

# Wool Selling Systems Review 2015

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Paper by Tom Silcock

## **A background for my views.**

Without wishing to be self indulgent, I provide this background information as context for my comments which stem from my experiences, many that relate to the issues paper contents.

I submit this paper with my knowledge stemming from a historical family background of processing, buying, breeding and managing wool production. I, and my father before me, have a very acute understanding of industry and Governments influences, both good and bad, on the wellbeing of the wool industry. In a previous time, I pursued wool market reform that was supported by a ground swell of growers, then by Wool Council followed by The Wool Industry Advisory Committee, as they were known at the time and this proposal is documented in the 1992 Wool Council of Australia year book. A few bits and pieces have since been adopted.

I was an avid critic of the fixed release schedule, due to its inflexibility and my views are recorded in Hansard, as I challenged the concept and its inventor in a Government held enquiry, with views shared by many buyer, processor and wool growing colleagues. I felt forced to resign my position as head of the VFF wool committee, when Wool Council (that I represented Victoria on) requested the VFF Pastoral Council hold an extra ordinary meeting to demand, that as Chairman I should not publicly oppose the fixed release schedule. I refused to be silenced and thus resigned. Although many in Government and industry shared the same concerns, the Minister and Wool Council adopted the "Garnaut" proposal, to force wool on to buyers and processors, until they found a price at which someone in the trade would take it. I went on to present the argument in front of some big grower meetings with some industry colleagues, in a push that eventually saw the remaining stockpile be treated as an asset and sold under a far more logical, flexible release system.

With my father, I organised a successful bloodline wool marketing system that utilised a broker and sold direct to BWK on a forward contract, delivered to a specification. I co-ordinated and managed the annual consignment sales over a number of years until the demise of BWK. I joined a group of growers that formed "Wool Market Linkages" on the back of a Victorian state Government initiative. Once again this vehicle was used to sell a number of consignments from groups of growers via a broker, to processors.

I have also been fortunate to have visited many mills in various parts of the world and personally hosted a number of their representatives on farm. I have delivered a number of wool marketing reform presentations to international buyers, processors and producers. I have shared some great brainstorming experiences. With this background and with some hesitation, I offer the following points that either directly or indirectly affect ideal wool marketing.

## **The role of Government**

Government support is critical to provide a stable environment and confidence to industry to commit, invest and operate in. Government policy can destroy or cripple industries and individuals in it. Great work like tariff removals make big improvements, but the recent live cattle intervention is

one of the more recent glaring disgraces, where Government acted without adequate consultation and scant regard for their actions on industry.

Before the final collapse of the Reserve Price Scheme, the behind the scenes, International enquiries of “What effect a further lowering of the reserve price for wool would have on processors?” just after publicly stating the newly lowered reserve price was rock solid, was also a Government disgrace. That action destroyed any pricing confidence left in a struggling market, prior to the abandonment of the Reserve Price scheme.

Government can provide a fertile environment, or destroy suitable environments for industry to develop and prosper in.

## **Carrot or the stick ?**

### **Lot size**

When the Australian Wool Corporation forced an increase in minimal lot size, it may have marginally addressed inefficiencies, however it also undermined the pride many small growers had in aspiring to and pursuing quality. The pride of topping a market was a driving force of wool quality. Passing on cost variations for lot size is a much more transparent and encouraging way to go.

### **Bale weights**

Currently AWEX is again pushing to increase the minimal bale weight, an issue we debated a number of times years ago, whilst I was on Wool Council. If quality is an important issue the industry wants classers to uphold, provide them with an efficient option to close off lines of wool. Either one bale per lot needs to be two times the minimum, or two bales per lot need to be half the maximum weight. Anything different means wools will be blended in the shed to make the bale weights workout to efficiently complete lines. The arguments for safety and efficiency are not being challenged, but those who have to enact the restriction should be involved in deciding the practicalities of the proposal development. What is more important, quality or efficiency? Provide a practical system for classers and pressers to operate under.

### **Classers**

I am continually dismayed at the effort that goes into educating wool classers, that then fails the real test. How does the trade view the outcome? Wouldn't it be logical and so enlightening for wool classers to have to inspect their initial classing results with the trade, evaluate what could be done differently, identifying their strengths and weaknesses in their results? I personally have learnt more from interaction with the trade, than I ever did from a book or a lecturer. I am also staggered by how many classers I come across that have never been to a wool sale, let alone met and engaged with buyers. Surely this could be simply facilitated for the benefit of all.

