Overall Comment

* My initial reaction on Tuesday evening was that any summary of the Meeting would be quite brief. But, looking at the Meeting in hindsight and the resulting media comment, I think that the general impression of the day and the subsequent media coverage are more important than the detail.

Individual views of the nature and/or “success” of the Meeting will vary; and probably range from:

“dissatisfaction / disappointment with the day / a waste of money” through to

“the industry probably has a better understanding of what the Panel is trying to achieve and the Panel has a better understanding of industry views”.

Attendees found the morning sessions to be disappointing and not offering much. Some left at lunch time.
The afternoon session was probably thought to be better by some (but not all) of the attendees.

* What was most surprising and disappointing was the nature of the immediate media reporting that followed the Meeting.

It concentrated on the Wool Exchange Portal and the greater opportunities the Panel believed this would provide for growers to come in contact with potential buyers (see the six attached articles).

These articles arose from a meeting which the WSSR Panel had with the Media immediately after the finish of the Stakeholders Meeting.

As some said to me, “I must have been at a different meeting.”

The nature of these articles will have had a negative impact on industry people and will have firmed up scepticism about the process. All feedback that I have had is negative.

Comments such as the following are not helpful:

# The idea is to rejuvenate growers’ returns by stamping out multiple bids in the auction room by improving the competitiveness of commission buyers and showing greater transparency of post-sale broker charges.

“The inevitability of it will be like mobile phones; it will come and either we get with it or else let it take us over,” Monash University professor and panellist Graeme Samuel AC said.

# Australian Wool Innovation instigated the review of the archaic open-cry system as a reaction to pressure from woolgrowers due to their falling returns.

I had a lengthy conversation with John Roberts to advise him of the feedback. He has had other similar calls.

* It is not clear what will happen from here. The Panel meets on Thursday this week.

The current schedule is for new Submissions to be made (up till 4 September); and for the Panel to make recommendations to AWI by the end of the year.

It is unknown how AWI will approach the recommendations. It is certain that further consultation with industry will be necessary to assess the recommendations and to look at “where to from here”.

Error in the Media Coverage

Graeme Samuel is quoted as saying that Exporters supported the Portal. This was never said. What was said was that there were no issues about the provision / transparency of information.
Attendance
Around 80 people attended. They included wool growers, brokers, private treaty merchants, brokers, some wool grower industry associations, ACWEP, PTWMA, NCWSBA, Inland Wool Brokers, AWEX, AWTA, AWH and others associated with the industry.

Grower Associations made relatively little comment. Most grower comment came from three individual growers who had particular issues that they wanted to push.

Meeting Structure
As is generally known, the Meeting was to be split into two halves:

1. The three Plenary Sessions in the morning:
   * **Operational Efficiencies**, presented / led by Dr Alistair Watson, an agricultural economist from Latrobe University.
   * **Pricing Efficiencies**, presented / led by Dr John Freebairn, an agricultural economist from Melbourne University; and
   * **Wool Exchange Portal.** Presented / led by Chris Tonkin, Managing Director the Western Australian grain trading company Ten Tigers.
   This was presentation was entirely about the selling avenues and forms of risk management available to grain growers.

2. The afternoon session was originally intended to comprise three breakouts groups, based on the morning plenary sessions, of which the attendees could participate in one only. There was a lot of reservations about this, as all attendees were interested in attending all three. It decided to just have one group which discussed all three subjects.

Issues that Received most Attention at the Meeting

In-Shed Testing / AWTA
This proposal is a key part of the Panel’s proposal to give growers more flexibility in the choice of how they sell their wool. The Discussion Paper presented the view that AWTA could do more to facilitate this. Michael Jackson pointed out that AWTA will provide such a service now, if requested.

Attendees from virtually all industry sectors were not supportive of this. Issues raised included commercial risk, the logistics of sampling, availability of sampling equipment and the logistics of getting wool to the dump.

Costs Along the Pipeline
There was very little discussion, most of which was about transparency. Members of the wool broking industry opted not to comment. They made limited contributions throughout the day, other than input from John Colley.

Greater Centralisation
There was a fair amount of discussion. Reference was made to the Review conducted by Mick Keogh and that the economic analysis conducted for that review indicated that there limited savings to be achieved.

As is well known, views within the industry are quite polarized.

Discussion at the Meeting raised the question of the impact of centralisation on competition and staff numbers. John Colley said that analysis within AWN indicated that it would have negative cost impacts for AWN.

