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To the Reviewers at wool.com.

Dear people,

Wool's problem is not particularly complicated. I have long been at a loss as to why people in high places cannot understand it.

1. Wool has a long history of extreme price volatility.
2. The Howard government forced producers to cut supply to half of previous trading levels.
3. This bankrupted half the trade.
4. The bookworms call this process Economic Rationalism. But there is nothing rational about it. While half the trade is going broke and out of business, the other half is going broke also. Nobody can make a profit. The entire trade is bankrupt until half have exited.
5. Nobody then has surplus funds to speculate in wool.
6. Initially after the stockpile was dumped traders showed that they could see a way forward by raising the price to a viable level. This gave hope of a recovery in the trade.
7. The exchange rate then rose dramatically. This was more than the trade could bear, and forced the price again to unviable levels.
8. Those unviable prices gave prospect of diminishing supply.
9. This prospect coupled with wool's history of price volatility made it impossible for traders to make secure plans to trade in wool.
10. No plans means no trade. Wool for more than ten years now has been able to be traded only on a hand to mouth basis.

It is all well and good to review the matters listed. They should be always under review. But that is not where wool's biggest problem lies. Security of supply is the issue. Security of supply depends on a viable price.

Everybody in the trade knows that the price is too low. In early 2006 traders were clearly trying to raise the price in an orderly fashion to a viable level. Then we were hit with ABARE's outrageous price forecast of 673 cents. The only science which could have possibly come up with that number is "pin the tail on the donkey".

I would like to see a Royal Commission into that forecast. It must have been designed to destroy wool. Destroy wool it did, as many growers, many on instruction from their financiers, responded by joining their Merino ewes to meat breed rams. This also caused a lamb glut in 2007. It killed the recovery, and the trade in wool never recovered.

Wool is still a good product. The unique physical characteristics which made wool so readily marketable 30 years ago are still the same unique physical characteristics, even more marketable today than they were then.

Wool must have a viable floor price. I did expect that the trade would work this out before now, but can now see that the trade in Merino wool will soon become a closed shop, with trading volume at a low level, and outsiders shut out.

Do not be distracted by "animal liberationists". Fight them if necessary, don't attempt to deal with them. PETA took nothing from wool. They simply claimed ground that wool had already vacated under Howard government policy. It was a terrible error to take them seriously at the time.

Yours faithfully,

Ted O'Brien,
Mudgee. NSW.