

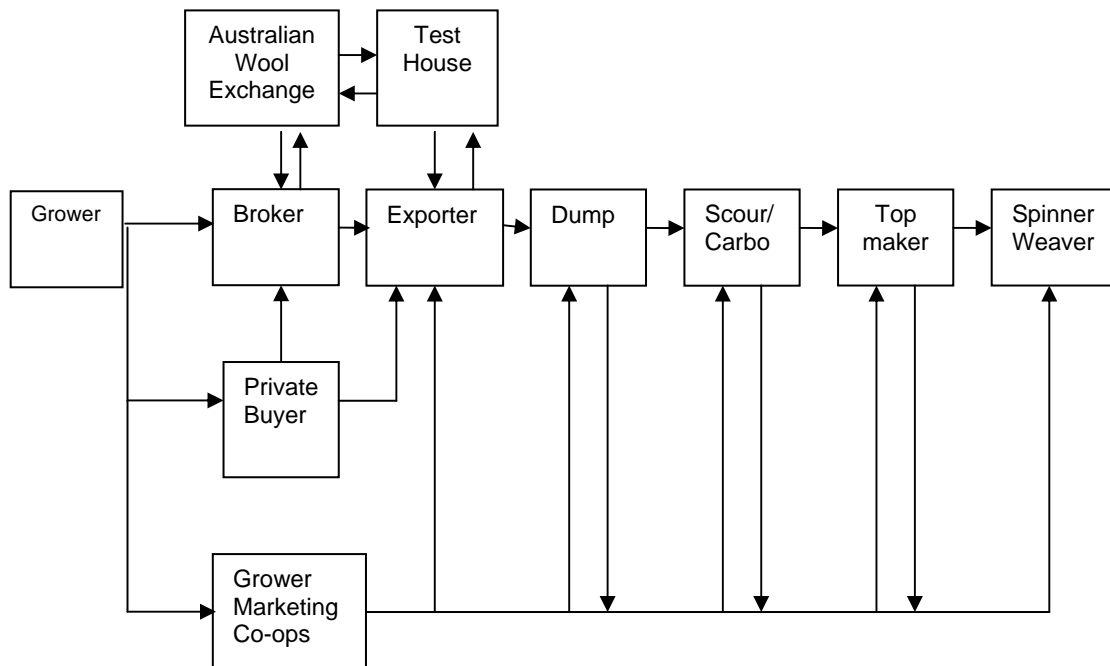
## The Australian Wool Market An introduction for prospective participants

The Australian Wool Exchange receives, from time to time, requests from the public as to how to participate in the Australian Wool Market. To assist potential new entrants, a list of preliminary questions and answers has been prepared which are designed to help clarify your requirements. [This document assumes the reader has limited, if any, knowledge of the wool industry and serves only as a basic introduction.](#)

### 1. Industry Structure

Australia's wool industry consists of a number of participants, all of whom contribute to the successful movement of wool along the path from the producer to the end consumer. These participants add value and provide services as wool travels through the 'pipeline'. (Figure 1)

**Figure 1: Wool Pipeline**



#### The Australian Wool Exchange Ltd

The Australian Wool Exchange Ltd (AWEX) was founded in 1994 and provides the major industry framework for the exchange of ownership of wool in Australia.

The membership of AWEX represents 95% of first-hand wool purchased in Australia each year and includes wool brokers, exporters, private treaty merchants, processors, wool producers and associates.

AWEX works to maintain industry standards and compliance with regard to clip preparation and presentation for sale, thereby enhancing the quality and integrity of the Australian wool clip.

## 2. Shed to Gate

There are estimated to be over 30,000 woolgrowers in Australia. Total wool production<sup>1</sup> for the 2009/10 selling season is forecast/estimated to be approximately **330 million kilograms** shorn from **76.9 million sheep**. Wool production is influenced by environmental (e.g. drought) and economic factors. 80 to 90% of shorn wool is offered by woolgrowers through the auction system via a selling broker. Between 10 and 20% of wool is purchased privately from the farm, through wool brokers selling privately or through treaty (private merchant sales).

### 2.1 The Fibre

Greasy wool is a complex and highly variable fibre. Most wool in Australia is shorn from Merino sheep which typically ranges in fibre diameter from 11 to 27 micron<sup>2</sup>. Crossbred sheep grow wool typically between 24 and 36 micron (see Table 1). A limited quantity of Carpet wool (34 micron and broader) is grown in Australia but is not usually sold through auction. Sheep on a farm are usually run in mobs of similar sex and/or age. Age, breeding, sheep husbandry practices and environmental conditions are all factors that influence the type of wool produced by sheep.

**Table 1. Indicative (whole) micron profile of ADULT FLEECE wool sold through auction in Season 2008/09.**

Micron	Bales	%	Micron	Bales	%	Micron	Bales	%
<=12	2	0.00	22	129,558	12.35	32	4,807	0.46
13	38	0.00	23	54,552	5.20	33	3,198	0.30
14	145	0.01	24	16,591	1.58	34	1,870	0.18
15	1,325	0.13	25	8,856	0.84	35	1,167	0.11
16	12,469	1.19	26	11,264	1.07	36	1,005	0.10
17	49,464	4.72	27	18,224	1.74	37	772	0.07
18	96,541	9.20	28	25,654	2.45	38	825	0.08
19	146,398	13.96	29	27,890	2.66	39	415	0.04
20	203,733	19.42	30	18,425	1.76	40	145	0.01
21	203,791	19.43	31	9,583	0.91	41	8	0.00
						42	4	0.00

Convention: 18= 17.6 to 18.5 micron.

