

General Comments:

I submit this as a woolgrower at Lismore, Vic since 1974.

I have followed the wool industry as a director of WISS woolbrokers since 1978.

Phase 1 Preparation:

Grower tells wool rep how much service he needs. I doubt that "User pays" would work on an industry basis. Some broker companies provide a more "bells and whistles" service than others.

Growers "drift" to the company that suits them.

During shearing it is essential that the broker tells the woolclasser of present market requirements.

He also checks that clip preparation is satisfactory and meets the market.

Code of practice is the minimum standard. The rep should aim above this.

Reps should have an expert understanding of wool markets. Unlikely to be so expert in husbandry.

But may need to know the causes of tender wool, or dermatitis, etc.

Broker needs to check if the shed is not a possible source of clip contamination.

Broker could advise the woolgrower if AWI shearing or shedhand coaches are necessary.

Code of practice could include an option for minimum preparation. Need a different colour certificate.

Reps need to assess what level of technology the grower is comfortable to use. Email for communications?

Smartphone App? Access wool tests results on the web?

There is a possible role to integrate electronic tags in shearing procedures. This could offset their cost.

A minor point is that I feel wool bale brands should be written 4AM rather than AAAAM.

Phase 2 Delivery, Testing:

I doubt that pre-delivery testing in shed would be an advantage.

Technology may make laser scanning more affordable.

It is certainly ok for breeding and clip preparation, but not sale.

Some brokers credit full value of the box sample to the grower. Some do not. Not transparent.

Grab and core testing can occur in accredited regional warehouses. Lower regional storage costs.

If tests (such as curvature and colour) allow sale by description then go for it! Could be user pays.

Wool packs vary too much in quality and "slipperiness".

Phase 3 Appraisal:

I reckon the broker woolstore appraiser is often also accredited to also do the AWEX appraisal.

The AWEX description also needs to be made suitable for the buyer, so he can use it also with confidence.

Wooltrade, Auctions plus sell wool often by description.

Wooltrade is a bid and offer system. The old EWP system was an online auction. Both work.

There is a role for both systems for the near future.

Electronic sale is 24/7 and fills the spikes in demand. Most buyers use it, some do not.

Open cry is clunky but works. All understand it and most have reasonable confidence in it.

Different systems work for "bread and butter" wool, and speciality or unusual wool.

Woolgrowers can choose basic or additional measurement. May be a role for extra-additional measurement, such as colour and curvature.

Phase 4 Price Realization:

See also my comments for Phase3. Concerning open cry and electronic sale.

Ebay seems to have the electronic auction sorted. May be worth talking to them.

They also have a bid and offer system "Buy it now or best offer".

Also Wooltrade and Auctions plus.

Many open cry real estate and furniture auctions accept absentee bids.

This may help to make the wool open cry auction a transition to electronic auction.

It should be possible for the bidders to bid by pressing a bid button rather than call out. The auctioneer would not have to listen for the call, and recording would be automatic. It could be a stage to decentralized bidding, where the bidders need not be in the same room. Some topmakers have a subsidiary exporter company, but do not buy direct. There must be a reason. Commission buyers need to work within the Competition and Consumer Act 2010. It would be possible to work within the Act, but there may need to be an audit process. Auction reports should be able to be automatic now or soon. No need for AWEX staff. Also, Tuna fish auctions in Japan are electronic, with the price starting high and reducing till the first buyer presses his buy button. Seems to work ok.

Phase 5 Invoicing, Payment:

Brokers are in a position to know how buyer post sale charges are reflected in buyer bid prices. They may not be happy to reveal their findings, but it may be worth asking. Broker charges for visits, wool lotting, sale, limited period of warehousing, profit margin, advertising, insurance, documentation, profit on other "overheads"..... Generally costs are not transparent (especially buyer service charge). These costs mean little unless different brokers are compared. Some charges may cross subsidize different wool types. Some brokers do "deals" to get new wool clips, which cross subsidize some growers at the expense of others. Some brokers use the value of the wool during the prompt period as operating collateral. This puts the grower assets at stake post sale if the broker becomes bankrupt at that time. Some brokers use a quarantined Trust Account, which avoids this risk. A tiered broker charge system could be used by brokers now. Let the market decide. I feel that there is nothing to gain by extending the buyer prompt period. It could clog the warehouses as wool is not released for shipment till it is paid for.

Phase 6. Export process:

Shipping rates used to be negotiated as an industry. There may be a reason that this has stopped.

