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'No plan' for reserve price scheme



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AWI chairman Wal Merriman.

CONTRARY to popular belief, Australian Wool Innovation (AWI) chairman Wally Merriman says it's not planning on introducing a reserve price scheme to the wool market.

Last week, it was revealed Mr Merriman had [floated an idea with the AWI board](#) to regulate the supply of wool into the auction markets to help stabilise price fluctuations in the market.

Mr Merriman said AWI was now in the process of conducting research into how wool was sold, and the findings would be taken to AWI's Woolgrower Industry Consultative Committee (ICC) meeting later in the year.

The ICC includes the president or delegates of woolgrower representative organisations including Australian Association of Stud Merino Breeders; Australian Superfine Wool Growers' Association; Australian Wool Growers Association; WoolProducers Australia; Pastoralists & Graziers Association (PGA) - Western Australia and a non-Merino breed representative, while the Department of Agriculture is an observer of the ICC.

Mr Merriman said there was a lot more research to come into the proposal than just regulating the supply of wool to the market, however, the ultimate goal was to try and stop the erratic movements in the market price for wool.

In regards to the backlash his proposed idea had received online in news forums and on social media, Mr Merriman said there were a lot of people making uniformed comments.

"There is nothing new or different in what people are saying, there was plenty of opposition but I didn't see any answers in how to stabilise prices," he said.

"This nonsense about 'back to the future' is just rot - there is no plan for a reserve price scheme - we are just trying to even out the wild fluctuations."



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Mr Merriman's idea has sparked much debate in the industry with WoolProducers Australia vice president, Richard Halliday, Callowie Poll Merino stud, South Australia, saying WPA would be opposed to regulating the current free-market set-up.

He said WPA was yet to discuss Mr Merriman's proposition at board level.

"We'd be against any regulations around it. If we could (stabilise the market) any way without regulating it, that would be great."

Mr Halliday said every year the wool industry was faced with a supply-demand issue in late spring when there was excess wool build up at the stores and an elevated number of bales at auction, which then caused prices to slip.

The lack of feedback from wool buyers to growers meant they didn't understand the specifications and timing of what the market wanted, he said.

"That's always been an issue - the flow of information from buyers back to producers," Mr Halliday said.

"We're telling the buyers everything they want to know about our wool but we're not getting enough information back."

Mr Halliday said many dedicated woolgrowers looked at their wool marketing options and many were now developing a genuine marketing strategy.

"A lot of other individuals are really getting into that space, like the meat industry, in relation to market signals."

He said it was mixed farmers that may not have a marketing strategy in place.

"In that oversupply category is when a lot of the mixed-farm wools come onto the market," he said.

"They've got their crop in the ground and spraying is finished so there's time to shear, and that's when the market gets all of these bales lumped on at the same time.

"Mixed farmers have got the sale of grain and other things, so they don't have to focus solely on wool."

Agricultural market analyst and South Australian sheep farmer, Malcolm Bartholomaeus, said the wool industry would benefit from coordinated control of information in regards to supply and demand than trying to control the supply of wool to auction.

"It is somewhat frustrating to see the fluctuations in volumes, but I'm not sure trying to control that makes a lot of sense," Mr Bartholomaeus said.

"In a deregulated market, there really is no way of controlling what individuals do. You have to make sure every individual on the buyer and seller side has access to good information so the right decisions can be made."

Mr Bartholomaeus said the wool industry currently lacked a good flow of information for that to happen.

"I think the industry could do a lot better in coordinating the control of information, so that some time out from a sale everyone knows what's going to happen (what the supply-demand looks like)," he said.

"One way of controlling that is when a grower decides to put wool up for auction, he has to follow through and not pull out at the last minute."



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Mr Bartholomaeus compared the wool auction system to a clearing sale.

People travel long distances for clearing sales so if a seller says something is up for sale, the accepted etiquette is it can't be pulled from the sale at the last second, he said.

AuctionsPlus and Wool Trade market operations manager Tony Benson, Sydney, said he couldn't support any regulation of the wool market.

"We have been there before, we would need to see the thorough detail of the plan before we make any decisions, but based on previous history I cannot see it being an effective way to market wool in Australia," Mr Benson said.

<http://www.theland.com.au/news/agriculture/sheep/wool/no-plan-for-reserve-price-scheme/2696878.aspx?storypage=0>