### 2.2 Preparation

When wool is shorn from the sheep, it is usually classed (in the shearing shed) by the woolclasser into five main categories for each mob:

- Fleece (the bulk of the wool from the body of the sheep)
- Pieces (coloured and frib or sweaty edges from the fleece)
- Bellies (wool from the belly region of the sheep)
- Crutchings (wool from the tail section of the sheep, may contain urine or dung stain)
- Locks (short wool created whilst shearing sheep)

Woolclassers will also try to keep separate any wool that is of poor colour, shorter, weaker or unusual<sup>3</sup> from the main lines. The Woolclasser will describe lines of wool using Bale Descriptions such as AAAM, AAM, M PCS, M BLS, M LKS, AAAFX, AAAMX, etc. The classing of wool is described in greater detail in the "2010-12 Code of Practice for the Preparation of Australian Wool Clips – The Woolclasser" available from the Australian Wool Exchange.

Recent years has seen the introduction of (meat producing) sheep breeds that shed fibre (Shedding Breeds). These breeds usually contain high levels of pigmented (black) and/or Medullated fibre which sheds and transfers to other sheep. When present in white wool (such as that from Merinos) these fibres have significant (negative) processing implications. Woolclassers and wool growers must implement management and description strategies to correctly handle this wool to minimise the risk of cross contamination.

<sup>1</sup> An industry committee forecasts wool production periodically during the year.

<sup>2</sup> A Micron is one millionth of a metre (10<sup>-6</sup> m) and results are reported in 0.1 increments.

<sup>3</sup> This wool is often known collectively known as Cast lines.

### 2.3 Packaging

Wool is packed on farm into bales by means of a wool press. The wool bales must be sampled, tested and carry a certificate of compliance to various standards. The pack material is now predominately made from undyed multifilament nylon yarn.

Wool bales should not exceed 204 kg, and shall not be less than 110kg (except for wool less than 18.6um, which may have a minimum gross weight of 90kg). Bales are usually between 140 and 200kg. The national average is **176.8kg**.

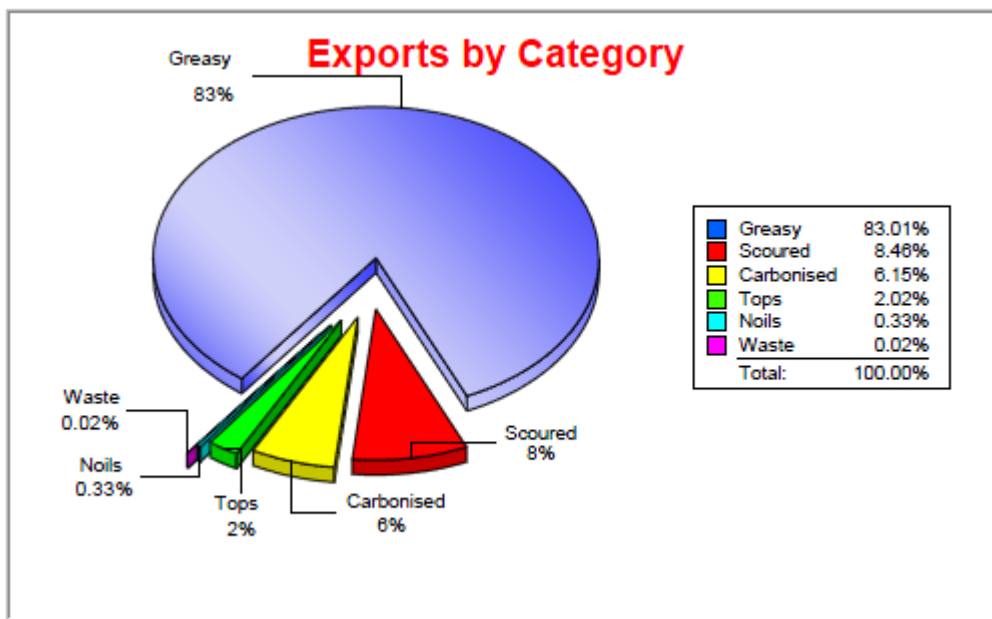
## 3. Getting started

### 3.1 What sort of wool do I want to buy?

To participate in the market a basic understanding of wool is required. Wool is generally traded and exported from Australia either raw or processed to differing degrees.

- Greasy wool (the raw material shorn from sheep)
- Semi processed
  - Scoured wool (washed to remove grease and dust)
  - Carbonised wool (washed with vegetable matter removed chemically)
  - Tops (washed, carded and combed)

Figure 2 - Wool Exports 2008-09



Two common terms when describing wool are –

- Combing Wool** Wool used in the Worsted (long wool, >50mm) trade  
Usually includes Fleece, Pieces and Bellies
- Carding Wool** Wool used in the Woollen (short wool, <50mm) trade  
Usually includes lambs, locks, and crutchings.

*The actual cut off between combing & carding varies considerably - 40-45mm is an indicative point.*

Wool is also traded whilst still on skins as pelts or hides. This is a product of the sheep meat trade. Skins and hides are not handled through the AWEX trading system. Abattoirs and growers sell skins directly to agents. Nearly all skins are exported for specialist processing known as fellmongering.

### 3.2 Where can I buy greasy (raw) wool?

The most common form for wool to be traded is in its greasy state. It can be purchased through the following channels

- Via open cry auctions,
- Directly from woolgrowers (on farm) in a private sale,
- Electronic offer boards,
- Directly from wool selling Brokers or Private Treaty Merchants (who act on behalf of woolgrowers or may own the wool themselves).

*Private buying is usually on a spot price or forward sale basis.* Buying wool privately on farm requires knowledge of the district and farm locations. Private (treaty) wool buyers usually compete with wool selling brokers who offer to sell wool on behalf of the grower through the auction system.

### 3.3 Where can I buy semi processed wool?

- from a mill which sells their product,
- from a (greasy) wool buyer who subsequently commission processes the wool on your behalf.

