

Mr John Roberts  
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Australian Wool Innovation  
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Via email: [wssr@wool.com](mailto:wssr@wool.com)

27 February, 2015

Dear Mr Roberts

**RE: Wool Selling System Review**

WoolProducers Australia welcomes the opportunity to provide a submission to this Review. WoolProducers supports the process as it is an opportunity to constructively review and make recommendations on commercial and non-commercial functions associated with selling wool.

The content and recommendations in this submission were developed by consultation with our State Farming Organisations (SFO) members and independently elected Directors.

Please find WoolProducers Australia submission to this Review attached.

Sincerely



Richard Halliday  
President  
WoolProducers Australia

WOOL SELLING SYSTEM REVIEW  
INITIAL SUBMISSION

WOOLPRODUCERS AUSTRALIA

FEBRUARY 2015

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## **INTRODUCTION**

WoolProducers Australia is the peak industry body for Australian wool growers, advocating for them, and a unified wool industry, in policy decisions at a national level.

WoolProducers Australia is a representative, democratic organisation that is driven by grower feedback, through our three independently elected Director and our State Farming Organisations members, including:

- AgForce Queensland
- New South Wales Farmers Association
- Victorian Farmers Federation
- Tasmanian Farmers and Graziers Association
- Livestock South Australia
- Western Australian Farmers Federation

Wool growers hold membership of WPA either directly or through membership of their State Farming Organisation.

WPA welcomes the opportunity to submit an initial submission into the Wool Selling System Review.

## **RECOMMENDATIONS**

### *PHASE 1 – WOOL PREPARATION*

A general comment regarding this Phase is that the relationship between a wool grower and broker is an entirely commercial one. If a grower does not feel they are getting value for money from their broker they are able to choose another broker to deal with or negotiate terms of service with their current broker.

Wool clips should be branded and placed in lines that result in increased marketability of the wool on the advice of the brokers, not the AWEX Code of Practice. AWEX provides a generalised standard for the classer to follow.

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 seriously 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. Some view the current AWEX Code of Practice as lowering the standard of clip preparation rather than raising it.

Growers also need to ensure that they are doing their utmost to enable the best quality clip preparation by employing adequate numbers of skilled staff at shearing time, and brokers should advise if current staffing levels are inadequate.

Another suggestion has been that brokers should have a balanced knowledge of transport and handling costs as well as buyer requirements to have an ability to best advise clients on logistical and marketing issues.

There also needs to be a better explanation of the hidden charges by brokers to increase transparency and competition between brokers.

Knowledge and general correspondence should not be charged until the wool has been sold and therefore do an inclusive service. All advice should be included in the sale fee.

### *PHASE 2 – DELIVERY AND TESTING*

Producers can currently do on-farm testing or send samples off-farm for testing prior to shearing. This is a commercial decision for individual growers, however it has been suggested that there needs to be a national certification/quality assurance standards that wool testing contractors need to pass to ensure supply chain integrity.

Many brokers no longer pay a credit on the sample because the costs of renting show floors in major cities has long overtaken the value of the sample. However, nothing prevents an individual grower coming to an arrangement with their broker.

Another suggestion has been made that test data can be more efficiently utilised to assist in improving future clip preparation and on-farm management.

### *PHASE 3 – WOOL APPRAISAL*

Duplication of services by industry service providers should be avoided to not only reduce costs but to make the entire selling process as efficient as possible.

There are already a number of alternate appraisal systems/tests in existence and producers can exercise if they wish, or if there is a belief that it provides a competitive advantage.

In regards to the need for 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 would adequately meet their needs. If this was possible and an agreed system for bidding on wool by description was achievable for all wool types then it could be assumed that significant efficiencies and cost savings could be achieved.

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.

### *PHASE 4 – PRICE REALISATION*

One view put forward is that the reason there has been minimal adoption of other selling methods outside of the auction system, is 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.

The three current selling centres may have been needed in the past when the flock was at 180 million but with the national flock now sitting around 70 million, the demand for wool has obviously changed and a reduction to one lower cost regional centre makes more sense whilst there are still physical inspections of wool samples.

The current daily competition between eastern selling centres for price discovery seems to be counterproductive for growers. One main centre on the eastern seaboard may see a reduction in the number of buyers holding multiple bids for the same lines.

Another view put forward that by having a centralised selling system this would assist in the development of young people into the trade, as all staff would be located in one area making it easier to train new industry entrants in all aspects of the wool trade industry.

There needs to be consideration of having selling system such as the model available to grain growers, whereby after testing of wool is completed growers can list their product at their own price level, and buyers can choose to then accept or decline.

Wool futures that are already available are always at discounts to immediate values. So to have an ability to offer wool at growers-own price settings could allow purchasers and vendors to achieve a sale.

It maybe that the system would list wool at a price of which buyers could put in a bid which may be below that nominated but where the vendor could accept if they so wished. Wool growers should know their cost of production and therefore set a fair and realistic reserve.

Any system that allows for increased competition i.e. that the buyers are willing to utilise, from as many sources as possible, including processors, should see an increase in competitive tension.

#### *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?

*PHASE: GENERAL*

A question raised has been if the current clip preparation standards outlined in the AWEX Code of Practice are still meeting the needs of the processing sector? Whilst obviously outside the scope of this Review it is a worthy consideration that if wool growers are producing a product that does not meet market/processing specifications then this would clearly have a detrimental effect on the price paid for the raw product.

Investigation into the potential cost savings of rationalisation of industry service providers is needed. One suggestion has been that AWI could conduct the market reporting in a similar way that Meat and Livestock Australia (MLA) does, along with combining other AWEX activities into AWTA operations.