BALE OUT PTY LTD

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To: AWI
Attn: Stuart Mc McCullough

Dear Stuart,

I am writing this letter for you to present to the committee of the wool selling review. I have been involved in the wool industry in one way or another all my life, from growing up on a sheep/cropping farm in the Wimmera, wool classing and for the past 23 years wool buying.
My first point would be the unfair cost to exporters that the brokers charge in the form of a Post Sale Charge (PSC). Most growers are totally unaware of this invisible cost that they indirectly pay. Brokers should remove this charge (PSC) from the exporter and include it in the growers invoice. Every bale sold at auction should be sold as delivered to the nearest dump. This would give more transparency and a true reflection to growers, their cost of selling a bale of wool. Then you may see some real competitive tension in this area.
In my 23 years buying I have seen many companies come and go. As a buying trade we now find all the corporate companies have now disappeared. From the huge Japanese trading houses who left in the 2000's, and more recently Viterra and Queensland Cotton and the others in between. All these companies were able to inject large amounts of finance into an auction at any one time. Growers and brokers now need to understand there are limited funds within the exporters, and a run of large offerings can stretch the trade's finances to the limit. Four to five years ago I would have said 65,000 bales offered a week consecutively would create this pressure, 2 years ago probably 55,000 bales. Now I would estimate 48,000 to 50,000 bales offering over several consecutive weeks would create this financial pressure.
Therefore it is even more important that brokers spread the offering and maybe even cap sales to a maximum Australia wide. Last selling season 1,835,822 bales were offered at auction, with 45 selling weeks a year this is just under 41,000 bales average a week. There is no immediate sign of an increase in Australia's wool production, so this could easily be achieved.
A perfect example of the brokers' self interest, carelessness and misunderstanding of the market was week 17. When the four week forecast was released by AWEX Monday 20th October, it indicated the following Melbourne sale (M18) had increased 20% from the estimate of the Monday before. 25,450 bales to 30,596 bales, this pushed the Australian offering from 46,580b/s to 52,335 bales. Immediately this reduced a very consistent level of good priced export business to zero. The first day of selling of Australian wool, 22nd October saw the market drop 10 to 30 cents clean. If this volume was better spread, then I would be confident this drop would not have occurred and the market would have remained stable as would the level of business. This is not an isolated event.

I hope you consider the above in your review.
I would be happy to discuss further.
Yours sincerely

Steve Bryce