### 3.4 Can I process greasy wool in Australia?

Yes, there are mills in Australia that perform varying degrees of early stage processing on a commission basis. Early stage processing can include scouring, carbonising, carding and combing (topmaking). You would need to determine commission rates and availability of processing space with the mill of your choice.

**Some mills will only process wool for their own company and do not seek work on behalf of external parties.**

There are several spinners in Australia that produce yarn product after early stage processing is completed.

## 4. The Auction System

Approximately 86 per cent of all wool produced in Australia is sold through open cry auctions.

### 4.1 Frequently asked questions (FAQ's) about AWEX and auction sales.

#### a) How often are Auctions held? - Wool Supply

As wool is a natural product, it is subject to seasonal and geographic variations. Wool sold by auction is sold in five auction selling centres in three regions around Australia: Northern Region: Sydney & Newcastle, Southern Region: Melbourne & Launceston, Western Region: Fremantle. Sydney, Melbourne and Fremantle centres conduct about 45, 45 and 44 sales respectively. Sales are usually conducted over 45 weeks of the year with an average of two selling days a week in each region. Sales are held according to a published selling program available 6 months in advance. The number and size of sales are determined according to estimated quantities of wool available in each centre.

**The Wool Selling Season commences in July and ends in June the following year.**

Certain types of wool are available only at certain times of the year due to shearing patterns and environmental conditions. Additionally, the volume of wool offered varies from month to month and State to State. This should be a consideration in your buying strategy and commitments.

#### b) Can I buy or bid on the wool?

You can physically buy wool by bidding (if in an open cry auction) or offering a price in a private sale situation. Auctioneers will sell wool from brokers' selling catalogues with up to 250 lots being sold per hour. Before bidding at auction it is necessary for you to (subjectively) appraise the wool on offer to determine its suitability.

Identifying the correct wool to buy is a technical process requiring a good understanding of wool, its processing capabilities and suitability for your order. These are not skills easily or quickly obtained. If you are unsure of these processes there are a number of options –

- Hire staff with these skills,
- Seek a company that buys wool on commission, or
- Seek training yourself.

**The volume and value of wool you are proposing to buy and future commitment to wool buying will determine which of the above options best suits your requirements.**

The buying of wool is a process that tries to meet at least two objectives:

- To meet the technical processing requirements of the consignment, and
- To buy wool at the best (lowest) possible price.

To meet both of these objectives it is often necessary to combine different types of wool to meet the processing and price requirements. Wool Buying is also notable as the delivery contract is often based on the expected *processing outcome of the consignment* rather than the actual greasy wool parameters.

### c) Can I see the wool before buying at auction?

Yes, you can see a representative sample of the wool. The actual bales usually remain stored in the selling broker's store. A small representative sample is extracted, about 3-7 kilograms, which is then displayed on a showfloor. The showfloor is an area with rows of showfloor boxes, which allows both buyers and sellers the ability to view the wool prior to sale and make some subjective judgments on its suitability for purchase. The showfloors are usually open several days prior to the actual sale day. The buyer on request can purchase the sample if required but usually it is retained by the broker.

### d) What objective test results are available on greasy wool?

Nearly all wool sold at Australian Wool Exchange auctions is objectively measured for fibre diameter (micron), vegetable matter content and clean fibre content (yield). The majority of combing wool is now tested for staple length, strength and position of break. Wool can also be tested for scourable colour. All measurements are conducted and certified by the Australian Wool Testing Authority (AWTA). **Objective measurements are published on 99% of lots in the auction sale catalogue.**

Test results included in the auction sale catalogues are fully certified. Woolbuyers can often request a post sale combination test certificate of all the individual lots purchased in a consignment. Test Certificate(s) may be a document required by your client before payment is expedited.

If buying wool privately, either directly from a woolgrower or merchant, a guidance test may be used. This test offers a lower level of precision than the standard test used in auction catalogues.

### e) What details are in the Auction sale catalogues?

Each selling broker publishes an auction sale catalogue for a nominated sale. The catalogue contains pages of sale lots of wool prepared by a woolclasser for sale. Each lot is sold as one unit and will vary in size, quantity and type. The details for each lot include:

- the wool grower's farm or property brand (e.g. Mountain Valley)
- the number of bales in the lot (e.g. 6 bales)
- the total greasy and clean weights (in kilograms) of the lot
- the wool description by the wool classer (e.g. AAAM)
- objective test results –

Fibre diameter (micron)	21.2 micron
Vegetable matter content	1.2 %
Yields (SCH, JCSY, SCD, ACY)	65.2 %
Staple Length (on combing wool)	92 mm
Staple Strength (on combing wool)	35 N/Kt
Laserscan MFD	Mean Fibre Diameter
Laserscan CVD	Coefficient of Variation
Position of Break (POB)	Tip, Middle, Base as a %
- Grower supplied information:

Mulesing status
Quality Scheme
DMFR Rating

BSH MULES	ACY	JCSY	SCD 17%	SCD 16%	SCH DRY	VMB NETT	MIC	S/L		S/S NKT	POB			SS25 DMFR	LOT NO	BLS
								MM	CV%		T	M	B			
0.0 0.7 0.0	70.8 254	74.6 268	76.7 275	76.0 273	73.6 264	0.7 359	18.7 19.8%	87	16	44	17	22	61	31 1	C4001 P	2
0.1 0.3 0.0	62.9 118	66.8 125	68.4 128	67.8 127	65.8 123	0.4 187	17.2 22.7%	53	18	0	0	0	0	1	C4002 P	1
0.3 0.4 0.0	63.2 231	67.1 246	69.1 253	68.5 251	65.9 241	0.7 366	18.5 20.0%	94	12	50	7	36	57	40 NA	C4003 P	2
0.0 0.3 0.1	55.6 203	59.7 219	61.2 224	60.6 222	58.5 214	0.4 366	19.3 19.7%	60	15	50	13	49	38	38 1	C4004 P	2
0.0	60.7	72.4	76.9	75.5	72.0	1.2	19.0	89	12	50	7	36	57	40	C4005	7

The catalogue details are also available in an electronic format from the Wool Exchange EDI network several days prior to the auction. If you choose to subscribe please contact the Australian Wool Exchange.

