatives discuss Broker Service charges with the Wool Grower during farm visitations prior to or during shearing. Some growers chose to be more enquiring on all charges, and AWN staff explain industry and company charges in detail.
30	Is there potential for a more detailed breakdown of the individual selling and buying costs of wool to be made available to woolgrowers to facilitate more informed commercial decisions regarding the sale of their wool? Is there a need for an industry standard invoice or account sale format?	Wool Brokers conduct commercial businesses competing with one another on a daily basis. Industry standard invoicing or account sale format would not be supported by AWN while it competes to deliver a point of difference in the market place.
31	Given a move to a more transparent invoicing standard, would there be a demand for the broad introduction of a tiered wool broker service/price offering, such as: Premium, Standard and Basic?	The bundling and offering of services is a commercial decision for each Wool Broker entity. Given the number of competing Brokers in a diminishing wool production environment, price for service competition is a good outcome for the Wool Grower. This view is supported by the continued reduction in commission broking services in favour of a flat per bale fee. Refer AWN submission paper for more details.
32	Could there be any material benefits to woolgrowers by extending the exporter's payment period for wool from the existing 7 days prompt period? (i.e. would this free up additional working capital that could be applied to create increased competition at the point of price realisation?)	Exporters / Wool Growers prompt dates are the same – not 7 days after Buyers payment as referred in the Phase 5 of your review questions. Any extension of payment period to the Exporter would also be extended to the Wool Grower. This would be a mere transfer of financing cost from the Exporter to the Wool Grower.
PHASE 6 - EXPORT PROCESS		
33	Is there scope for the exporter and processor sector of the industry to leverage its combined scale to negotiate more competitive freight rates from shipping companies and freight forwarders?	No comment to offer. Container freight rates from shipping companies are best addressed by the Exporter / Processor fraternity.
34	Can the exporter sector of the industry leverage its combined scale to negotiate more	Wool Dumping is a commercially operated service and open to entry by any organisation wishing to

	competitive rates from wool dumps and whether there is scope for an industry owned and/or managed facility?	<p>compete. Difficulty of entry would be largely due to the capital cost of acquiring Wool Dumping machinery and the ability to achieve a satisfactory ROI.</p> <p>Reduced wool production has added pressure to the preservation of these enterprises in the longer term. As older equipment is retired replacement equipment is not being sought. The industry continues to witness a contraction in the level of this service.</p>
35	The exporter's ability to achieve consistent and competitive funding lines from banking institutions, particularly considering a high percentage of wool is shipped prior to receiving payment for the goods.	<p>No comment to offer.</p> <p>This point is best addressed by the Exporter fraternity.</p>
PHASE GENERAL		
Wool industry institutions		
36	AWEX undertakes a variety of tasks, including market reporting and ensuring accuracy in wool description, that help the wool market to perform efficiently. In a similar vein, AWTA supports market efficiency by providing critical data describing the range of wool characteristics. Would there be advantage in combining the activities of AWEX and AWTA?	This has been a discussion point on previous occasions – without a result. At no stage has a paper ever been produced showing potential structure, governance guidelines and savings been submitted to industry for consideration. The roles would still need to occur, and amalgamation could deliver overhead and structural savings. Strong Board clarity of roles and governance would be required.
37	Is there an opportunity to increase competition in wool testing services currently provided by AWTA? Should woolgrowers be able to nominate what tests they would like performed on their product and pay accordingly for the services provided?	<p>Given the continued diminishing wool production, it is difficult to envisage advantages in the establishment of a competing test house facility.</p> <p>Previous experience of competing test houses created some industry issues with testing variances which put in question the integrity of wool testing in general. Wool Growers make the ultimate decision of the level of testing carried out on their wool clip.</p>
38	Are there other changes to the institutions serving the wool industry that would reduce costs or enhance returns associated with the first exchange of wool ownership?	The Levy paid to AFFA for AWI funding. The call for submissions indicated the levy was not up for review, yet it takes up approximately the same percentage of grower wool proceeds as 1 st stage marketing does. It is noted this funding is reviewed every three years by Wool Growers via the wool poll.
39	Talman Solutions provide the majority of wool exporters and a large number of wool brokers with inventory management IT systems. Do the systems provided by Talman Solutions generally meet the requirements of their customers? Is there potential for greater competition for this service offering within the wool industry?	Talman services currently fulfil their customer's requirements. In a falling wool production environment it is difficult to envisage a private enterprise committing capital investment to wool industry software development without some assurance of a minimum ROI. As the Wool Industry continues to contract these capital investment projects become less viable for a commercial operation. AWN would welcome a

