

Wool Exchange Portal (WEP) FAQ's



What is the Wool Exchange Portal (WEP)?

- AWI has developed the Wool Exchange Portal (WEP) to increase returns to woolgrowers and promote competition, choice and transparency in the wool selling system to benefit growers.
- The Wool Exchange Portal (WEP) will be an online tool that enables growers and other market participants to compare available options and to choose selling and buying strategies best suited to individual circumstances.
- The WEP will bring wool selling into the 21st century by providing a digital platform – a tool that producers in other rural industries, such as grains and meat, have been using for some time.
- It will enable woolgrowers to access to a broad range of pre and post trade services such as documentation, logistics and financing, and provide a repository of industry information, such as industry trends and innovations, and wool data.
- The WEP is also expected to foster greater innovation across the industry at a reduced cost by providing a single platform to connect woolgrowers nationwide.

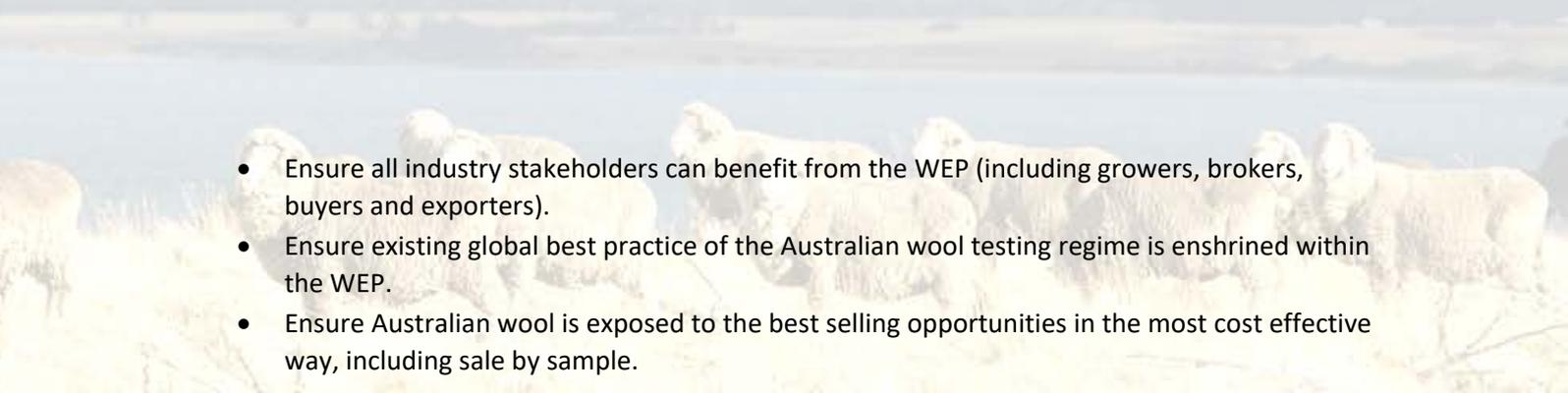
How will the WEP benefit woolgrowers?

- The WEP is expected to generate approximately \$38 million in industry consolidated benefits over 15 years.
- The WEP will deliver greater transparency of selling costs to growers, with growers expected to achieve cost savings in the order of \$17 per bale.
- The WEP will identify and provide lower cost pathways for sale of wool, potentially delivering savings of up to \$10 per bale for certain growers.
- The WEP will open more efficient channels between woolgrowers, brokers and buyers, with a great range of selling opportunities expected to become available.
- The eventual centralization of the Australian wool market into a digital saleroom, and the subsequent lower costs of accessing the saleroom, is expected to generate greater competition and lead to a tightening of the bid/offer spread.
- The WEP is also expected to deliver substantial cost savings to both brokers and buyers by providing more cost effective and efficient ways of delivering their services.

What are the key objectives for the WEP?

The AWI Board established an independent working group to develop a business case for the WEP. The working group proposed the following objectives for the WEP:

- Deliver a positive net return for woolgrowers.
- Provide a platform that fosters innovation and can keep up with technological changes.
- Enable strong collaboration between AWI, AWEX and AWTA.