**f) My client/contact has given me a wool type, what does this mean?**

A *wool type* is used by sellers and buyers to describe wool (characteristics) in a shorthand code. These codes may describe either raw wool characteristics or predicted processing characteristics depending on the user. Typing systems and codes often vary in format from company to company, particularly in buying firms. Broking firms and the Australian Wool Exchange use the *AWEX-ID* (eg. MF4B.80) appraisal system. AWEX-ID appraisal codes are available from AWEX. A wool type may include or imply subjectively appraised characteristics, objective test results or both.

You or your contact may quote interest in a wool type *eg T56*. Typing systems can vary from company to company, *even for codes that appear similar*. Do not assume that a T56 (for example) is the same for all companies. If you buy wool, or have it bought on your behalf, it is recommended you try to determine the *parameters of the type* or order you have been quoted. These parameters should include subjective and objective parameters. This may include the wool categories that can be included (fleece only, fleece and pieces blend, etc), fibre diameter range, staple strength, and length ranges, maximum and minimum vegetable matter content, and expected processing performance such as clean weight and top lengths. All of these parameters, either at a consignment or individual sale lot level, will give you and your supplier or client a better understanding of the product you require.

**g) What determines the price of wool?**

The price of wool varies according to many wool characteristics: the category, fibre diameter (micron), length, strength, amount of vegetable matter are some prime price variables. See Figures 3a & 3b.

In simple terms fleece wool can vary between 12 and 45 micron. The finer the micron the higher the price. The following averages (2008/09) give you an indication of typical per bale product costs.

17.0 micron fleece wool	= A\$ 1513 per bale
19.0 micron	= A\$ 1113 per bale
21.0 micron	= A\$ 897 per bale
23.0 micron	= A\$ 847 per bale
25.0 micron	= A\$ 517 per bale

**IMPORTANT: Wool is not traded on a dollar per bale basis. This is provided only as an indication to demonstrate the approximate value of wool.**

**h) The prices in the Auction room are different to the Market Reporting Quotes. Why?**

**What is the difference between CLEAN and GREASY prices and weights?**

Greasy wool is usually quoted and traded in cents per CLEAN kilogram. Wool auctioned in the saleroom is bid on and sold in cents per GREASY kilogram. The conversion factor between greasy and clean weights is known as the yield.

**For example: 1000 c/kg clean x 73% yield = 730 c/kg greasy**

In very simple terms the yield is used to estimate how much CLEAN wool fibre weight is left after removing all the dust, grease and other impurities by certain types of early stage processing.

**1000 kg of “greasy” wool with a yield of 67% = 670 kg of “clean” wool.**

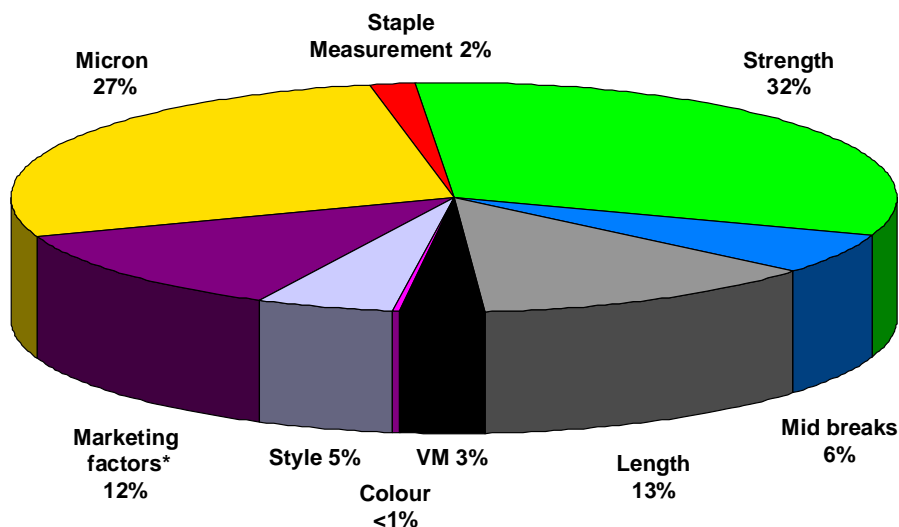
Four theoretical yields for each lot are published in the sale catalogue:

- Schlumberger Dry Yield
- Japanese Clean Scoured Yield
- Scoured Wool Yield @ 17% regain
- Australian Carbonising Yield

The type of yield used for processing and pricing depends on the type of wool and the trading terms you have established with your client. The clean and greasy prices will vary according to the yield basis that is applied.