		competitor in this field.
AWEX Market Reporting		
40	Does the AWEX market report meet the needs of both the buying and selling sides of the market and if it is deficient in any way, how should it be amended?	AWEX Market reports appear to address the needs of both the Wool Grower and Wool Broker side of the sale process. Suitability for the buying side is best addressed by the Exporter fraternity.
41	Is there sufficient access to AWEX market information?	There appears to be no issues with the accessibility of AWEX Market information.
42	What influence (if any) does the AWEX market report have on purchasing decisions made by overseas wool processors when negotiating with Australian wool exporters?	This is best addressed by the Wool Exporter fraternity, but clearly AWEX market reports are the price of any wool type for greasy purchase internationally. Subsequent semi and processed forms are derived from the same.
Centralisation		
43	What are the benefits and costs of any move to centralise the sale of wool?	Centralised selling reviews have been conducted on previous occasions. These reviews identified some savings for some sectors there were added costs (especially in the short term) for others. Benefits appear varied.
44	Would centralisation provide increased opportunity to conduct alternative processes for the selling of wool?	It is difficult to understand under what circumstance centralise selling would increase or improve the facilitation of alternate selling systems.
45	What impact would centralisation of wool selling centres (Sydney, Melbourne and Fremantle) have in relation to cost reduction and competitive tension for woolgrower's wool?	<p>There could be some overall industry financial benefits in the centralisation of selling centres however this could be sector specific.</p> <p>Auction system currently creates competitive tension in all three locations – difficult to speculate on the potential for any increased competition as a result of selling centre reductions.</p> <p>Consolidation of selling centres has evolved by commercial stakeholder's decisions over time. For example the industry have witnessed the closure of:</p> <ul style="list-style-type: none"> • Brisbane • Goulburn • Adelaide • Albany • Launceston • Newcastle <p>This will continue if commercially necessary.</p>
46	What financial impact would centralisation of wool storage centres have on the exchange of ownership process?	Centralisation of wool storage centres could add additional direct freight costs to the Wool Grower while the Wool Exporter would enjoy the further consolidation of wool handling leading to improved logistics for the shipment of wool.

47	Did previous studies on centralisation identify tangible financial benefits within the exchange of ownership process? And if so what were the barriers to progressing with centralisation?	Savings identified were not sufficient at that time for commercial enterprises to act on centralisation of centres
Digitalisation		
48	Can Australian wool be appraised without physically handling a wool box sample? And if so would that appraisal be accurate enough to allow an exporter or processor to deliver wool in accordance with a specific mill or	No comment to offer. This is a question best addressed by the Exporter / Processor fraternity as customers.
49	Can price realisation between the seller and the buyer be achieved via an online platform whilst still maintaining a comparable or improved level of competition for woolgrower's wool?	On line computer selling can be achieved while maintaining comparable, but not equal to in all types, competition for Wool Growers. Communication speeds appeared to be a major impediment in previous trials. On line selling does not have the same level of competitive tension that the physical open cry situation delivers.
50	What cost saving benefits can be achieved by online appraisal and or selling? And who would benefit from it?	This question is difficult to answer without understanding the full definition of the on line selling proposal and if it is to be a replacement of the current auction system or just another selling alternative. There needs to be clarity regarding: <ul style="list-style-type: none"> • Show floors with samples on display • How the wool appraisal system be conducted • Will hard copy trade catalogues still be a requirement Some of the above points will be driven by the requirements of the Exporter / Processor (the customer).
51	Why have previous attempts at the online selling of wool failed?	Lack of interest / support from Wool Grower and Wool Exporter sectors. Secondly, technology limitations (connection speeds etc.)
Transparency		
52	What scope is there to allow woolgrowers to make better informed decisions in relation to what it is costing them to sell their wool? More specifically would greater understanding of the costs and returns reflected in their final price received facilitate improved commercial decisions concerning their own wool growing	The Wool Grower makes the decision to deal with a specific Wool Broker based on the services offered, cost of services and the wool grower's particular requirements in the marketing of the wool clip. Generally this relationship has been forged between the Wool Grower and the Wool Broker with the services offered by the Broker at the forefront. Wool growers are very in tune with what it costs them to sell their wool, which is a feature of a competitive market.
53	To what extent does the woolgrower understand their own cost of production before their wool leaves the farm gate? Is there scope for a greater understanding of both	Yes, but this has been the case for many decades, and all growers have access to easy spread sheet calculators. There is no market failure here, and simply the difference in management