Commission Buyers
Both Paul Harmer and Steve Bryce spoke about the role of Commission Buyers. The question of whether the role diminishes competition was raised, but dismissed in subsequent discussion.

Sale-by-Description / Electronic Selling
Views expressed in the Discussion Paper were supportive of a role for both in the future.

Buyer representatives spoke quite clearly on the need to see the sample from a valuing perspective and as part of guaranteeing the delivery. They also spoke of the well known difficulties in selling wool electronically, other than in limited quantities via Offer Boards (such as WoolTrade).

A number of cross-industry speakers were supportive of the open cry auction as an efficient method of exchange of ownership and of price discovery. There was some support by one or two growers for alternate systems. They received no other support.

Wool Exchange Portal
No one objected to the concept of transparency of information along the pipeline, but pointed out that a lot of information (including information about selling options) is already readily available.
Considerable questions / reservations were asked / expressed about how the Portal would work, what it would cost to establish and to run, who would own it and how it would be funded. There was no clarity on any of these points.

Members of the Panel were emphatic that the possibilities for exchange of ownership via the portal should be seen as a concept for discussion. This is contrary to some of the impressions given in the subsequent media articles.

The discussion gave attendees a clearer view of the Panel’s thoughts. But, whether they agreed with them is another matter.

Peter Morgan
Executive Director
Australia's wool industry is gathering support for a move toward an online portal for selling wool. A panel reviewing the way wool is sold in Australia has recommended the introduction of a wool exchange portal and met with growers, brokers and exporters in Melbourne this week to discuss the idea further.

Review panel member and former chair of the Australian Competition and Consumer Commission, Graeme Samuel, said while there was some scepticism for the proposal at the start of the day's talks, by the end there was a sense it was an idea that had merit.

"After more information had come out and there'd been more discussion, the participants were actually saying 'we've got some ideas about various aspects of what you are proposing, can we contribute those ideas?'

Mr Samuel said a wool exchange portal would bring more competition to wool sales.

"It gives growers - those that are selling their wool - different options and different processes for conducting the sale transaction," he said.

"It gives buyers different options for effecting their purchase transaction. It enables more buyers to enter the market, particularly international sources, all that creates competition."

The panel will deliver their recommendations to Australian Wool Innovation by the end of the year.

Mr Samuel said the wool exchange portal would be key to their suggestions on improving wool sales.

"It is quite clear in our view that the most important recommendation is likely to be that relating to the wool exchange portal," he said.

"That provides information, transparency, accountability, more competition, more choice, all those things have to be good for the industry."
Wool market set to shine online

Annabelle Beale
is a journalist for Stock & Land

The idea is to rejuvenate growers' returns by stamping out multiple bids

WOOLGROWERS have done a back-flip in support of an online wool market portal which is set to revolutionise wool selling and buying in Australia.

Eighty growers, exporters and brokers attended this week’s Wool Selling System Review (WSSR) stakeholder discussion day held in Melbourne to examine the panel’s proposal to modernise the wool market via an online Wool Exchange Portal (WEP).

The WEP is a metasearch engine which would be linked to current online selling systems such as AuctionsPlus and WoolTrade as well as automated access to existing open-cry auctions.

It will have a smart order routing which would work as a tool to compare growers' bale specifications with various market prices - a similar concept to popular travel website Trivago.

The idea is to rejuvenate growers' returns by stamping out multiple bids in the auction room by improving the competitiveness of commission buyers and showing greater transparency of post-sale broker charges.

"The inevitability of it will be like mobile phones; it will come and either we get with it or else let it take us over," Monash University professor and panellist Graeme Samuel AC said.

Prof Samuel said exporters were supportive of the WEP, while there was little representation or vocal reaction from brokers at the event.

He said growers were the most divided in supporting the recommendations.

"There were significant varied attitudes from the growers, with some thinking that the industry is working as it is now so why change it, and from others, the industry has to change because if it doesn't it will wither," Prof Samuel said.
Australian Wool Innovation instigated the review of the archaic open-cry system as a reaction to pressure from woolgrowers due to their falling returns.

However, Prof Samuel said it would be a tough challenge convincing growers to change the 100 year-old system. "I don't think you can say there was 100 per cent support for anything because in all these areas we were talking about, there are those with a vested interest to leave things as they are and there is a sense of industry inertia," he said.

