

Submission

Wool Selling Systems Review (WSSR)

To:
Australian Wool Innovation

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WAFarmers Federation

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Agriculture in Western Australia

The Western Australian Farmers Federation Inc. (WAFarmers) is the State's largest and most influential rural advocacy and service organisation. Founded in 1912, WAFarmers boasts a membership of over 4,200 farmers including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers. Collectively our members are major contributors to the \$5.5 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy. Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental wellbeing of that land.

WAFarmers Federation welcomes the opportunity to provide comments to the wool selling systems review.

Principle Comments to the WSSR:

This report acknowledges the changes, which have already been adopted over the past twenty years as a result of competitive forces and the dynamics occurring within the industry itself. WAFarmers believe change must occur as part of this review to improve returns to wool producers. The objective of the review must aim to decrease cost burdens on growers to increase returns to wool producers.

ABS data showed that at 30 June 2001 Australia had approximately 111 million sheep. In terms of total wool production (i.e. shorn wool plus dead and fellmongered wool and wool exported on skins), Australia produced approximately 645,000 tonnes of greasy wool in the 12 months ending 30 June 2001, or around 27% of the world's yearly output of greasy wool. Total wool production in 2000/1 was valued at \$2.5b or around 7% of total agricultural output. The Australian sheep flock in 2014 was 75.5 million head, comprising of 42,012 properties with sheep and lambs.

The combined effect of the declining flock size and the changing structure away from wool-producing Merinos has significantly reduced wool production.

Based on a declining national flock and wool clip, coupled with the declining number of sale lots being presented through the Fremantle selling centre, WAFarmers believes it makes practical sense to centralise and amalgamate the existing selling centres into sale by separation at one primary selling centre to be based in Melbourne Victoria.

The savings made by buyers and brokers as a direct result of this consolidation must be passed back to wool producers. We are aware that wool buyers are prepared to buy wool based on objective sale by description i.e. sight unseen. However, opinions on this are divided and WAFarmers believes a sample should still be sent to the primary selling centre at this point in time.

WAFarmers has noted the majority of wool buyers are buying wool for Chinese buyers. Putting all your eggs into one basket is a dangerous concept as the New Zealanders have found at their peril.

The key focus going forward must be to get more buyers at the primary wool selling centre buying wool for a number of countries, not just China, and for a range of markets. Wool has many

attributes and can be used by a variety of industries from the transport industry, to the textiles industry, to the fashion industry and so on. AWI must expand its marketing ambitions to promote wool across a variety of outlets not just high end fashion. WAFarmers does acknowledge the efforts being made by AWI to achieve this to date.

WAFarmers believes wool bales should continue to be stored at the three existing wool selling centres around Australia. Bales held at the three centres can be sampled and tested. We believe there is still a need for an intermediary i.e. a broker to negotiate the sale. Shipping can be arranged direct from storage to the purchasing country. Again, cost savings accrued as a result of the amalgamation must be passed to the wool grower.

WAFarmers are particularly concerned with the duplication in the appraisal of wool for sale and query whether it is necessary to have three groups look at a grower's wool. WAFarmers recommends a review of the services provided under the Post Sale Charges and whether these need to be made more transparent to the market including the wool grower.

WAFarmers recommends the Australian Wool Testing Authority should take over the functions of the Australian Wool Exchange together with other sectors of the industry to eliminate duplication and reduce costs to wool producers.

AWEX services can be provided by other bodies within the industry such as: Market reporting is already undertaken by brokers; wool classer registration can be undertaken by AWTA; Selling centre can be undertaken by brokers and buyers combined; importation of wool pack standards can be undertaken by AWTA.

WAFarmers looks forward to further engagement on this process.