	production and selling costs to facilitate more informed commercial decisions for woolgrowers?	professionalism between different managers of wool growing enterprises.
Selling Alternatives		
54	<p>Whilst there are numerous selling alternatives to traditional auction that are made available to woolgrowers they can generally be grouped into five categories – Direct selling, Private buying, Physical forwards, Forward Basis contracts (cash settled against micron indicators) and online selling (currently performed by Auctions-Plus). The table below (in the paper) illustrates the process flow and relevant costs of each selling avenue. The table suggests that in all cases the alternatives to traditional auction present fewer stages and more potential cost savings compared to traditional auction. Yet more than 90% of Australian wool still sells by traditional option.</p> <p>Why has there been minimal woolgrower adoption of these alternatives?</p>	<p>Perhaps from the Wool Growers position the known way is the safe way (most transparent), and ensures placing their wool in a forum that ensures maximum competition. After numerous attempts to introduce alternate methods of exchange of ownership, the auction selling system has prevailed as the preferred method by Wool Growers.</p> <p>It should be acknowledged that the auction selling system does facilitate:</p> <ul style="list-style-type: none"> • An efficient method of marketing the diverse wool types to be sold • Competition • Price discovery • Transparency • Wool Grower security of payment • Market reporting to the industry <p>For alternate methods of sale to be successful they must deliver similar outcomes at a substantial lower cost.</p>
55	Are there up front cost savings offered to the woolgrower by the wool-selling broker to use these selling alternatives?	Difficult to offer cost savings to Wool Growers when still 90% of the product is transacted via the auction system. Due to the low uptake of these alternate systems, in some cases it costs Wool Brokers more to deliver and maintain these alternate selling systems.
56	Does the industry have the necessary skills, knowledge and expertise to utilise these options?	<p>Any suggested skills, knowledge and expertise to utilise alternate selling options have to first be instilled in the Wool Growing sector. At the end of the day the method of exchange of ownership is the Wool Growers decision.</p> <p>Wool Brokers can and have provided alternate selling methods with little interest or adoption by the Wool Growing fraternity. Under normal commercial pressures – if there is a need for a service by the customer it will be available.</p>
57	Are there training initiatives the industry should examine to enhance the skill base necessary for uptake of alternative marketing options?	Training initiatives would be a positive industry approach. Who and how these would be delivered and who pays need further consideration.
58	Do the above selling alternatives provide the same level of competition for woolgrowers' wool as traditional auction?	<p>All alternative selling methods do not provide the same competition e.g.</p> <ul style="list-style-type: none"> • Private sale

		<ul style="list-style-type: none"> • Forward contracts • Electronic offer board <p>All the above do not attract maximum competition compared to auction. The Wool Broker has a roll in the above scenarios advising the Wool Grower regarding current market levels.</p>
Forward Selling and Risk Management		
59	Only 8% of Australian wool is sold forward. This compares to other Australian agricultural commodities such as cotton at 70%, lamb and wheat at 60% and beef at 50%. The Panel is seeking input as to why wool has such a low percentage	Perception by majority of Wool Growers that forward price is at a discount to the physical market at the time of decision, regardless of future market movements.
60	What forward selling mechanisms currently exist in the market place for wool producers? What systems might be introduced and are worthy of further investigation?	Currently Wool Growers have the ability to utilise a Physical Forward or Basis Contract. Unsure if additional systems need to be introduced or stronger education of the existing contracts available to Wool Growers.
61	The Panel understand that there have been a number of forward selling platforms within the wool industry that are no longer available. Why were they discontinued? And are there aspects of these platforms that could be retained if developing future forward selling mechanisms?	The dismantling of these forward selling platforms is a direct result of lack of volume throughput (liquidity). The initial complexity of SFE futures type products has been dismantled to products like Riemann micron contracts for ease of use (e.g. no margin calls and basis complexities).
62	In other markets, automation and connectivity has made it easier for the development of derivatives products such as futures and options. Would such products create new hedging opportunities for woolgrowers and other market stakeholders?	These products were in place previously however lack of adoption has seen the withdrawal of these services. The current Riemann's product is simple and easy to use if required.
Disaggregation		
63	Would there be benefits to the woolgrower by unbundling and making transparent the existing costs within the supply chain to allow them to be more selective in the services they adopt	In view of the processes required in the marketing and delivery of wool to customers it is difficult to envisage where the "selection of services" may have a role. Transparency should always be provided by all service providers.