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Wool market indicator push



 Woolgrower groups are discussing developing a comprehensive wool price list by micron category for customers in an effort to sustain current product levels. Pictured is AWGA chairman Chick Olsson and sons Daniel and Josh.

AN indicative micron price guide is being developed by Australian Wool Growers Association (AWGA) in an attempt to sustain current volumes of wool production.

AWGA is establishing a detailed comprehensive wool price list by micron category for customers, which chairman Chick Olsson said would reflect the cost of production, including a five per cent return on capital model.

“Who can survive in any market not knowing what prices they are going to receive from year to year?” Mr Olsson said.

“It’s an outdated and inefficient system that has seen a severe decline in wool production.”

“By sending a simple price list to customers, we begin to let them know what we need to survive and make a modest profit.”

He dismissed claims the move was similar to the ill-fated Reserve Price Scheme which crippled the industry when it collapsed in 1991.



AWGA - News Update

“This is only an indicative micron price list for customers to see what they have to pay to maintain current volumes of wool production,” he said.

“This type of commercial approach will promote more understanding with our customers, allowing them to also factor into their costings what we require to remain growing current volumes.”

While WoolProducers Australia had not been involved in the development of the price guide, WPA chief executive Jo Hall said it welcomed the development of any tool that assisted woolgrowers in calculating their returns for the wool they were producing.

Australian Council of Wool Exporters (ACWE) president Chris Kelly said “meddling” with market forces would not be supported by the industry.

"Any hint of a reserve price people are dead against," Mr Kelly said.

“Universally, exporters will have an issue because we are still quite raw with what happened with the last reserve price.

“Any meddling with the market makes everyone very nervous.”

He said exporters operated on high risk and limited profit margin of about one per cent, and “to cut the fat - if there is any - is risky”.

“The discussion to look at sustaining volumes is healthy and the concept is too, but everyone in the industry is battling slim profits which we have seen with the hand to mouth buying by processors who have no long-term orders from October, November and beyond,” Mr Kelly said.

“The current volumes are perfect for supply and demand, so hopefully the short-term rebuilding phase coming out of drought is done slowly to sustain the current levels.”

National Council of Wool Selling Brokers of Australia declined to comment.

<http://www.theland.com.au/story/4027578/wool-market-indicator-push/>