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EXPORTERS & IMPORTERS

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AWI

We welcome the opportunity of a submission to AWI's review on current Australian Wool Selling Systems.

Instead of directly responding to the committee's questions in an itemised format Dynon Wools as an exporter, processor, packer, direct selling wool broker and private buyer wishes to make the following comments to the AWI WSSR committee. If you have any questions or would like to further consult with us, we welcome the opportunity.

Exporter – based on other agricultural products sold in Australia wool growers are privileged with total protection against payment default. I.e: via their current selling channels they are guaranteed payment.

From the perspective of the exporter – we pay for the wool and it takes almost a week before we are able to have it in hand. We insure and pay for storage of the wool, in most instances, from fall of hammer. We pay the broker a buyer service charge (wide ranging from broker to broker) again almost a week before we can touch and see what we own.

We cover the market, currency and payment risk from auction to overseas user.

We are ultimately the second owner of the wool, after the grower, and we pay for everything in advance and provide credit for the user of the wool overseas. The risks are enormous, but due to the highly competitive market and competition we work in, the margins are extremely small.

As an example the federal bank interest rate is currently @ 2.25% yet the interest rate payable to an Australian bank is generally double this rate, or approximately 50% above the fed interest rate. Bidding fees and auction charges at on farm clearance sales, vary between 15 and 20%.

The average cost from purchase of wool to CIF (Cost, insurance & freight) to an overseas customer is around 10%. This 10% includes, buyer service fee (charged by the broker) local transport from wool store to packer/ships side, packing, freight, insurances, agent's commissions and the exporters margin. And then if the overseas clients doesn't pay on the due date the percentage is even less.

What does it cost to deliver and sell grains and stock?

Over the years with the shrinking of the wool clip and buyer base overseas, exporters in Australia have trimmed and trimmed.

Processor – as above.

Private buyer – as above.

Packer – with interest rates for most exporters at around 5% p.a. and storage rates charged by wool brokers at around 20-25 cents per bale per day, storage has become more expensive than holding interest, yet it appears only exporters pay for storage and wool growers do not.

If this is the case this could be considered a commercial discriminatory practice and further add cost distortions to the exporters stock holding. This might explain why over the past three decades we have seen the complete withdrawal of corporate and international buying houses from our market?

Direct selling wool broker – we charge our grower clients the same rate we charge our exporter/buyer clients. We don't charge out insurance (it is a fixed overhead paid in advance – the same cost whether we sell 1 bale or 100,000 bales) (it is included in our bale fee) and we don't charge industry fees because we sell directly and not via auction. We charge out the same storage rate to our growers and our buyers after a defined period. Within our buyer service charge we endeavour to subsidise and recover costs such as core line maintenance, countermarking, forklift costs, power, gas and diesel costs, communications costs etc. At approximately 1.5 -2.5% of the value of the average bale today it's not a bad deal, however still falls way short of covering our total costs for our direct selling wool business.

The reason our business has evolved to encompass the above services to the greater wool industry is simply to survive.

Being in the industry at all of these levels gives us a good overview of the industry.

We believe the industry is over serviced, duplicated, and overcharged in certain aspects, however only YOU the participant in this industry is responsible for your practices and your costs. We encourage you to ask your broker to introduce you to the buyer of your wool. We encourage you to question all of the fees and charges you're hit with, and if you don't understand them there is no shame in asking for a break down and what the charges are for. Only then will you be empowered to make the right commercial decision for your enterprise. If you don't ask these questions you will be left wondering.

Stevan (Stoj) Stojkovic & Harry Wilson
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