

Jock Munro
'The Brae'
Rankin's Springs
NSW 2669
27/03/15.

Mr John Roberts

Executive Officer

Wool Selling Systems Review

AWI

Dear Sir,

Introduction

I am a winter cereal and merino sheep producer from Southern NSW.

I have had a strong interest in the wool and sheep industry for many years and welcome the opportunity to place a submission before you.

I will briefly outline my recommendation but as I have said in phone conversations I respectfully request a hearing with the review committee in which I intend to bring various representatives and experts to support my recommendation.

OVERVIEW.

The issues paper adequately describes the structure of the industry and its inherent weakness'.

The market place is dominated by a small number of buyers who act on behalf of registered exporters or processors.

As the clip shrinks ,buyers and exporters are leaving the industry because they are not able to generate enough turnover to maintain their business'.

As per the issues paper, some commission buyers act on behalf of multiple exporters thus ridiculing the notion of competitive tension in the market place.

Prices received are unsustainable as evidenced by the slow and steady decline in production.

There is volatility in the market place and an unregulated supply which reacts to the troughs and spikes in prices and causes further instability and disappointment for producers.

This volatility serves no useful purpose and is a problem for the processor as well, due to changing stock values which increase risk and uncertainty and puts further downward pressure on prices paid to the producer.

Despite there being some alternatives, 90% of producers sell their wool via auction.

AWI is the marketing and research organisation for growers but has no ownership in the wool pipeline. As a result, there is a problematical disconnect between marketing and ownership and control of the product.

AWI is a very professional organisation and has had some success in marketing but because of the low returns in wool production there is on-going debate on the value of its programs, the size of the compulsory levy and whether AWI is indeed necessary.

RECOMMENDATION.

AUSWOOL.

A grower owned and controlled co operative wool marketing company.

It is imperative that the structure be a co operative one and that the key co operative principles be incorporated into the organisation.

The company should under no circumstances will be listed or include non producers as shareholders.

The company must be controlled by producers and that all producers have equal voting rights.

AWI will need to determine how such a structure will be capitalised and may use some of its reserves in providing start up capital.

It is highly probable that Australia's financial institutions would see this structure as an investment opportunity.

AWI should immediately begin preparations for the setting up of such a structure.

AWI should hold discussions with grower owned co operatives from across the globe but there are no better examples than CBH the Western Australian grain logistics organisation, Fonterra from New Zealand-a global success story in dairying, Murray Goulburn Co operative and Norco from NSW.

AUSWOOL will control the movement from farm gate to processor but for the structure to succeed it may be necessary for the company to recognise and utilise private service providers.

AUSWOOL will be in a position to market the clip successfully because it will own and control the flow of wool on behalf of producers.

It will be able to offer services to producers and processors that are virtually non existent in today's scenario.

AUSWOOL will provide a direct link between producers and processors and as a result it will be able to provide quality product in a stable environment.

There is no doubt that producers will have greater equity in the market place but processors will value the product more highly because of the increase in the stability of the market place and the availability of quality raw material.

I do not intend to discuss the proposal any further in this submission but look forward to an interview with the panel.

In preparing this submission I have gained the support of the Business Council Co operatives and Mutuals (BCCM) who will place submissions before the review panel.

The organisation has also agreed to attend a meeting with the review panel.

I have also received some support from CBH but I am waiting to have further discussions with representatives of this organisation.

I am also having discussions with Senator Bridget McKenzie (Nationals Victoria) this coming week and I will endeavour to gain her support for the proposal.

Senator McKenzie is initiating a senate inquiry into the value of co operatives.

I will be having discussions with other organisations and will be asking for their support.

CONCLUSION.

There is finally a recognition of the value of co operatives and mutuals in gaining market equity and fair returns for producers.

Minister for Agriculture the Honourable Barnaby Joyce has recognised the inherent weakness in current agricultural marketing structures and the low returns that producers are receiving.

He has released a white paper on Agricultural competitiveness and will shortly release a green paper.

Australia is the global key supplier of wool yet we are allowing the industry to shrink at a steady and consistent rate.

This is simply not good enough in a Nation that owes much of its past wealth and prosperity to the wool industry.

I thank the AWI and the review panel for allowing me the opportunity to place this submission before you.

Jock Munro.