Victorian Farmers
Federation
Livestock Group

INTRODUCTION
The Victorian Farmers Federation is Australia's largest state farmer organisation, and the only recognised, consistent voice on issues affecting rural Victoria.

The VFF consists of an elected Board of Directors, a member representative Policy Council to set policy and eight commodity groups, including a Livestock Group. Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne and Bendigo based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views at many industry and government forums.

Yours Sincerely

President
VFF Livestock Group

Victorian Farmers
Federation
Livestock Group

Mr John Roberts
Executive Officer – WSSR
Australian Wool Innovation
GPO Box 4177
SYDNEY NSW 2001

XX February, 2015

Dear Mr Roberts

RE: Wool Selling System Review

The Victorian Farmers Federation (VFF) Livestock Group welcomes the opportunity to provide a submission to this Review. The VFF Livestock Group commends AWI for undertaken this independent review of wool selling systems.

The content and recommendations in this submission were developed by consultation with our members by way of a member forum that was held in Geelong on 10 February 2015 .

The VFF believe this is an exciting time for wool growers, in that finally growers will be able to ascertain an understanding of what they are paying in charges, and we believe that the transparency of grower costs should be the most important focus of this review. Currently growers are unaware past the broker, what they are paying for the marketing of their wool.

In relation to specific issues related to each of the phases being reviewed, we make the following comments:

PHASE 1 – WOOL PREPARATION

Issues raised by VFF Members in regards to this phase include:

- There also needs to be a better explanation of the hidden charges by brokers to increase transparency and competition between brokers.
    - Brokers need to have a sound knowledge of the growers woolclip details and needs to know where the product is targeted, and for which market segment depending on prevailing market conditions.
    - There should be an option to opt out re: farm visitation.
    - There could be a code of practice to suit a particular market such as fibre direct . To reduce labour costs, having a category between d-cert and full classer stencil, that gives the buyer confidence in time of crutching and some base levels of classing / preparation would be useful

- In order to maximise returns there should be a focus by growers to have as few bale lines as possible, one suggested way to do this is for market forces to reflect badly prepared clips i.e. low or no bids. The broker will then inform the grower of how to optimise their clip preparation or face ongoing minimum competitive tension from buyers.

PHASE 2 – DELIVERY AND TESTING

- In shed testing should be able to occur and be fully certified this would allow growers to increase their marketing and receive feedback across multiple growers. This increases competition and transparency for the grower/broker relationship
- Wool samples should be sold after sampling/testing on a certified certificate.
- Regional storage/broker storage could be made for testing and then the producer can share the data without being contracted to one broker.
- The potential for more testing parameters to enable sale by description.
- Open to sale by description and/or growers option to display their wool.

PHASE 3 – WOOL APPRAISAL

- Duplication should be reduced and as AWTA are the tester, they should be the sole tester.
- If there was a single, industry accepted standard then AWTA could use test data on an online platform benchmarking similar results, but again as there is an unknown effect of visual appraisal on sale price it is not known if this would be a viable. Moving to an online platform is inevitable.
- In terms of physical inspection of samples, buyers and processors need to determine the actual importance of physical inspection in assisting purchase decisions, or if sale by description meets their needs. If this was possible, and an agreed system for bidding on wool by description was achievable for all wool types, then it is possible efficiencies and cost savings could be achieved.
- Are show floors really necessary?

PHASE 4 – PRICE REALISATION

- Having a centralised selling system could assist in the development of young people into the industry as staff would be located in one place, making it easier to train new people in the industry in the wool trade industry.
- There has been minimal adaption of other selling methods outside of the auction system due to the industry composition, i.e. a large number of relatively small producers, who are too small to influence the market and many who are reluctant to uptake new technology, coupled with relatively few large buyers who have the power to influence it.

- Alternatives to auctions are potentially more expensive, and thus there is no incentive to move to a different format. A cost benefit would need to be taken of alternative selling systems.
- The brokers and very successful generally and this is a result of growers not having enough information to understand how the system works.
- Why is only 1% of Australia's clip forward sold?

PHASE 5 – INVOICES AND PAYMENT

- A standardised form should be made for all brokers to follow where all costs (brokerage fees, transport, handling, AWI levy) are itemised for transparency.

PHASE 6 – EXPORT PROCESS

- Growers are unaware if exporters are seeking low cost shipping/transport, but would assume that they would be due to competition. However growers would like to see more transparency around these costs to understand if these charges are absorbed by the exporter or passed back to the producer.

Yours Sincerely

President
VFF Livestock Group