User to pay

Financing the recommendations remains up in the air with panellists dismissing an impact to the wool levy.

Wil Wilson, director of Australian Investor Relation Services, said it was recommended as a user pay concept. "… it could be investment or build something with commercial opportunities attached to it as well," Mr Wilson said.

"It is fair to say that given this industry is unregulated, any initiative we propose has to have commercial implications otherwise there is no point.

"We can't impose a WEP on the industry - the industry needs to see it has commercial benefits."

Fox & Lillie managing director and panellist Jamie Lillie said the recommendations were in their infancy and further tweaking of the electronic proposal was necessary.

"It is in an ideas, concepts (phase), it is a long way off," Mr Lillie said.

"Wool buying is complicated and it is sometimes oversimplified but we got the message loud and clear from the exporters of (its) complexity."

Mr Lillie said the greatest challenge before widespread industry adoption of the WEP would be training woolgrowers to utilise the technology.

"Why is the auction system so strong? Because it is easy to understand," he said.

"Why is using derivatives trading and using options not taken up so broadly? Because they are hard to understand.

"Training people will be the most important part of the WEP - to get growers on board and to understand will be the challenge."

Woolgrowers are invited to respond to the panel's proposals until September, with the final report to be delivered to AWI in October.

READER COMMENTS

Jock Munro 23/07/2015 6:51:50 AM

The AWI wool selling systems review panel recommendation of a web portal to educate backward and obstinate growers would be a joke a shrinking wool industry was not so serious an issue! Any suggestion of a proposal such as an industry wide co op that would stabilise prices,manage the supply of wool onto the market or put growers closer to end users was treated with disdain or ignore. The panel was dominated by academic theoreticians. A WA Grains broker and invited speaker was not required to defend his claims that wheat deregulation was a great thing.

David Michael 23/07/2015 10:56:43 AM

Using the online wool portal as a support system, not substitute, for the physical auction is an obvious option to be evaluated. Any option to replace the physical option will have risks that may lead to a reduction in competition. It's quite important to estimate the transaction costs and risks associated with all options. The idea of a "smart order routing..to work as a tool to compare growers' bale specifications with various market prices.." is neither all that smart nor that new. For those buyers who don't already have this tool then it may be a useful support service.

Steve Noa 23/07/2015 1:18:36 PM

Until we have 'real' year on year demand for woolen products, where the spinners / weavers / garment makers have confidence in forward demand (as per Icebreaker NZ), there will be serious limitations on how effective the WEP can be. There has never been any confidence on how much or how wool will be worn 'next season' and thus this remains the reason we see a volatile spot market with little to no forward activity. This year's 'surprise' renewed wool demand came from a new 'double faced' wool product that no-one outside China saw coming.. can only hope it lasts several seasons!
Steve  23/07/2015 4:13:07 PM

Given the review suggested growers conduct their own 'in-shed' fleece testing to replace the AWTA core tests as a way of marketing their wool to buyers, simply highlights the fact that the panel don't understand the wool marketing system.

Woolly Thinking  23/07/2015 7:25:05 PM

I attended the workshop and most people I spoke to afterwards couldn't believe how out of touch the speakers and committee were. They could not understand how AWI could be allowed to waste so much money on this fiasco. And yes, I agree, they tried to ridicule Jock for putting forward his views. Terrible.

Alix Turner  24/07/2015 10:01:51 AM

Perhaps the two most pertinent points to be taken from Annabelle Beale's article are Prof Samuel's observation that, "the industry has to change because if it doesn't it will (continue to) wither", and that it would be a tough challenge convincing growers to change a 100 year old system. In fact the reality lies not so much in convincing growers to change the system as educating the likes of wool classifiers to make enlightened use of procedures such as Objective Clip Preparation and having brokers adopt the AWI funded development of a 21st Century computerised sealed bid auction mechanism.
Proposed wool exchange portal will overcome industry inertia says panel Sheep Central 220715

WSSR panel chairman Graeme Samuel

AN ONLINE Wool Exchange Portal concept has passed its first test in a workshop attended by Australian woolgrower, processor, trading and testing house leaders in Melbourne yesterday.

But final industry agreement on the online wool marketing options proposal and its funding will be unclear until after the Australian Wool Innovation’s Wool Selling Systems Review panel takes more submissions and makes a final report, possibly by October this year.

