

25 February 2015

T.A. Field Estates Pty Limited

**Submission in Response to the Wool Selling Systems
Review Issues Paper**

By

Michael Field

**Managing Director
T.A. Field Estates Pty Limited
Benangaroo Station,
Hume Highway,
Jugiong, NSW, 2726**

**Head Office,
GPO Box 510
Sydney, NSW, 2001**

Introduction

T.A. Field Estates (TAF) is a significant producer of Australian wool and as such takes a keen interest in the health of the Australian Wool Industry and its future.

The business is 100% Australian family owned and run, and has been operating for over 100 years and produces close to 2500 bales of Merino wool annually.

It should be acknowledged that whilst we see benefits in conducting a review of the Wool Selling Systems and remain optimistic about the outcomes we question if commissioning this study is the role of Australian Wool Innovation (AWI). It does not fit into R&D (either on farm or off farm) and certainly cannot be considered a marketing exercise.

That said TAF acknowledges that the review is progressing and therefore intend to make a constructive contribution.

The issues paper covers the processes in the wool supply chain from shearing shed through to exporting. TAF has extensive experience and insight in a number of the earlier stages within this scope, which we can provide comment on, however we will not address each issue raised as they become less relevant as wool moves towards the export end of the chain.

On this basis our submission will highlight items that we regard as particularly relevant to the key objectives of the review and we believe could translate into material bottom line improvements to woolgrowers.

AWEX Certifications & Code of Practice

Under the current system wool that has been classed in shed to the AWEX Code of Practice by an AWEX registered & accredited classer will be awarded a P certificate from AWTA.

At the present time unskirted wool is sold with a D certificate which means that it is non compliant. In most cases this results in the wool being sold in the number 2 sale room with Pcs / bellies crutching's, etc.

If the wool is classed by a registered classer and stipulated as unskirted fleece wool it should be sold in the number one fleece room clearly designated as unskirted fleece wool.

There needs to be a middle ground certificate (not D or P cert) to highlight these wools which still comfortably meet the needs of many overseas mills. As the wool has been overseen by an AWEX registered classer, purchasers can be confident they will be receiving what they have paid for. It should be highlighted on the classer's specification sheets which are sent to the woolgrower's wool broker that the clip has been handled in an unskirted manner, however quality control and any line splitting required has been done.

Selling Options

There are many selling options available to woolgrower's throughout Australia, but as already acknowledged, the open cry auction system is the one most widely used in the industry. It is our belief that a selling system such as open cry remains a viable option for selling oddment and cast lines, but also for smaller growers who do not have enough volume to forward sell into large volume contracts and need to sell their entire wool clip including fleece lines. This is because it helps to set a benchmark price for various categories of wool for forward marketing purposes.

However, there are many options available and well under 10% of the national wool clip is either forward sold or hedged in some sort of manner. The reasons for this are extremely varied and not for us to answer in this submission. But we believe it to be essential that forward marketing principles be further raised and promoted. It is marketing and we believe it is a task that AWI should be carrying out and not involving wool brokers. Wool brokers should promote their own forward selling alternatives and any contract obligations that are attached with these forward selling options. We believe AWI should be helping the woolgrower whenever possible by assisting to put more money into their pocket and promote and explain the principles of forward selling. One example could be to use "champion" growers who have forward sold with success, or otherwise.

Benchmarking and Genomics

How many growers really and fully know their real costs of production? AWI should be promoting this so any excess costs can be eliminated from the woolgrower's pocket. In some cases, costs cannot be trimmed any further, but more productive sheep can be run for the same cost base, or alternatively more sheep may be able to run on the same area, therefore disbursing the same overhead costs over more animals. There are many government agencies or private consultants who benchmark flocks and there are some very easy productivity gains that can be made. The same goes for genetics. We all know the old saying, "it costs as much to run a bad sheep as a good one", which is very true. Bloodlines within Merino flocks vary enormously and many trials have been carried out throughout Australia and are still continuing. The data coming from these trials is easily sourced and it is up to the grower or advisor to select which bloodline they wish to select for breeding. AWI should not be promoting one bloodline over another, but promoting the principals involved with running profitable Merino flocks. Benchmarking could also inform growers that for example a prime lamb or cattle operation is more profitable than their current Merino flock and of course they have the choice of which way they want to go.

Wool Broker's, AWEX, AWTA

Benchmarking can be used to compare wool broker's costs and the many hidden charges that are involved. Commission, the wool broker's service charge, testing, storage and warehousing costs all vary between wool brokers and need to be brought out into the open. Wool brokers are essential to the current system as they collect the compulsory levy and guarantee payment to the grower. Of course they can also help in the negotiating of forward contracts if a grower wishes to utilise their services. However, there are some areas where wool brokers could reduce their costs and in turn pass these onto the grower. For example, the visit at the start of shearing is always helpful to the classer in setting his lines up, but subsequent visits add costs and are questionable. Sometimes they are handy if the wool grower believes some of the woolshed wool staff are not going to help the classer carry out his tasks correctly by over skirting as an example and sometimes replacement woolshed wool staff are difficult to replace.

We believe that virtually all wool to be sold through the auction system should be sold online and be available with industry wide and accepted descriptions used by Wool Trade. On the testing side, it seems crazy to us that the description of wool is counter checked up to three times by the wool broker and AWEX staff, surely costs can be reduced in this area. AWTA have a monopoly on testing wool that requires certification no matter by which method the wool is sold. These certification costs seem to rise every year and these charges are taken directly from the grower, but from a grower's perspective we do not know the make up of these charges. Again, in referring back to selling charges the wool selling systems review panel should be looking at what makes up these costs and if possible make recommendations where they can be reduced. It is essential that wool brokers remain part of the system and there is transparency in the selling costs involved and the individual wool grower select the best broker and feel comfortable with the choice they made.

Our Customers

From a wool grower's perspective, it is difficult to know who are our actual customer. We are all aware that close to 80% of wool produced in Australia goes to China for early stage processing and most of this is spun into clothing for use throughout the world. Unless wool growers have a specific contract to an end user or retail outlet, actual feedback is difficult to source. However, there is no reason why wool growers should not be producing wool the world requires and currently that is medium type wool with good staple strength and low mid breaks. The current fine wool market as we are all aware is in the doldrums and will undoubtedly lift as production falls. Most wool growers do not know what happens to their wool once it leaves their property, and the reverse is also, applicable whereas most spinners and weavers do not fully comprehend what happens at property level. They do not understand why a wool clip from the same property with no genetic changes can vary from year to year and these changes have been brought about by seasonal changes, and are outside of the wool grower's control. Wool tours organized by various wool brokers to countries throughout the world are a great way to garner understanding of each other's needs and requirements, and should continue to be encouraged by the brokers.

Animal Welfare

Currently the mulesing debate has gone quiet, but we strongly suspect it will raise its ugly head again by various animal activist organizations. We need to anticipate these campaigns when they could occur and rigorously defend them. Some wool growers have elected not to surgically mulse their sheep and this box is ticked on the wool classer's specification sheets. There is virtually no price differentiation between mulesed or unmulesed wool and there are some additional costs of production incurred. Whilst it is an emotionally difficult subject to deal with, certified non-mulesed wool needs to have additional marketing applied and a premium paid, but not at the expense of the industry and any damaging publicity that may be raised.

Thank you for the opportunity for allowing me to put this submission forward and I would be more than happy to talk to the review panel.