**Figure 3a<sup>4</sup> - Price Determining Wool Characteristics  
(17.0-19.5 Micron)**

### **Value determining characteristics 2002/03 17.0-19.5 micron merino fleece wool**



\* Marketing factors are region, sale by separation, rehandled wool and lot size.  
Total may not add to 100% due to rounding  
Source: The Woolmark Company

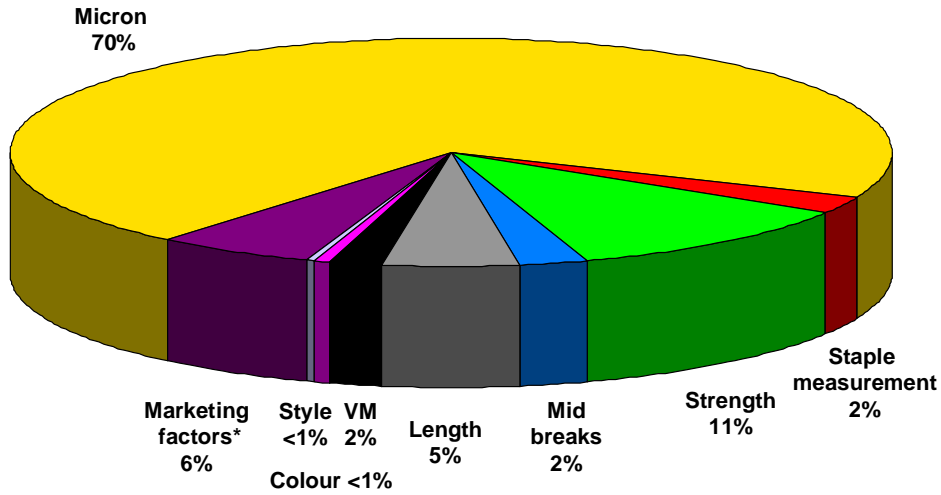


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<sup>4</sup> Pricemaker Quarterly – 2002/03. The Woolmark Company

Figure 3b - Price Determining Wool Characteristics  
(19.5-25 Micron)

Value determining characteristics 2002/03  
19.5-25.0 micron merino fleece wool



\* 'Marketing factors' are region, sale by separation, rehandled wool and lot size.  
Total may not add to 100% due to rounding  
Source: The Woolmark Company



### i) What does a Wool Selling Broker do?

A wool selling broker acts as the agent representing the vendor (woolgrower). The broker will seek business from woolgrowers by providing a variety of services to woolgrowers. The broker will take delivery of the wool bales from the grower after shearing (receivals), extract core and grab samples for objective testing. The wool is then stored in the broker's warehouse until the wool is sold and the buyer calls for delivery. The grab sample is used for display purposes on the showfloor (an area dedicated to displaying wool samples for appraisal and sale.) After receipt of the test results an auction broker will, in accordance with the grower's instructions, offer the wool for sale as part of their auction sale catalogue. (Alternatively, some brokers may negotiate directly with the buying or export trade, rather than sell through the auction.)

At the conclusion of a sale the wool selling broker will transmit or send hardcopies of the invoice to the buyer and notify the Test House of certificate ownership.

### j) What are Interlots and Bulk Class?

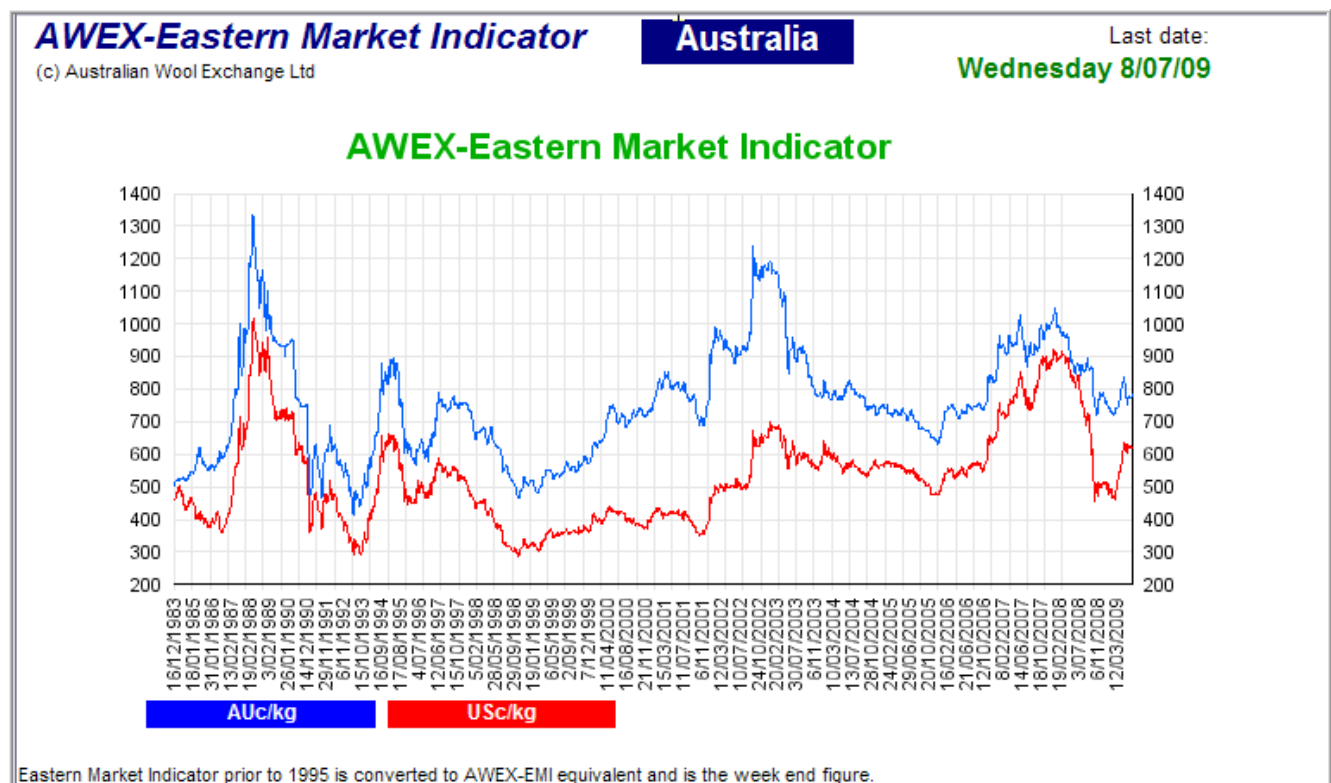
A woolclasser will, from time to time, have quantities of non-matching wool, which are insufficient to make a full bale or a complete line of wool. In these cases it is necessary for the wool selling broker (or private buyer) to build bigger lines by mixing this wool with other growers' wool. A wool bale with multiple components will be consigned to bulk class. Small lines of 1, 2 or 3 bales are often interlotted to build bigger lines for sale. Test certificates on these lines will often have a "B" (Bulk class) or "I" (Interlot) suffix.