About 80 invited wool industry stakeholders attended the workshop to give feedback on the AWI Wool Selling Systems Review discussion paper to the WSSR panel.

The panel includes Fox and Lillie managing director James Lillie; Monash Business School adjunct Professor Graeme Samuel; consultant and director Bernard Wonder; Australian Investor Relation Services director William Wilson; Bell Financial Group executive chairman Colin Bell, and; Eubindal Pty Ltd director John Roberts, the panel’s executive officer and secretariat.

The WEP has been proposed by the panel as part of its review of wool selling systems to find efficiencies and cost savings, understand the potential for increased competitive tension and determine if there is sufficient transparency for woolgrowers.

The panel has proposed that the online WEP include a database of wool selling, testing and appraisal options; a ‘ready reckoner’ and a ‘smart router’ of selling alternatives, and a ‘find a broker’ and ‘find an exporter’ function.

WSSR panel executive officer John Roberts said there was very productive and robust discussion among the exporters, brokers, woolgrowers, consultants, forward market operators, testing house and online exchange representatives at the workshop.

Panel chairman Graeme Samuel said submissions will continue to be received until September 4 and the final report delivered to AWI and industry, possibly by the end of October.

“The whole report — it is up to the industry to say ‘yes we adopt’ or ‘no, we don’t’.

“If they do, it is a process of implementation as they see fit.”

Workshop participants came around

Mr Samuel said the general reaction early in the workshop that “the industry is working alright” and “what are we here for”, particularly in regard to initial scepticism about the Wool Exchange Portal, changed later in the day to the offering of suggestions.

“We were getting suggestions from participants as to aspects of the WEP that they might be able to contribute to and elements of the WEP that we might want to think about.

“So they are actually starting to think that this is something that we ought to be looking at and would be interested to participate to assist in doing so,” he said.
“I don’t think you could say that there was 100 per cent support for anything, because in all the areas that we were talking about today there were those who have a vested interest in leaving things exactly as they are.”

Panel member James Lillie said many stakeholders changed their attitude to the review during the workshop. Panel member William Wilson believed many at the workshop felt they had some ownership of the process, that there could be benefits and they wanted to be involved in its development.

Some stakeholders also said there was “a sense of inertia” in the industry along the lines of “We’ve done this for years, what is the point of changing? There is not a lot in it,” he said.

“But I think, particularly with the WEP discussion there was a sense of ‘there might be something in this.’”

Mr Samuel said the exporters tended to be more vocal and supportive of the WEP.

“I didn’t hear much from the brokers and heard a lot from growers.”

He said the attitudes of growers to the WEP varied greatly.

**How will the WEP affect current online wool trading options?**

Mr Samuel said some of the workshop participants suggested the panel should get some input from the current online selling options, AuctionsPlus Wool and Wooltrade.

Elements of that might be able to be integrated or “overlaid” into the WEP, he said.

“Remember the WEP is a one-stop shop.”
But panel member Bernie Wonder said the panel was not suggesting the WEP would duplicate Wooltrade or AuctionsPlus Wool.

“We see it as a strength, not a concern that we can actually make use of existing institutional mechanisms that are already there and we can actually embrace them under an umbrella.”

Mr Samuel said it was now a matter of developing the WEP concept.

“Part of the process now over the next few weeks is to engage in more targeted consultations on specific areas and particularly the WEP with a view of developing into a more analysed and detailed proposal.”

Mr Wilson said while there was broad acceptance of what the WEP was trying to do, stakeholders also made suggestions to expand its role into areas such as hedging or futures. Stakeholders also raised the issues of quality and accountability in online wool selling or other innovations.

Mr Wilson said the WEP could also offer connectivity to wool futures and derivative marketing options.

**Who will pay for a Wool Exchange Portal?**

Mr Samuel said a range of options could be considered for the funding of the WEP, including industry participants that use the portal.

Mr Wilson said the panel members made it “very clear” they were not proposing that the WEP be funded from levy funds “in the first instance”.

“To be fair we felt that if we do our job correctly and we get the buy-in of industry, then we really want their ownership of it.

“Now what ownership meant could vary, but certainly whether it be investment or in fact, build something that may have commercial opportunities attached to it as well,” he said.

“It was fair to say that given this industry is an unregulated industry that any initiative that we propose has to have commercial implications.

“We can’t impose a WEP on the industry, the industry needs to see that it has got commercial benefit.”

Mr Lillie said his view was that AWI would have to “tip in a bit” on behalf of growers.

