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Wool price rise welcome

To the Editor

The current lift in wool prices is overdue and welcome, but unfortunately highlights our industry's failure to either maintain or increase wool production. Wool processors are now reacting in a similar way to the end of the stockpile in 2002 when falling supply caused panic buying. The sharp price increases then contributed to reduced sales and wool demand for the next 2-3 years.

Current projections have Australian wool production falling to 405-410 million kgs. The drought is obviously a part of the reason, but in reality, the lack of profitability and lack of grower confidence are the main reasons for decline in production.

While growers rejoice that wool prices are rising, in 2006 the industry has not changed the old boom/bust commodity scenario. Another boom has come about because of reduced supply, rather than increased real demand. We are benefiting from contraction in our industry, rather than growth.

So what can woolgrowers do to improve the future?

- We must vote for change; Growers should vote for fresh people and ideas on the AWI Board, as most current Directors (except Wal Merriman) have been on the Board since 2002. The current Board are suddenly "born again wool marketers". Pity they didn't want to know about marketing from 2002 to 2005! AWI now has too many projects, too many overhead costs and has failed in its core mission of improving woolgrower's profitability.
- We must build real demand; AWI can be effective if it concentrates on improving real demand, without distractions and money wasting efforts such as the Federal Court action, and duplication of services with MLA and Woolmark.
- We need to produce more merino wool; Current mating trends in the Australian sheep flock show that it is not replacing itself. Improved, sustained real demand and profitability will turn around the decline in production.
- We need a plan; A "whole of industry Strategic Plan" must be conducted next year, during the celebration of 200 years of the Australian wool industry. Grower groups see the need for a Strategic Planning process but AWI has been reluctant to contribute.

Woolgrowers can start to change the future of the wool industry by voting this week in the AWI Board elections. Deadline for Proxy voting is Sunday 12 November at 2pm AEST.

Enjoy the lift in wool prices and hopefully we will see an increased uptake of forward sales and futures hedging this time around to make the boom last a bit longer.

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