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## Debate over limiting wool supply

Woolgrowers fear a return to a regulated selling system after comments by Australian Wool Innovation chairman Wal Merriman that a mechanism is needed to limit supply of wool on the market.

Mr Merriman says limiting supply would help keep wool prices more stable.

"I think we need to have some control of the amount of wool going onto the market each week," Mr Merriman said.

"That's one of the main reasons this market has fallen lately and the same thing happened last year.

"We need some mechanism, I think, to control the wool onto the market and that'd be a good first step."

But Australian Woolgrowers Association (AWGA) chairman Rob McBride says growers are concerned it represents a return to a regulated selling system.

"I guess my concerns, and our concerns as AWGA, are we're going back into the dark ages of the past.

"It took us 25 years to break the nexus of the wool floor price that cost us a generation of wool growers in Australia.

"We live in a market of supply and demand and you can't have a centralised selling system whereby you interfere with individuals' choices."

Mr McBride says growers would oppose any move to restrict their ability to sell when they want to.

"There is fluctuations on wool supply, there's no question about that, but it's been happening since time immemorial. It's just the case of individuals to make their own decisions.

"If I as a wool grower want to hold it back, it's my prerogative to do so. Conversely, if I want to sell it into the market as it stands, I've got to wear those options."

Mr Merriman says limiting supply would flatten out some of the highs and lows the market has been experiencing.

"We can't have this situation that's gone on the last two years now, where there's high volumes of wool hanging around the February market, the Chinese see this and pull out.



**PHOTO: Exporters say large volumes of wool coming onto the market send a signal to overseas buyers and sends prices lower. (Rose Grant)**



**AUDIO: Call to limit wool market supply (ABC Rural)**



# AWGA - News Update

"You can tell a Chinese top-maker that there's going to be 6 per cent less wool this year, but when they see those high offerings, they say 'pull back, let's see what happens'."

Wool exporters are also concerned about the level of volatility in the market.

President of the Australian Council of Wool Exporters and Processors, David Ritchie, says since the departure of big wool trading houses, the remaining smaller local and family owned traders don't have access to the same lines of credit.

"So when there are big sale offerings, there is a limit to the amount of money they are able to be offering, so when there are big offerings, sometimes they just simply have to withdraw from the market because they run out of funding lines.

"Prices then come under pressure, prices drop, or there can be higher pass-in rates.

"Both these issues will be reported back by exporters to our overseas customers, given that almost all wool grown in Australia is exported.

"These customers then pick up these signals and tend to have a lower expectation of prices in the following weeks."

He says exporters don't want a regulated system that forces growers to hold back wool, but he thinks there needs to be better communication about how much wool is being sold each week.

"The industry as a whole needs to have discussions with exporters, with growers, on how better to sell the wool.

"Often these big offerings are before or after breaks. There's now starting to be some expectations that there will be some abnormal price movements around there, which we don't believe is a healthy sign for their industry.

"We need growers to get the best price they can and stay in the industry, because we understand the pressures that wool growers are under.

Rob McBride, of the Growers' Association, says better marketing is the key to improving prices, which fine wool growers have seen drop by as much as 30 per cent in recent years.

"If you create demand at the end of the line, that's going to pull through and we are going to get better prices."

<http://www.abc.net.au/news/2014-04-30/nrn-wool-debate/5420860>