“Half of them (the growers) said no and half said yes.”

Mr Wonder said there was grower interest in funding the WEP, but the issue needed more consideration by the panel.

A workshop suggestion for a vote on the funding of the WEP was disallowed by Mr Samuel and no other votes on any issues were made at the workshop.

Mr Samuel said the purpose of the proposed portal was to facilitate growers adopting various wool marketing options to help overcome “inertia” in the industry.

“The portal is a platform for the future as well as the issues we see at the moment.
“It also puts us on a footing to deal with the other issues that may arise,” Mr Wilson said.

Mr Samuel believed the WEP “will start to crystallise a whole range of issues.”

“What the WEP does is open up a whole range of courses of action that potentially deal with the operational issues that we’ve raised in the first part of the report and the pricing efficiency issue.”

These included different selling mechanism and route choices, and buying options and processes, he said.

“The discussion paper starts off with operational and pricing efficiencies, and then gets to the solution.

“I think if we now work a lot harder on the solution — the recommendation — that will start then to deal with the operational and pricing efficiencies.”

**WEP information on selling options will lead to competition**

Mr Samuel said “competition in many respects is a much better discipline than full transparency of every element of a business or operation” and by providing more information about participant selling options the WEP will facilitate competition.

“The portal is designed to do that – it is designed to open up options for growers.

“The portal might even develop sufficient sophistication that it will indicate to the grower that for particular grades at a particular time, with particular volumes, if you adopt option 3 that will get a better result than adopting option 1 – that’s options.”

The same process could work for buyers seeking wool, Mr Wonder said. However, Mr Lillie said it was highly unlikely that brokers would list their charges on the WEP.

But Mr Samuel said “You will only want one broker to list its charges on the WEP for growers to say ‘That’s really interesting, I might go with that broker’, and then a second broker will say, ‘Well I better do the same thing and I will actually come in with some lower charges’.

“The beauty of the way in which a WEP works is that provides transparency and accountability – and that happens through competition,” he said

“That could cause it to happen,” Mr Lillie said.

But the greatest challenge to the WEP will be training woolgrowers in how to use it, he said.

**WEP could start an incremental change process**

Mr Samuel said the review and the WEP would not be “the answer to everything’ for Australian woolgrowers and the industry.

“This will be a process to incremental change and it’s a process of incremental change that will be entirely dependent on the industry adopting it.

“So the task that is ahead of us is to actually be certain that we are recommending is good for the industry and then to present it in a way that the industry is compelled to adopt that incremental change,” he said.

“And if they adopt the incremental change that we are recommending here — particularly the processes of moving into the WEP – it gives the chance then for that incremental change to gather pace and to work on itself.

“Change then becomes inexorable, whereas at the present time change is inhibited, it is impeded,” Mr Samuel said.

“There are too many barriers in the way, including the barrier of inertia.

“What the WEP will start to remove is that (inertia) barrier and start that incremental change that we think the industry deserves.”

Mr Roberts said the panel had maintained it wanted to be highly consultative and “try to bring everybody along for the journey and give them some buy-in or some ownership of this whole process”.

“I think we went a long way in achieving that today.”

Any comments or submissions on the discussion paper can be emailed to wssr@wool.com Final submissions to the review are due September 4, 2015. Click here to read the Discussion Paper.
Reader's Comments

- Peter Small July 22, 2015

As one of the 60 or so who made a submission to this Review, I attended the above reported discussion on Tuesday the 21st at the Rialto in Melbourne. As a participant at various times in most facets of the Industry, I participated actively in the discussion. The report above, in my view does not reflect the outcome of the meeting. If any one else who attended shares my view then I am happy to be contacted by email, peter_wilderness@bigpond.com.


How can Mr William Wilson say that, “It was fair to say that given that this industry is an unregulated industry”. When there are hundreds of rules and regulations at every stage of the shearing, classing, handling and selling of wool. As their should be, how would it have survived for 175 years without them.