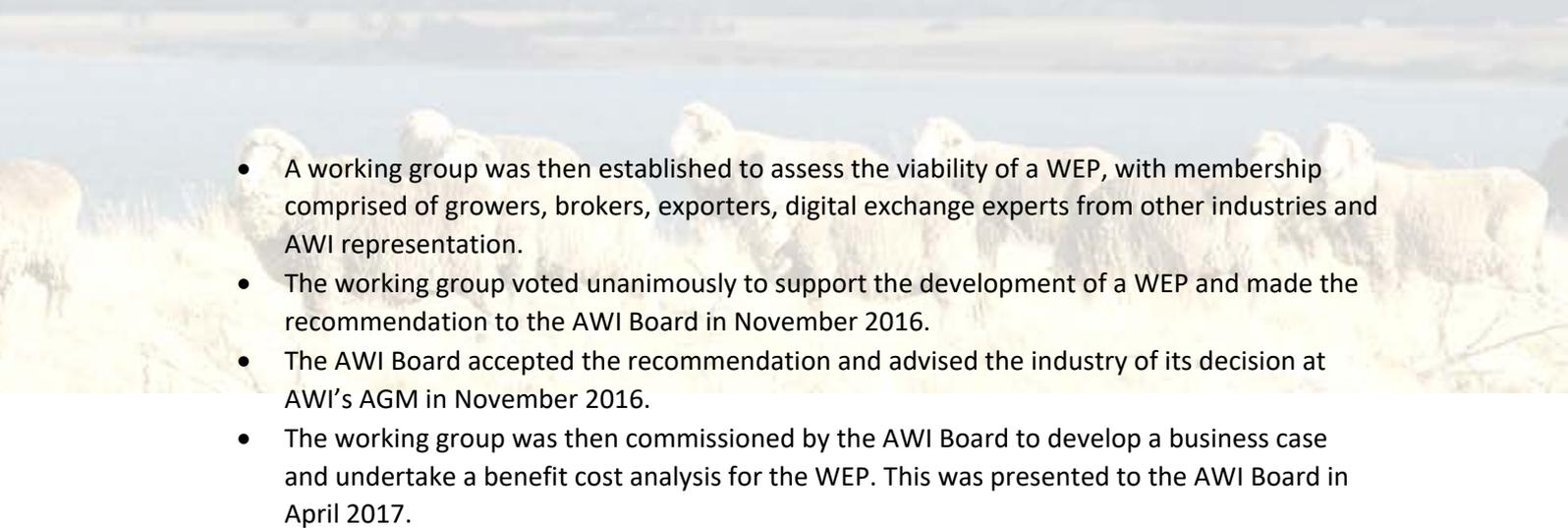
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- Ensure all industry stakeholders can benefit from the WEP (including growers, brokers, buyers and exporters).
 - Ensure existing global best practice of the Australian wool testing regime is enshrined within the WEP.
 - Ensure Australian wool is exposed to the best selling opportunities in the most cost effective way, including sale by sample.

What will the WEP do?

- Develop and manage a national woolgrower registration system, which will enable growers to access information such as their historical data, or the supply chain to better track provenance
- Provide an industry information forum and repository to link woolgrowers nationally and promote industry trends and innovations
- Provide a central repository of wool test and wool price data for the industry
- Deliver information and education tutorials on how to get the most out of the WEP
- List and evaluate all current selling options
- Connect with those selling options to allow for transactions to occur
- Provide a proprietary bulletin board, listing bids and offers, with 24/7 access

How has the WEP process developed?

- Between 2014 and 2016, AWI commissioned a review of the wool selling system involving a comprehensive program of consultation and discussion with growers, brokers, buyers and other parties along the supply chain.
- The review was commissioned to improve returns to woolgrowers by identifying better ways of selling wool, increase competition and transparency in the wool selling system, increase returns to growers and reduce costs along the supply chain.
- An independent panel was established to conduct the Review and consisted of the following members:
 - James Lillie, Fox & Lillie Pty Ltd
 - Graeme Samuel AC, Monash University
 - William Wilson, Australian Investor Relation Services
 - Bernard Wonder, PSM Consultant
 - John Roberts, Eubindal Pty Ltd (now AWI General Manager, Easter Hemisphere)
- The review identified a number of issues with the current wool selling system including:
 - The prevalence of the open cry method of sale
 - Reliance on sale by sample
 - No capacity for on-farm testing and lack of competition in testing services (AWTA)
 - The need for multiple appraisals in the selling system
 - The role of brokers and lack of transparency of broker charges
 - The role of commission buying and need for greater competition
 - The need to further improve the efficiency of the system including by rationalisation of the selling centres and by increasing lot sizes
 - The lack of liquidity in forward markets.
- The panel concluded that most of the issues it had identified and analysed could be addressed in part by the development of a digital Wool Exchange Portal (WEP), and subsequently made this recommendation to the AWI Board in January 2016.
- The AWI Board accepted the panel's recommendations and published the report online <https://www.wool.com/about-awi/how-we-consult/wool-selling-systems-review/>

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- A working group was then established to assess the viability of a WEP, with membership comprised of growers, brokers, exporters, digital exchange experts from other industries and AWI representation.
 - The working group voted unanimously to support the development of a WEP and made the recommendation to the AWI Board in November 2016.
 - The AWI Board accepted the recommendation and advised the industry of its decision at AWI's AGM in November 2016.
 - The working group was then commissioned by the AWI Board to develop a business case and undertake a benefit cost analysis for the WEP. This was presented to the AWI Board in April 2017.