### k) Where can I get more information of market prices and volumes of wool for sale?

There are a number of places for further information.

- The Australian Wool Exchange runs a daily market reporting service where market indicators such as the benchmark Eastern Market Indicator (AWEX-EMI) and daily type quotes can be found. A chart of the Eastern Market Indicator in **cents per clean kilogram** from 1983 to July 2009 is below. Historical offering and statistical information can be sourced from the AWEX database that holds details of every lot sold through auction. These services are available on a fee for service basis. Enquires should be directed to AWEX on + 61 02 9428 6100.
- If you arrange to purchase wool from a commission buyer, market quotations may be provided as part of the service.
- Wool Selling Brokers can also be a source of market information.

Macro or econometric information can be sourced from research bureaus such as Australian Wool Innovation and ABARE.



### **l) Can I get pre and post sale information electronically?**

Yes, the wool industry was an early user of EDI/XML technology to deliver savings and efficiencies of information transfer. A wide variety of electronic information is exchanged or transmitted between parties using industry wide formats and standards. EDI/XML has a high acceptance in the wool industry and is the preferred means of document exchange.

EDI is chiefly centered on three delivery vehicles.

1. Wool Industry EDI/XML network(s). EDI networks are used to exchange public sale catalogues, auction sales results, post sale invoices, and wool delivery orders. Invoices and Delivery orders are private party to party transmissions, whilst auction catalogues are available to all users. Nearly all wool industry participants are subscribers to this network infrastructure.
2. The Australian Wool Testing Authority receives and transmits information relating to pre and post sale testing requirements of wool selling brokers and buyers.
3. Proprietary point to point transmissions using internal or Internet mediums. This is dependent on the type of information transferred.

All three systems require users to apply or subscribe before use and are largely mailbox type systems. The AWEX EDI/XML network is charged on a user pays system in terms of volume of data moved. It is not mandatory to belong to the EDI/XML network, as manual documents are supported for non-EDI/XML users.

A number of software providers specialising in wool industry transmissions can provide software and or database solutions should you wish to become a regular participant in the wool market.

### **m) Electronic trading**

As of July 2009 one electronic offer Board exist in the market place. Offer Board trading is often viewed as complementary to the auction.

## **5. FAQ's about Market Logistics and Processes**

### **a) What do I need to do before I buy wool?**

#### ***Establish terms and conditions***

Wool is typically sold overseas on an indent or forward delivery basis. These orders are filled progressively from the spot physical market or buyers' stocks. Ensure you have made adequate provisions for the payment of your wool purchases. This would also include appropriate steps to minimise trading risks and liabilities for wool and/or currency market fluctuations, and possible claims on late or inaccurate technical delivery.

#### ***Register with the Wool Exchange and the ATO<sup>5</sup>***

If you choose to buy directly from the auction system you will need to become a member of the Australian Wool Exchange. An AWEX membership application form is available from the Company Secretary. Commercial registration (for 2009) includes a one off fee of \$8,000 with annual renewal of \$700 (GST exclusive). Membership of AWEX implies agreement with the Memorandum and Articles of Association, Code of Conduct and Business Rules of the Wool Exchange.

For wool tax purposes you will need to be registered with the Australian Taxation Office (ATO).

If you buy wool privately, or *through a commission buyer at auction* you do not need to register with the Australian Wool Exchange.

Also, you will need to register as an Australian Registered Company. If you are a business the ATO encourages you to register for an Australian Business Number (ABN). You may also need to register for GST.

#### ***Obtain technical specifications***

If you are buying on behalf of a company (or individual) it is recommended that you have adequate and specific information about their technical requirements for their wool. For your own

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<sup>5</sup> Australian Taxation Office – Wool Tax Department

protection, you should ensure your client fully and explicitly details the technical specification of the processing outcomes and source raw material that you are required to deliver. A comprehensive technical specification detailing objective test information (e.g. micron, vegetable matter content, yield, etc), subjective parameters, expected processing outcomes, allowable tolerances, clean or greasy weight requirements and delivery requirements should be a minimum requirement. (See section f, p6.)

### **Industry Description (AWEX-ID)**

The first generic typing scheme developed by the AWC was based on systems used when wool acquisition occurred during World War I and II. This was the common language of the industry used for the reserve price scheme, market reporting and statistics.

AWEX was formed in 1993 taking over responsibility for the management and the reporting of the auction system. In 1994 AWEX developed an Industry Description system called AWEX-ID. It was based on work begun in 1987 by the Joint Wool Selling Organisation. AWEX-ID for greasy wool is the description of appraised, non-measured characteristics of the wool. When combined with the objective measurements on the lot provides complete product description.

Broking firms and the Australian Wool Exchange use the *AWEX-ID* appraisal system. A copy of this appraisal system is attached to this document.

### **b) What are the General Terms of Trade?**

If you are a new entrant in Wool Trading the following may assist you in finance related matters.

1. The Wool Selling Broker does not offer credit on wool sold at auction. Wool will only be delivered after the clearance of wool payments.
2. Wool sales between buying companies and mills are made on two basis:
  - *Forward sale and delivery*
  - *Indent basis*
3. Wool is often exported on a FOB or CIF basis to overseas clients.
4. Many contracts of sale made between local buyers and their clients are performed on the basis of a *Letter of Credit*.
5. Buyers acting on your behalf may require evidence of credentials prior to an agreement being settled.