- Alix Turner July 24, 2015

Whilst the proposed Wool Exchange Portal (WEP) could usefully add holistic transparency to the workings and options available within the wool supply chain, particularly for growers, how much can it effectively address the underlying problem that led to this review being initiated in the first place? The realities are that world fibre markets are extremely competitive and that Australia is a high cost country to produce any product, especially any product destined for export markets. This has led to a well established trend of producers turning to alternative forms of land use because the problem of inadequate net returns. Thus the real challenge is what options are available to streamline procedures and extract the improved prices that are required to improve growers’ net returns? If the industry is unable to identify and adopt appropriate procedural reforms there will be limited value in having a WEP that is little more than a menu of options that make such limited use of advances in relevant knowledge and technology. If this review is to deliver full value it is incumbent on it to clearly identify the various available procedural reforms, many of which have existed underutilised for years, that can not only streamline the system and thus lead to improving growers’ net returns. Whilst there can be little doubt that some vested interests will be both ignorant of the nature of available opportunity and instinctively resistant to change, how much further can they allow the industry to shrink? After more than forty years of ignoring substantial availability for beneficial procedural reform isn’t it time to finally bite the bullet?

- Peter Small July 24, 2015

Alix, In your post above you say “…the real challenge is what options are available to streamline procedure and extract the required prices that are required to improve growers’ net returns?” This is the magical question that we would all, of course like answered. The July 2015 Discussion Paper released by the WSSR Review Panel, Page 10 details all the current costs per kg from Shed to Ship; these total 95.38 cents. If it was possible to slash these costs, say by 50%. An increase in growers returns of 45cents a kilogram will do little to improve growers fortunes. Also if we are to take Graeme Samuel’s advice to the discussion day, that the panel believed there were no regulatory problems and there was plenty of competition and options for both growers and buyers, then perhaps we are looking in the wrong spot. I would therefore be brave enough to suggest that the problem is lack of demand. Perhaps, just perhaps, we are all on a wild goose chase to deflect attention away from the real problem:the body that initiated the review, rather than the selling system or some extraneous “portal”!


Alex, you say “ That Australia is a high cost country to produce any product.” There is not a woollen garment, from socks to suits to blankets, where the cost of the wool would be above 5 percent of the final price of the product. So your statement is irrelevant. In your submission to the WSSR you talk up economic wool producers, ”Sealed bid Auction”, failing to say they told growers they would receive the highest bid, and buyers that they would get said lot at one minimum bid above the second highest bidder.

You also support selling unskirted/unclassed wools, which most of the important people — the buyers — do not; as indicated in 33 of the 68 submissions to WSSR, which I scored 10/10, including the one by Peter Small.

Sorry but your submission was convoluted and change for changes sake, and didn’t score so well.

woolman.biz
Western District woolgrower Peter Small

WESTERN District woolgrower and knitwear company chairman Peter Small fears Australian Wool Innovation’s Wool Selling Systems Review has an agenda to end auction wool-selling in favour of electronic selling through the proposed Wool Exchange Portal.

The WSSR panel has consistently claimed the proposed portal would not replace any of the existing selling channels or alternatives.

But after attending the WSSR stakeholder workshop in Melbourne on July 21, Mr Small, the chairman of Quality Softwools Australia believed the review is driven by similar instincts that led to the development of the failed Reserve Price Scheme.

Mr Small has been growing wool for 60 years and has experience in buying and processing wool is chairman of Quality Softwools Australia, owner of the Tooralie knitwear brand. He was also a member of the Australian Wool Industry Conference when Bill Gunn was courting votes for the introduction of the Reserve Price Scheme.

Media presented with ‘sanitised view’ of WSSR workshop

After reading press reports based on a press conference with the WSSR panel, Mr Small said it seemed the media was presented with “a sanitised view of the discussion rather than what actually took place”.

At a media conference after the Melbourne workshop reporters were told by review panel chairman Graeme Samuel that exporters tended to be more vocal and supportive of the WEP.

“I didn’t hear much from the brokers and heard a lot from growers,” he said, while the attitudes of growers to the WEP varied greatly.

But Mr Small said: “That’s not strictly correct – John Colley from Australian Wool Network – a very important broker – engaged very much in the discussion.”

Exporters were “fairly silent” during the workshop, but several congratulated him on his input at the end, he said.

Mr Small believed the review was motivated by a view that growers were being disadvantaged by selling cost “rorts”. However, an interim analysis in the discussion paper calculated the average greasy wool selling cost from shearing shed to ship’s rail as 95.38c/kg.

“Even if you cut half of them out and I don’t think that is possible, it is only 48 cents.

“48 cents is not going to make a tinker’s cuss difference as to whether people grow wool or an alternative product.”
Mr Small said review chairman Graeme Samuel told the workshop that the panel couldn’t find any issues of competition or evidence of cartel behaviour in the industry, that it was unregulated and transparent, with plenty of competition from many brokers and exporters.