## **Shearers and shedhands**

Unfortunately industry staff are all paid the same, regardless of skill level and quality of their work. The great in-shed training currently taking place is hampered by the lack of financial recognition for staff with more ability and doing a better job. They are all paid the same, regardless of the quality of their work. Shearers can provide fleeces easy to throw or torn and tangled, even length staples or different length staples with second cuts, let alone injured sheep and skin pieces. Well shorn sheep minimise work required with fleece preparation and can provide superior wool. Shed staff can be skilled and efficient, or incompetent and disruptive, but all are paid the same. A team with quality shearers and quality shed staff can deal with more wool per person and deliver superior prepared wool for the trade. Wouldn't it be smarter if the quality of wool preparation was recognised, both with staff grading and graded payments, providing more money for a better job done, as well as an incentive to do a better job. In addition, wool could be recognised as being prepared by a graded preparation.

## **Working with and keeping industry participants**

Industry participants will take their bat and leave, if they don't like the changes imposed on them or the environment they are forced to operate in. Over 20 years ago I was accused of pushing sale by description. What I proposed then and still do, is provide the environment to encourage sale by description on a voluntary basis, but only for those it suits. This is happening a bit now, but there is still opportunity to select one main selling centre that all wool would be sold out of, while being linked to existing regional selling centres that could also be participated out of. This proposal is not new, but still has the merit it had over 20 years ago. Samples can be split from regional centres enabling inspections for participants at either facility.

Use of computer technology is a given to some degree these days, but investing in one selling centre with support for all industry participants and linking it to regions, has promotional as well as efficiency potentials.

Another proposal previously made, is to lot wools on type rather than brands. Logically this would provide better continuity of pricing between similar lots of wool, highlighting both superior and inferior wools. Growers would find it more challenging inspecting their clips, but for the few who still do, they would get a superior understanding of how their wools compared to others on offer, if wools were lotted on type. Better still, if all wools were lotted on type in a sale regardless of the selling agent (Possibly too challenging at this stage, but very logical). If the wools were then offered simultaneously, after lotting similar wools together, true market signals would recognize the most wanted wools

The open cry auction is a fascinating theatrical event, especially when the market is humming. I for one do not believe it is the best system to sell wool, although it is an effective way to change ownership. Brokers and buyers do a good job with the system they operate in. But what are the alternatives? My experience has shown me longer term decisions on price and reserve setting tend to take emotion out of the equation and replace it with calculated logic. Traditionally many growers resit selling on a rising market and can't sell quick enough on a falling market. This does little to provide market stability.

## **The one thing I'm sure of, relationships and respect are critical to good outcomes**

One of the downfalls of the current market, is the lack of transparency of types processors want. The major Chinese dominance in the market of recent times has undermined clear price signals for quality and type, traditionally preferred by various processors. If a producer knows their targeted customers specifications, they can target those specifications with breeding, management and shearing. Breeding, management and harvesting can have a big influence on the finished product. In recent years the wool market has lacked clear signals, with inferior wools selling relatively well, compared to traditionally better types. This is not healthy and has led to a sense of despondency amongst many producers. When cross bred wools are more sought after than merino wools and are making not much less than merino wools, it is little wonder breeders are turning their back on merino wool producing. There is a real lack of future confidence being shown to producers and thus they continue to respond to price signals as Australia's wool production falls.

Breeding, growing and harvesting wool to meet known requirements is sound and logical, providing someone is prepared to adequately pay producers to do it. Mills can get exactly what they want, with producers taking ownership of quality assurance. I have been part of doing it better this way in the past, and hope I'm about to be part of an industry doing it better into the future.

Obviously I'm passionate about selling wool, but more importantly, bridging the gap between the two ends of the industry so that they better understand each other and everyone prospers. My family have heard me say "If I don't die first, I'll find a better way to sell wool!"

I am happy to share more if it was felt worthwhile.

Kind regards,

Tom Silcock

**The Mountain Dam Fine Wool Merinos**

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