### **c) Export and destination import requirements**

Depending on the country of destination you should check for:

- a) Statutory requirements such as Health Certificates and Country of Origin certificates; and
- b) Import or Export tariffs and duties.

To export wool from Australia you will be required to meet standard Australian statutory export requirements such as obtaining an ECN (Export Clearance Number) from Australian Customs. This may be obtained from the EXIT (Export) application system or upon application from your local Australian Customs Department.

Health and Country of Origin Certificates may be obtained from the AQIS and the Chamber of Commerce.

In addition, you will be required to provide documentation establishing and declaring wool tax has been paid on all wool for export.

### **d) What are some of the costs I should be aware of?**

If buying from auction, you should read carefully the **Terms and Conditions of Sale** issued by the selling broker.

1. The broker will levy a *Buyer Service charge* on your purchases. This is a per bale charge and varies from broker to broker. It is usually between \$15.00 and \$28.00 per bale and is itemised as an additional charge on your purchase invoice.
2. The selling broker will require payment by or on a Prompt day. This is usually within 9 days from the Wednesday of sale week. Late payment may attract a penalty or forfeit your sale. Some benefit may be obtained with early payment, however, this should be

- checked with the broker(s) concerned. You can remove wool from store at any time after purchase provided payment has been cleared by the broker's bank.
3. Selling Brokers will, after a nominated time, commence charging for the storage of wool in store. This is usually a per bale per day rate and varies between each broker. It is usually between **15** and **25c** per bale per day.
  4. The broker will not release wool without payment being cleared. Credit is not offered by wool selling brokers.
  5. If you require a single test certificate for your consignment you will need to apply to the Australian Wool Testing Authority for a combination certificate. This certificate combines all individual sale lot test results for a consignment into one certificate. (Certificates on individual lots of wool that you have purchased will be consigned shortly after the purchase by the broker or test house.)
  6. The auction catalogue will itemise where wool is physically stored. Wool is stored in many different locations around Australia, including country areas. *New entrants should ensure they are familiar with the location of wool* prior to purchase as this clearly will impact on delivery cost(s) and response times.
  7. Depending on the storage centre of purchase and the destination, you may elect to have the broker organise your transport or you may elect to arrange this yourself. If you arrange your own transport the broker may rebate a portion of your buyer service charge.
  8. The AWEX wool Clearing House charges a fee to coordinate wool deliveries into dumps for export. This is typically between **5** and **10 cents** per bale and is levied directly or included on your dumping account.
  9. A dumping fee will be payable if your wool is dumped in either greasy or processed form.
  10. A Wool Tax is levied on woolgrowers' first hand greasy wool sales. This tax is collected by the Australian Taxation Office and is used for research and promotion funding. You may register as a registered wool tax collection agent if you are purchasing wool privately. Wool Tax collection and payment on growers' behalf is performed by the selling broker on wool sold by auction.
  11. AWEX charges a Common Service Fee per kg of wool sold to meet the costs of AWEX providing services that have general benefits for Australia's wool industry, including standards, rules compliance, corporate services, rostering for buying and selling systems and the facilitation of Committees.
  12. AWEX charges an Auction Service Fee to cover AWEX costs in servicing its auction system including equipment and applicable staff costs related to sale supervision and maintenance.

### **e) What is "Dumping"?**

Wool is usually exported in a compacted form. This process is known as Dumping. A common dumping practice is to compact 1, 2, or 3 farm bales into one unit held together with steel bands. These dumped units are then containerised. In a dumped form a container typically holds between 100 and 115 farm bales of greasy wool. The dumping and containerisation of wool has delivered significant benefits in terms of freight savings and operational efficiencies.

You will need to contact a shipping company to book container space for your purchases. Additionally, if wool is not processed, a dump will need to be contacted to arrange dumping and containerisation.

Your client will be required to break the steel bands and 'open' the wool prior to processing.

### **f) What Risk Management tools are available?**

Risk management is a part of any business. The risks associated with the buying and selling of wool largely fall into the following categories –

1. Technical risk as a result of incomplete, inadequate, or not meeting, required technical wool specification.
2. Price risk associated with market movements.
3. Political and currency risks (when trading internationally).
4. Other risks (e.g. late or short delivery) in not meeting contract requirements.

Mechanisms available to market participants to alleviate or cover some of the above mentioned risks are:

1. Wool Futures traded by the Sydney Wool Futures Exchange and ASX can offer opportunities to hedge physical purchases against market movements, and
2. Political and economic risk insurance offered by the Economic Finance Insurance Corporation (EFIC) and Trade Indemnity.
3. Currency hedging, and
4. Commercial insurance cover.

**g) Where can I seek further training?**

Technical and Further Education colleges (TAFEs) perform basic wool technical training functions within the Industry. A number of technical courses ranging from Wool Classing to Wool Commerce are available through these institutions. Alternatively, additional qualifications may be achieved through university degree courses.

Many wool specific skills, particularly in appraisal related issues are the result of in-house training within each company. As a result, new companies within the Industry are often established or staffed by former employees of existing businesses.

**h) Where can I get further assistance?**

There are many organisations that can provide assistance depending on your level of need. A list of contacts is provided at the end of this document. The AWEX web site is also useful: [www.awex.com.au](http://www.awex.com.au).