“This review has obviously been a costly exercise (reportedly almost a million dollars), so they had to come up with something – so they have come up with this information wool portal idea.”

**Growers know their wool marketing options – Small**

But Mr Small said it is ridiculous to propose that wool growers could not determine what the various options for selling wool are and needed an online portal to sell wool.

“It is ridiculous, but they had to find something.

“What I fear that about this review is that it will start to develop a life of its own,” he said.

“Already it is apparent that what started off on Tuesday as an information portal has developed into an electronic selling system.”

Mr Small said he told the panel the proposed Wool Exchange Portal had to have “commercial feet” and had to be paid for and updated commercially.

“It should not use any of our wool tax money.”

**Concern about review’s agenda**

Mr Small said he was concerned the agenda of the review was an electronic system with implied sale by description.

“The trade – from growers to exporters – are very apprehensive with this type of chatter.

“I think we have to be very suspicious — I told Graeme Samuel wool bureaucracies have never changed their agenda in all my lifetime – sale by description, get rid of the brokers, get rid of the industry.”

Mr Small said over the years he had seen wool growers continually “corrupted by the bureaucracy.”

“They have spent all this money on promotion and it doesn’t lift the price of wool and so therefore they say, if promotion is not the problem, it must be the selling system.

“They have always got to find a furphy to blame because their promotion is so good it must be some other problem.”

The wool selling systems review’s conception was preceded by statements by AWI chairman Wal Merriman in April last year that limiting weekly wool market supply should be considered to ease market volatility.

“I think we need to have some control of the amount of wool going onto the market each week,” Mr Merriman reportedly told the ABC.

Mr Merriman claimed at the time there were no plans for a new reserve price scheme, but he said AWI would conduct research into how wool was sold. By November 2014, Mr Merriman was saying the AWI-commissioned Wool Selling Systems Review aimed to determine if the wool selling system provided optimal financial return to growers. The key objective of the current Wool Selling Systems Review (WSSR) is to improve the returns that woolgrowers receive for their wool through:

* evaluating whether greater efficiencies and cost savings within the exchange of ownership between the seller and the first buyer are attainable;

* understanding the potential for increased competitive tension throughout the wool selling process and how it can be achieved, and;

* determining whether there is sufficient transparency within the exchange of ownership to allow woolgrowers to make the most informed commercial decisions about their wool growing enterprise.
**Will the Wool Exchange Portal become another bureaucracy?**

But Mr Small is concerned the review is going to create another wool bureaucracy, initiated simply by a displeasure with wool prices.

“Because the promotion doesn’t seem to be working, wool prices haven’t been lifted then there will be another bureaucracy to try to fix the problem, while the real problems are the wool bureaucracy, and its failure at promotion and failure to lift demand.

“Get the bureaucracy out of it and the industry will start to flourish and that has always been my line.”

But Mr Small believed the review was conceived by the levy-funded wool bureaucrats, who seem to be influencing Mr Merriman, “as they did Sir William Gunn many decades ago”.

“This industry has got to very careful because we are just starting to climb out of all this crap created by the Reserve Price Scheme.

“We can easily fall back into it again if the panel thinks the least dangerous thing to engage in is this idea of a website (the Wool Exchange Portal) with some information on it – thinking that would be an outcome,” he said.

“Having spent $1 million and got people involved like Graeme Samuel, they are unlikely to say nothing has come out of it, that it is a waste of time.”

Mr Small said the problem he sees with the WEP is “that it might not be just a benign outcome, it might actually start to develop legs that give us another set of problems.”

“It is only going to create arguments to put us back years.”

He said some people held a very simplistic “fairytale” view that wool could be traded like company shares.

“I stood up and said you guys have got no understanding of the skill of the exporter in putting together 200 or 300 bale batches of wool that will process by overseas top makers the same this year as last year.

“This is what selling wool is about – it is about putting wool together into combing lots that perform consistently – I don’t think the panel understand all that.”

**Wool Exchange Portal as a selling mechanism?**

Mr Small said the panel mistakenly believed the portal could be developed into a selling mechanism, while there is nothing inhibiting electronic selling of wool developing organically within current market forces.

“If it becomes more efficient then of course, the industry will move with it.”

Mr Small everyone in the wool industry wanted to cut costs.