Why does the wool industry need a WEP?

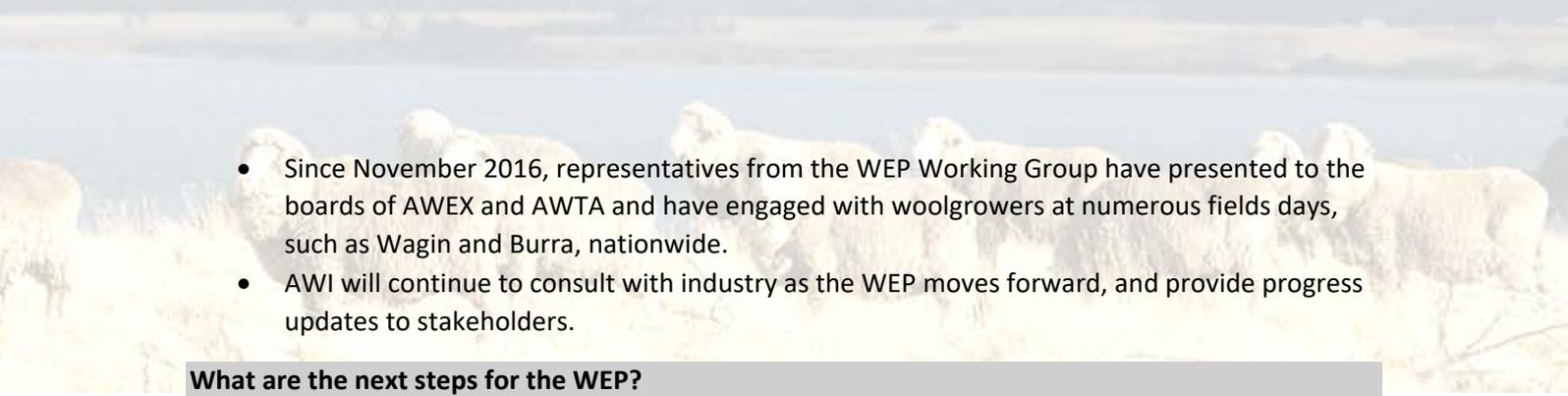
- While the current system operates effectively, it is in need of modernisation. The main method of selling wool has changed little over the decades.
- Despite various attempts over the years, electronic selling, sale by description, and the development of forward and futures markets operate at the fringes of the selling system.
- AWI has developed the WEP concept as a way to address the issues that were identified by industry during consultation to promote greater transparency, flexibility and choice in the wool selling system for growers.

How will the WEP be funded and who will have ownership?

- To date, the WEP development has been funded by woolgrowers through AWI. It is expected that WEP ownership would reside in large part with woolgrowers.

How has the wool industry been consulted?

- The Wool Selling System Review (WSSR) began in 2014 and included a comprehensive consultation program engaging stakeholders across the wool industry. Highlights of consultation include:
 - More than 50 one on one meetings with industry stakeholders – 2014-2015
 - Release of [Issues Paper](#) - 10 December 2014
 - First round industry [submissions](#) received - 27 February 2015
 - Release of Panel [Discussion Paper](#) - 6 July 2015
 - Stakeholder Workshop with more than 150 participants - 21 July 2015
 - Second round industry [submissions](#) received - 4 September 2015
 - Release of [Final Report](#) - 1 February 2016
 - Briefings for stakeholders at Broker and Buyer Forums
 - AWI Woolgrower Forum – February 2016
 - AWI Board [announcement](#) of decision at AGM – 18 November 2016
- The WEP Working Group was established in July 2016 and included industry representatives; 4 growers, 3 brokers, 2 exporters and a member of Australian Wool Handlers. This group was empanelled to develop industry consensus for a WEP - the primary recommendation of the WSSR. It was during this phase that the group developed a vision, guiding principles and primary functionality for the WEP.
- AWI's woolgrower Industry Consultative Committee (ICC), with representatives from woolgrower organisations including WoolProducers Australia, Australia Superfine Wool Growers Association, Australian Association of Stud Merino Breeders, Australian Wool Growers Association, Pastoralists and Graziers of WA, and a broad wool representative, were also regularly briefed on developments with the WSSR and WEP investigation.

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- Since November 2016, representatives from the WEP Working Group have presented to the boards of AWEX and AWTA and have engaged with woolgrowers at numerous fields days, such as Wagin and Burra, nationwide.
 - AWI will continue to consult with industry as the WEP moves forward, and provide progress updates to stakeholders.

What are the next steps for the WEP?

- The AWI Board has asked the working group to now engage expert online commodity market operators to help develop the WEP.