**Wool Industry Organisations and Contacts**

<b>Company</b>	<b>Contact Number</b>
Australian Wool Exchange Ltd	+61 (0)2 9428 6100 (Sydney) +61 (0)3 9318 0277 (Melbourne) +61 (0)2 9632 6166 (Yennora) +61 (0)8 9434 6999 (Fremantle) <a href="http://www.awex.com.au">www.awex.com.au</a>
Australian Wool Industries Secretariat	+61 (0)3 9318 0077
Australian Council of Wool Exporters	+61 (0)3 9318 0077
Private Treaty Wool Merchants of Australia	+61 (0)3 9318 0077
Australian Wool Processors Council	+61 (0)3 9318 0077
National Council of Wool Selling Brokers	+ 61 (0)3 9318 0322
WoolProducers	+61 (02) 6273 2531
Australian Wool Innovation Limited	+61 (0)2 9299 5155
Australian Wool Testing Authority Ltd	+61 (0)3 9371 4100
International Wool Textile Organisation (Australian National Committee)	+ 61 (0)3 9318 0077
Australia Bureau of Statistics	+61 (0)2 6252 5000
Australian Customs Service	+61 1300 363 263
AQIS/AFFA	+61 (0)2 6272 3933
Australian Taxation Office – Wool	+ 61 1800 804 119
Export Finance Insurance Commission	+61 (0)2 9201 2111
Technical and Further Education Colleges	Refer telephone directory
Individual Companies	Refer to the telephone directory or the AWEX web site/Members

PRIME TYPE					QUALIFIERS				WHERE APPLICABLE
MANDATORY	WHERE APPLICABLE	MANDATORY	MANDATORY	MANDATORY	CONDITIONAL Non-AM	CONDITIONAL Non-AM	WHERE APPLICABLE		WHERE APPLICABLE
BREED GROUP	WOOL SUB CATEGORY	WOOL CATEGORY	STYLE FLC	VM TYPE	GREASY LENGTH INDICATOR	STRENGTH INDICATOR	QUALIFIERS (Not scaled)	QUALIFIERS (Scaled)	STANDARD COMMENTS
<b>AS</b> Australian Superfine	<b>W</b> Combing Weaners/Lambs	<b>F</b> Fleece	<b>1</b> Choice	<b>B</b> Burr	<b>10</b> 6-15 mm	<b>W1</b> Part Tender	<b>E</b> Necks	<b>H</b> Unscourable Colour	<b>GFS</b> Good for Style
<b>M</b> Merino	<b>L</b> Lambs	<b>P</b> Pieces	<b>2</b> Best Spinners	<b>E</b> Seed	<b>20</b> 16-25 mm	<b>W2</b> Tender	<b>B</b> Backs	<b>N</b> Water Stain	<b>PFS</b> Poor for Style
<b>X</b> Crossbred	<b>U</b> Plucked & Dead	<b>B</b> Bellies	<b>3</b> Spinners	<b>S</b> Shive	<b>30</b> 26-35 mm	<b>W3</b> Very Tender	<b>G</b> Doggy	<b>S</b> Dark Stain	<b>BOLD</b> Bold crimp
<b>D</b> Downs	<b>K</b> Shorn from Skins	<b>C</b> Crutchings	<b>4</b> Best	<b>N</b> Noogoora/Ring	<b>40</b> 36-45 mm		<b>M</b> ScourableColour	<b>Q</b> Dags	<b>PEN</b> Pen Stain
<b>T</b> Carpet	<b>G</b> Fellmongered	<b>Z</b> Locks	<b>5</b> Good	<b>T</b> Bathurst	<b>50*</b> 46-55 mm			<b>F</b> Soft Cott	<b>BIO</b> Bio-Harvested
<b>R</b> Sheds Fibre	<b>O</b> Overgrown		<b>6</b> Average	<b>M</b> Moit	<b>60*</b> 56-65 mm			<b>C</b> Med/Hard Cott	<b>LICE</b> Lice affected
	<b>N</b> Non Conforming Lot		<b>7</b> Inferior	<b>F</b> Bogan Flea	<b>70*</b> 66-75 mm			<b>J</b> Jowls	
<b>WHERE APPLICABLE</b>			<b>PCS/BLS</b>		<b>80*</b> 76-85 mm			<b>P</b> Shanks	<b>AWAS</b> Awassi
<b>BREED PREFIX</b>			<b>3</b> Spinners	<b>WHERE APPLICABLE</b>	<b>90*</b> 86-95 mm			<b>A</b> Dematitis	<b>DAMA</b> Damara
<b>R</b> Run with Sheds Fibre			<b>4</b> Best	<b>VM SUFFIX</b>	<b>100</b> 96-105 mm			<b>V</b> Skin Pieces	<b>DORP</b> Dorper
			<b>5</b> Good/Average	<b>L</b> Clumpy	<b>110</b> 106-115 mm			<b>R</b> Brands	<b>KARA</b> Karakul
			<b>6</b> Inferior		<b>120</b> 116-125 mm			<b>D</b> Mud	<b>VANR</b> Van Rooy
			<b>7</b> Stain		<b>130</b> 126-135 mm			<b>Y</b> Black/Pigmented	
			<b>CRS/LKS</b>		<b>140</b> 136-150 mm			<b>K</b> Kemp/Medullated	
			<b>4</b> Best/Good Bulk		<b>160</b> 151-170 mm			<b>U</b> Sweat/Frib	<b>SAMM</b> SAF Meat Mer.
			<b>5</b> Average Bulk		<b>180</b> 171-190 mm				<b>AUMM</b> Aust Meat Mer.
			<b>6</b> Inferior Bulk		<b>200</b> 191-210 mm				<b>DOHN</b> Dohne
					<b>..... 300</b>			<b>SCALE</b>	
								<b>1</b> Light	
								<b>2</b>	
								Medium/Line of	
					<b>F/P/B/C</b> *5mm inc. ASF1-2	<b>Combing</b>		<b>3</b> Heavy/Line of	