“There is no featherbedding anywhere.”

Mr Small said the wool industry is still recovering from the loss of capital from “the last debacle, the reserve price scheme.” In his WSSR submission to the WSSR, he said the review is an example of waste emanating from AWI.

“Any money wasted results in less available to rebuild the stock of industry capital.

“A good start to a more vibrant profitable industry would be to return the 2pc wool tax on growers gross proceeds to the growers, who will surely spend it more wisely than AWI.”

**Bairnsdale woolgrower told brokers “didn’t want to give it legs”**

Bairnsdale district woolgrower and former broker Allen Sheridan at Bengworden said he was concerned that the media only was told only “one side” of the discussion during the Melbourne workshop.
The former Australian Estates manager in Bairnsdale has worked for wool brokers for 24 years and been a woolgrower for 40 years. One broker told him after the Melbourne workshop they had not commented during the discussion “because they didn’t want to give it legs”.

“That was his exact wording, they didn’t want to give the meeting legs.”

Mr Sheridan said his impression from the meeting is that people were happy with the current selling systems, though “maybe with a bit of tweaking,” but he saw no reason for the review as most wool growers were selling wool through the auction system.

“My point all along is that if 90-95 percent of wool growers are using the auction system and are reasonably happy with it, why do we have to spend a million dollars of our levy money to conduct this review?

“I am quite happy to pay a levy, but it appears to me that the only thing the review could have been put on for was to try to let the wool brokers see that AWI is doing something.”

He said wool prices have had their “ups and downs” with feasts and famines for wool growers, in his 65 years in the industry.

“That’s the industry we are in and if you are not happy with that then get into something else.”

**WEP was discussed with Chinese mills**

The Melbourne workshop was told the proposed Wool Exchange Portal was discussed with Chinese mills and buyers, who sought the retention of exporters to finance and put wool together.

A centralised selling discussion during the Melbourne workshop prompted a walk-out by some brokers, but one broker told the panel that reducing the auction sales to any less than the three current centres in Sydney, Melbourne and Fremantle would give no cost advantage. The discussion then ended and the brokers returned to the workshop.

**National brokers council nothing to say “for or against”**

National Council of Wool Selling Brokers of Australia chairman Simon Hogan declined to comment after the workshop and referred Sheep Central to executive director Chris Wilcox.

Mr Wilcox said the NCWSBA wanted to be involved in further discussions on the Wool Exchange Portal if the industry decided to go ahead with it and would be making another submission to the WSSR panel.

“Really it is just an idea and there is no bones to it really, let alone flesh and skin.

So there is a fair bit of discussion to go on to get a real sense of it,” he said.

“They said as much, it is a concept, an idea and they want to get some feedback.

“We’re not making any comment for or against it.”
ONLINE SELLING

Growers accuse AWI of ‘spin’

By NICOLA BELL and FIONA MYERS

AUSTRALIAN Wool Innovation has been accused of rail-riding stakeholders in its quest to build an online wool selling system.

This followed a forum in Melbourne last week on the AWI’s Wool Selling Systems Review.

While the media was excluded from the forum, the briefing afterwards indicated “widespread support” for an online Wool Exchange Portal for wool sales.

But Australian Merino Exports managing director James Thomson and Hamilton wool grower Peter Small, among the 90 at the forum, agreed information provided to the media afterwards was “misleading”.

Mr Thomson said it “certainly was not an accurate assessment of the widespread views expressed”.

Mr Small, who has 55 years’ experience as a wool grower, said an online portal was talked about in vague terms at the start of the day, but within an hour of the forum ending, AWI had ramped up the idea to an online-selling system.

“This inquiry didn’t come from wool growers, it came from AWI,” Mr Small said. “Every time their promotion is seen to be failing, they (AWI) blame the selling system.”

WSSR panel member Will Wilson said several major issues raised by growers about selling wool could be addressed by selling online.

“Growers said they were interested in further centralisation, were concerned about the fact that one buyer can bid for many different customers in an auction, and that there was not enough transparency in post-sale charges,” he said.

Mr Thomson said his “interpretation” of the discussion day was that many people remained open to an education portal, “however, there remains much concern about AWI’s relentless efforts to push a complete online system”.

“I was astounded reading and listening to the spin AWI put on the workshop day and it seems typical of the continued arrogance of the organisation,” he said.

Final review submissions are due by September 4, with a report due later this year.