Phase General:

I know nothing of the detail but it seems logical to combine AWEX, AWTA. Good to ask them and do a cost/benefit. I doubt that in a shrinking industry that there would be a benefit in having a competitor to AWTA, (unless maybe it is part of an overall merging with the NZ wool industry!) The other institution involved in exchange of ownership is AWI. Its role needs discussion. Brokers seem happy with Talman. Let the market decide if they want a replacement.

AWEX:

As a grower I am happy with AWEX reporting. It would be interesting to watch the auctions live online (if it was free).

Centralization:

It could be possible to have centralized sales, The auctioneer could follow bids from buyers in the room or with buy buttons in their office. The transition may be easier if they could watch the auction on video. It should be possible to do a cost/benefit on centralized selling. Improved communications now make it easier to centralize sales now than in the 90s. Storage is another matter. There are real advantages in regional storage. Cheaper floor space, amalgamating warehouse to dump transport and costs. It is already being done, and has been for years.

Digitization:

Sale by description (with photo and laser scan) is a big improvement on wool displayed in a box. This would save massive costs. I believe a bid and offer or electronic auction is equal or better than open cry. I sell about 10% each year by

electronic systems.

Both growers and buyers need to compare both systems on a rising and falling market to gain confidence. Costs/benefits would then be apparent.

Earlier attempts have not “taken off” (rather than “fail”) due to lack of promotion by brokers, lack of perceived profit by buyers, conservatism of brokers and growers, lack of technology at the time.

Transparency:

Saving money is nice, but there are other needs. Comfort, “the devil you know”, sense of identity (stick with a big traditional broker), “if it's not broke – don't fix it”....These are not great imperatives but they are enough together to stop an old man woolgrower from making a change.

It would be interesting to see a published or continually updated online comparison of costs between brokers.

Younger, corporate, or financially pressured (but in total very few) growers would take notice, and act.

Very few understand the costs of production either inside or outside the farm gate.

They are often not concerned unless it is something they can individually influence.

These days they (unfortunately)do not relate to the lobbying influence of farmer organizations such as the VFF.

Selling alternatives:

The alternative are perceived (or proved) to give lower nett returns to the grower.

There is less competition with these options, But it is less complicated and the money looks more solid.

I do not see these options reducing production or marketing costs, except to the buyer.

Wool pools and downstream processing have interest, education, and identity benefits. Not commercial.

Forward Selling, Risk Management:

Many alternatives are more accepted in the grains industry.

There are many forward sales examples which have worked against the grower. News of losses travels widely.

Wool futures disasters of the past are particularly painful.

Physical forwards are more accepted and give fair risk/return to both sides of the deal.

The dealer can offset these in the futures market to good effect.

There are other accepted ways to manage farm risk. Selling over a number of years, selling a range of products, avoiding sales during a low part of a cyclical market,

The growers generally do not have the skills to use the exotic options and feel they are going to be “fleeced”.

There is plenty of room for training.

WISS and Robert Herrmann's Ag Concepts Unlimited offers a useful physical forward product which I use.

The wool futures market is unlikely to attract growers individually. It is illiquid and subject to “squeezes”.

Only useful to banks to offset their “swaps”.

Disaggregation:

This sounds to be a bit complex and irreversible to be accepted by either the growers or the industry.

However the transparency part is good, and the concept should be encouraged where possible.

Other issues:

Age and gender:

Woolgrowing seems to be dominated by old men throughout the policy making levels of the pipeline.

E.g. woolgrowers, brokers, AWI, farmer lobby groups, (the buyers and exporters seem to be younger)

Age is not a limit provided they accept fresh ideas. There seem to be few women, who think differently.

(The grains industry seem to have younger men or women at each stage.)

Individual woolgrowers in Victoria are also old and generally on family farms.

There are few corporate farms, or “young turks” with a vision for the industry.

Wool Levy:

The optimum levy rate has not been raised here, although it is voted on elsewhere. It is now too late to ask.

It would have been interesting to “ground truth” this survey result to see if the figure suggested agrees with the industry vote.

The wool levy funds half the costs of R&D, marketing, global network, corporate services.

Growers have strong opinions on the benefits of each of these streams. It may be worth letting them vote on each of these streams separately. Otherwise all streams may be lost with a future 0% vote..

AWI has a bad reputattion throughout the industry for lavish costs of international network and corporate services.

This needs addressing very soon.

Wool Harvesting:

The shearers are as old as the woolgrowers. Neither will live much longer!

Wool harvesting project of the 80s was ahead of its time. Much has developed in robotics and IT.

I feel it is time to revisit this.

Chris Lang.