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BACKGROUND

I have been a woolbuyer and exporter for more than 50 years. My company is the principal shareholder in

G. Schneider Australia Pty Limited which in turn represents the G. Schneider Group for buying in Australia.

G. Schneider have wool topmaking and carbonising plants in Italy, China, Egypt and Argentina and are strong, third generation buyers of Australian wool.

GS also dehair cashmere in Mongolia and Iran and trade in almost all natural fibres.

GS Australia will respond to the AWI review separately in their own right.

WOOL AUCTIONS

The auction system is the principal price discovery point for wool in the world, the transparency of this system is the reason it dominates wool selling. All buyers use private selling and E trade as well and those systems can compete in their own right. Auctions take place over 45 weeks of the year and woolgrowers can sell very promptly if they choose.

WOOL AUCTION TERMS AND CONDITIONS.

Buyers must agree to these conditions to operate at wool auctions. I think that these terms should be examined

In the light of competition and total returns to wool growers. Charges are stated both pre sale and post sale and wool growers should be made fully aware of post sale charges. Woolbuyers pay cash in 7 days (on Friday one week after the Friday of the week in which the wool is sold). Storage charges often start before prompt payment day. 7 day prompt is unrealistic and that period should be extended. Buyers payments also include GST which is refunded on export which often takes 6/7 weeks, but must obviously be financed. All of these charges are eventually funded by the woolgrower, so any cost efficiency in this area would be to the Grower's advantage.

Buyers welfare is strongly linked to Grower welfare and we strongly support a viable producing sector.

COMPETITION

I believe that competition between buyers is extremely strong. We know our competitors very well and operate aggressively against them, in the interest of our processor clients.

SALE BY DESCRIPTION

Buyers are generally against S x D as the system prevents proper inspection of the goods on offer. If S x D were introduced, who will financially guarantee the processing performance of the wool including test results, as buyers currently do. Will lead to lower returns for growers.

CENTRALISATION

Centralisation of logistic handling would be a great boon with time and cost saving.

Centralisation of selling centres is not necessary with only three remaining in Australia. They each have unique characteristics and even compete against one another. Absolutely no advantage to move Fremantle interstate. That whole business has a local flavour for both buyer and seller.

One selling centre would not necessarily increase grower returns and savings to buyers would be negligible. The removal already of dedicated fine wool selling centres such as Goulburn, Launceston and Newcastle removes any marketing benefit to growers and would increase the disconnect which already takes place. Growers can choose where they sell. There is a valid argument to consider regional selling centres. AWI should attempt to improve marketing at the point of sale as part of their strategy with quality and competition.

WOOL TESTING

From a buyers' perspective there is not enough critical evaluation and comparison of test results. Wool testing seems to be an inexact science and should be considered as such. Individual measurements which appear to have been developed as part of a formula are now used as major tests. Repeatability should be examined. There is insufficient discussion at point of sale on individual results. I would also like to see an improvement in the handling and the integrity of the display sample. Often remotely sampled and passing through many hands prior to the buyers' inspection. Critical examination is needed if experienced buyers believe there is a disparity between test results and the display sample.

INDUSTRY SOFTWARE

Whilst we have our own in house export programme, we use the main industry software for auction and purchase data. There is considerable room for improvement in this old system and could be an avenue for AWI or AWEX to upgrade.

CLIP PREPARATION

I suggest any industry which does not strive for quality is short sighted. There has been a significant lowering of standards over the past decade. "D" certificates have become a way of life which was not the intention. Large unskirted merino clips are an anathema to the industry in my view. Can only lead to lower prices over time.

It seems to me that Growers sometimes do not clearly understand what is the optimum they could aim for with their wool, given the region and conditions they have. Overlong particularly in fine microns is very common these days, in the aim for increased fleece weights. Multiple shearing should be considered if farm management allows this.

RESERVE PRICE SYSTEM

The industry had a minimum reserve price from 1971 to 1991 which collapsed with over 4 million bales in stock and increased annual production because of the artificial price. The implementation of this was a complete fiasco and a system such as this must not be allowed again. It took 10 years to sell the stockpile so the industry has only been operating on normal supply terms since 2001. It also assisted in destroying many international corporate buyers and processors. I believe in supporting the Grower but not in this way. Stockpiling to that level assisted nobody. The price almost halved when the Government removed the reserve. This effective bankrupting of the industry remains with us to this day in my view.

WOOL PROCESSING IN AUSTRALIA

This is a problem for wool as it is for many other industries. Very limited number. No wool scouring in Western Australia means buyers can only go interstate or overseas for first stage processing.

MARKET REPORTING

By far the most widely read document both in Australia and internationally, relating to market reporting, is the AWEX daily and Thursday weekly report. I think this document could be improved by separating Best from Average, as they may move in separate directions not covered sufficiently by the median. Any words whilst being of necessity correct, should be optimistic, with the responsibility of marketing Australian wool paramount. I feel weekly summaries, unless containing new data or information are much less relevant. Real time information is essential. All woolbuyers provide this during and after sale to attract business.

Gentlemen,

I hope your review is successful in improving the marketing of our wonderful fibre, and potentially raising returns to growers, particularly fine wool producers, and reducing costs. There is a real need to stop the transition to other on farm activities or worse exiting the industry. We need a more positive approach with higher prices.

Best regards

Don Belgre